



Corporate Responsibility 2005

the value of talent



Indra

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Indra

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Indra's Vision of Responsibility of being an innovative, knowledge-based company in our relations with our internal and external stakeholders, as well as with the institutions that develop knowledge and the communities in which we operate, has materialised in a decisive impulse in 2005 following the continuous endeavour of the past few years that we have duly accounted for in our previous responsibility reports.

As part of the Corporate Responsibility Master Plan that was set in motion three years ago, the company embarked on new initiatives in 2005 which

entail the strategic integration of responsibility in all our activities and in our dialogue with all the stakeholders with whom we are involved.

A key example of Indra's commitment to innovation was the investment in R+D+i in 2005 of 85.9 million euros, this represents 7.2% of our revenue and an increase of 11.6% compared to 2004. In our desire to contribute to a strongly innovative general environment, we promoted the publication of the work Innovation and Entrepreneurship: Diagnosis of situation in Spain and action plan (*Innovación y capacidad para*

emprender: Diagnóstico de la situación en España y líneas de acción).

Also notable was the growth of our workforce, reaching 8,282 employees in 2005, having welcomed 1,663 new and highly qualified professionals on board.

Over the last few years, Indra has developed various tools for communicating with and measuring the satisfaction of our stakeholders, through which the company has been able to establish a dialogue with them and find out what aspects of our relations need improving.

The improvement of these channels of communication is a fundamental part of our Corporate Responsibility project and we are going to continue working along these lines in the coming years.

Furthermore, last year we carried out a survey on communications with shareholders and a major survey on the perception and evaluation of our employees ("With your opinion we can improve"). Using the results achieved from both surveys we are putting new improvement initiatives into action. In the same way, we have implemented quality in our

Javier Monzón Chairman



customer satisfaction measuring systems and laid the foundations for the future evaluation of suppliers in line with environmental criteria.

Aware of the importance to our company of knowledge institutions, and the value that we create together, this year Indra has paid a great deal of attention to coordinating all its relations with universities. A working group has been set up to develop and implement activities with knowledge institutions, and various systems for following up these relations have been set in motion.

With regard to the environment, Indra is taking the necessary measures to implement sustainable management in the company as a whole. In this respect, as part of our Corporate Responsibility Management Plan it is a priority objective for all our centres to achieve ISO 14001 and EMAS certification in the medium term. After the certification of our Arroyo de la Vega centre (Madrid) in previous years, this year we obtained certification for two new centres, San Fernando de Henares and Torrejón de Ardoz (Madrid).

In line with our continuous improvements in terms of

corporate responsibility and public accountability, this report has been prepared in accordance with the 2002 GRI Guidelines. It represents a balanced and reasonable presentation of our organization's economic, environmental and social performance and has been verified externally.

The common thread running through this Report is the value of talent, as it is upon the people capable of managing this knowledge for innovation that our Vision of Responsibility depends. Shareholders, customers, employees, suppliers, knowledge institutions,

society in general and the communities in which we operate, as well as the environment, are defined as our strategic stakeholders; these are not faceless collectives but are specific, talented individuals through whom we generate value. For this reason, this report is illustrated with examples of people who have made this value creation a reality.



KPMG Asesores S.L.
Edificio Torre Europa
Paseo de Castellana, 85
28014 Madrid

Verification Report

(Translation from the original in Spanish)

To the users of this report:

I. Introduction

We have been asked by Indra Sistemas, S.A. (Indra) to review the information on environmental and social practices for 2005 included in its Corporate Responsibility Report 2005 (hereinafter the Report), the preparation of which is the responsibility of Indra's management.

II. Scope

The Report describes the work carried out and progress made by Indra to achieve a more sustainable development. The chapter entitled "Principles governing this report" describes the scope of the environmental and social performance information contained in the Report. Our responsibility is to review the information contained in the Report and provide Report users with limited assurance that:

- The environmental and social data were obtained in a reliable manner.
- The information is adequately supported by internal or external documents.

Our review of the above-mentioned information has not included the verification of quantitative data relating to the examples of personal experiences included in the Report.

III. Review methods

Our work has been carried out in accordance with the International Standard for Assurance Engagements (ISAE 3000): *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board (IAASB). Among other requirements, this standard establishes the following:

- The engagement team should possess specific knowledge, skills and professional competencies needed to understand and review the information contained in the Report, and they should comply with the IFAC Code of Ethics for Professional Accountants, to ensure their independence.
- Where providing limited assurance on the information, which is a lower level than reasonable assurance, sufficient evidence should be gathered from the company's documentation and systems to support the information contained in the Report.

At present, there are no generally accepted principles preparing reports on a company's sustainable development performance. Indra applies its own criteria when establishing indicators and measurement methods, mainly based on dialogue with the company's main stakeholders and on the Guidelines issued by the organisation Global Reporting Initiative (2002), which has declared the Report to be "in accordance" with those guidelines. Indra's criteria are described in the chapter entitled "Principles governing this report", which explains the limitations affecting the environmental and social information due to its nature and the methods used for measuring, calculating and estimating each indicator.

IV. Work performed

Our review of the reliability of the environmental and social performance information contained in the Report has consisted of the following:

- Interviews with managers of the data-gathering systems used in preparing the Report
- Review of the systems used to generate, gather and provide this information
- Analysis of the scope of the information contained in the Report
- Review of calculations made by the company through sampling

V. Conclusions

On the basis of the work described above, we have not detected any significant deviations or omissions in the information reviewed. No other circumstances have come to our attention that lead us to believe that the procedures for obtaining the information are not appropriate.

KPMG ASESORES, S.L.

(Signed)

Julian Martín Blasco

4 May 2006

Indra's values and code of professional conduct

innovation as business culture



Indra believes that its success depends as much on its technological capabilities as the abilities of its employees, which must conduct themselves in line with principles based on the benchmark values that make up our business culture.

With the aim of these principles being genuinely operative, Indra has identified the specific attitudes and conduct that must be observed by its employees in their day-to-day activities.

Customer satisfaction:

It is a key objective for Indra to become a strategic partner of its customers, anticipating their needs and providing value at all times by developing solutions that even exceed their expectations and at the same time keep the organisation abreast of market trends.

Excellence:

Indra has a commitment to its customers, to society in general and to all the members of its organisation to uphold excellence quality standards, without concessions, in every aspect of its professional operations.

Development of Human Resources:

Indra's success depends on its employees, who are selected with the utmost care and actively encouraged to continue developing their professional skills in order to create opportunities for them to progress and ensure that we have a team of staff that is able to respond to the needs of our customers.

Integrity:

Integrity as honesty, justice and equity in the performance of professional duties. Indra's employees must demonstrate integrity, as this forms the basis for building the trust of our customers, suppliers and society in general.

Innovation:

The technological development of new applications and processes based on the use of technology is one of the cornerstones on which Indra's competitiveness is founded, so we need to be receptive, to channel and to foment constant innovation as a key factor in Indra's activities.

Profitability:

The fulfilment of the values mentioned above necessarily leads to and contributes to business profits and maximising Indra's value for its shareholders. The search of profitability must remain Indra's main goal and also be a basic requirement for ensuring the greater value of the company, generating capital returns to the benefit of our shareholders, and paying our employees a competitive salary.

It is based on these values, and on our relations with the different stakeholders with whom we deal, that Indra has drawn up its Corporate Responsibility Master Plan.

The success of a company such as Indra is founded to develop a corporate culture that is, in turn, firmly grounded in reference values and principles that guides its actions

To foster Indra's values, the company has established some essential rules, which define the company's expectations with regard to the conduct of its employees. These guidelines form part of the company's Professional Code of Conduct, which encompasses three areas:

Work-related conduct

1. Professional competence
2. A commitment to quality
3. Independence
4. Dedication
5. Communication

Resource-related conduct

6. Information management
7. Use of Indra's assets

Conduct relating to the business environment

8. Relations with customers and suppliers
9. Relations with external professionals and competitors
10. Social projection

The Code of Conduct forms a starting point for ethical and responsible behaviour at Indra.

The company's Corporate Responsibility Master Plan has adopted this Code as one of Indra's most valuable initiatives and will be actively implementing and updating it with regard to all the stakeholders with whom the company will have dealings during 2006.

Corporate responsibility management at Indra

the value of talent



Our Responsibility is founded on talented people that generate knowledge for innovation and create value for society

At the end of 2003, Indra implemented the Corporate Responsibility Management Plan. The aim of this was to give coherence to all the company's policies and actions concerning corporate responsibility (both current and future), to establish indicators to allow better public accountability and communication, and to drive the company forward in its role as a corporate citizen in line with its business goals.

The Plan arose this way from the company's conviction that Corporate Responsibility, rather than an accessory to business activities, is an inherent part of them and stems from the impeccable conduct of the company in all its relations with the stakeholders with whom it operates.

The Corporate Responsibility Management Plan covered three phases:

- The definition of Indra's Vision of Corporate Responsibility
- Diagnosis of the company's position in terms of Corporate Responsibility
- The development of a Corporate Responsibility Master Plan

For each phase, Indra developed various consultation, participation and communication tools in order to design a Corporate Responsibility Master Plan based on dialogue with stakeholders.

Vision of Corporate Responsibility

Indra's Vision, as a goal for its aspirations, a benchmark or a guideline for corporate responsibility, provides a fundamental point of reflection. For Indra, the company's responsibility must go hand-in-hand with its natural activity: the creation of wealth, which we achieve by providing solutions and services and through innovation, the feature that sets our company apart. Indra's Vision was therefore defined as follows:

To be an innovative, knowledge-based company in all relations with internal and external stakeholders (shareholders, employees, customers, etc.), with the institutions which cultivate and develop these values and the communities in which we operate.

Our vision of knowledge and innovation is essentially people-based, as it is they who are our protagonists; the people who research, learn, teach and, in short, innovate in terms of our solutions, services, methodology and the way we think.

Diagnosis of Indra's Corporate Responsibility

Having defined Indra's vision, the following stakeholders were identified to work out the Diagnosis and Master Plan:

- Shareholders
- Suppliers
- Employees
- Local communities in which we operate
- Customers
- Non-profit or third-sector organisations

Indra's specific stakeholders include the so-called **Knowledge Institutions**, i.e. organisations (such as universities and other educational and research institutions) whose core activity relates the generation of knowledge and its own dissemination. Indra also added the area of the **Environment** to this stakeholder map as being a key area of responsibility.

The framework for the company's Diagnosis of Corporate Responsibility was defined around three variables:

- **Relations framework:** the quality of Indra's relations with each of its stakeholders, measured by periodic appraisals.
- **Knowledge management:** the extent to which knowledge is exchanged with the different stakeholders, where applicable.
- **Innovation:** the extent to which innovation is generated through stakeholders relations.

Among other actions, the Diagnosis consisted of actions designed to encourage stakeholder participation and involvement, direct consultation of employees through discussion groups and complementary meetings, analyses of the findings of customer satisfaction surveys, and studies of other stakeholders' perceptions of their relations with Indra.

The Corporate Responsibility Master Plan

On the basis of this diagnosis, the Corporate Responsibility Master Plan was drawn up whose objectives were defined as:

- **The creation of an appropriate framework to ensure the company's recognition of the role of Corporate Responsibility as a driver of knowledge and innovation.**
- **The encouragement of stakeholder buy-in,** and, in particular, employee buy-in, fostering a Corporate Responsibility culture.
- **Facilitation of standardised accountability,** by defining the indicators to allow future reporting based on a GRI-compatible formula and external verification of the Annual Report with the AA1000 assurance standard.

The Corporate Responsibility Master Plan envisages various measures according to each stakeholder group, including:

- Implementation of new actions or programmes where necessary.
- Evaluation of actions or programmes already in progress in order to improve their effectiveness, communication or reporting methods.
- Definition of indicators, deadlines and responsibilities.

The Master Plan made it a priority to establish systems of consultation and participation with the different stakeholders with whom the company operates or, where applicable, improvements to these systems. Likewise, public accountability of responsibility entails the consultation and participation of the various people responsible for relations with each stakeholder group, as well as a two-way internal evaluation system.

In 2005, the Corporate Responsibility Master Plan was reviewed in order to check the fulfilment of objectives, set new indicators and implement new policies and value actions in 2006.

An overview of the evolution of Indra's responsibility management

In 2005, the Corporate Responsibility Master Plan was reviewed in order to implement new policies and value actions in 2006

2004

Definition of the company's Vision of Responsibility and approval by the Management Committee.

Preparation and approval of the Responsibility Diagnosis.

Production of the first 2003 Responsibility Report.

Implementation of the Internal and External Communications Plan based on Indra's Corporate Responsibility (a specific section on the Indra website with a glossary, FAQs, etc.).

Definition of the Corporate Responsibility Master Plan with the participation of the different managers responsible for relations with stakeholders (shareholders, employees, customers, suppliers, environment, knowledge institutions, local communities and the third sector).

The Master Plan established a decentralised responsibility management system as part of the company's own structure.

The Master Plan established objectives and indicators for future accountability both in terms of GRI and others relating to our activities.

The Master Plan promotes responsible policies and actions in different areas such as:

- Definition of Indra's Social Action Policy.
- Establishment of a consultation and survey system with suppliers.
- Definition of the Framework Principles for the company's relations with suppliers.
- Support of the United Nations' Global Compact and the Universal Declaration of Human Rights.
- Definition of the company's Diversity Policy.

2005

A second Responsibility Report on the company was completed (2004), following the established procedure of discussions with each manager responsible and a two-way system of evaluating and checking information. This Report was completed in accordance with GRI.

The company continued to implement the policies and actions promoted by the Corporate Responsibility Master Plan:

- The Inserta Convention was signed with the ONCE Foundation to integrate and promote people with disabilities.
- Promotion of technological development centres due to their value as generators of skilled jobs and regional development.
- Implementation of new Knowledge Management initiatives in the company.
- Improvements to customer satisfaction measurement systems.
- Study on communications with shareholders.
- “With your opinions we can improve” was put into action, a survey on the working climate, as a result of which new internal policies were defined.
- The Equilibra project was set in motion as an integral concept for achieving a harmonious work/private life balance.
- The centres at Torrejón and San Fernando were certified with ISO 14001 and EMAS standards and environmental education plans were developed.
- A manager was appointed for relations with universities.

The Corporate Responsibility diagnosis and Master Plan were reviewed. To do so, discussions were held with each person responsible for stakeholder relations (shareholders, employees, customers, suppliers, environment, knowledge institutions, the third sector and local communities) to set new timescales for future objectives and actions:

- Updating the Code of Professional Conduct in line with the Corporate Responsibility Plan.
- Revision of the map of environmental, social and ethical risks with each manager and setting the appropriate corrective measures.
- Extending environmental certification for Indra’s centres and promoting environmental responsibility in the supplier chain.
- Development of our own responsibility management system for future accountability and achievement of the SG21.

our partners in creating value

Indicators of Investor Relations

	2001	2002	2003	2004	2005
No. of analysts reporting on Indra	30	32	36	40	41
No. of international analysts reporting on Indra	13	16	20	23	24
No. of queries received by the Shareholders' Office	1,734	1,522	2,125	1,906	2,308
No. of analysts that made positives buy recommendations	17	25	23	27	12
No. of one-on-one meetings	175	209	289	306	275
No. of follow-ups on analysts' reports	145	157	174	140	118
No. of institutional investors visited during the year	345	778	619	686	722

One of the principles that inspires Indra's Corporate Governance is that of ensuring that extensive, updated information is conveyed to shareholders, investors and the markets in general on the economic and financial situation of the company, its business and its Corporate Governance in line with the principles of transparency and equality.

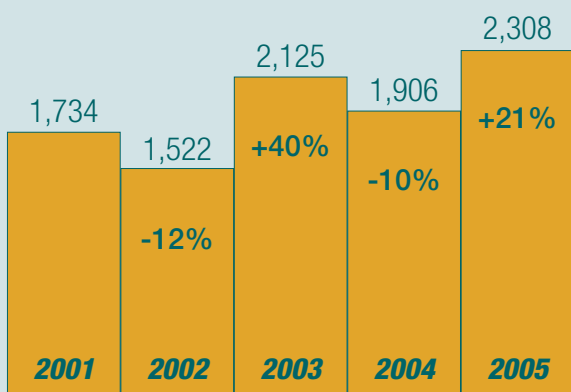
Indra's relations with shareholders and investors are characterised by and based on transparency and participation. Through its Department of Shareholder and Investor Relations, the company maintains a constant flow of communications with the investment community by various tools aimed at institutional investors as well as retail investors and minority shareholders.

The Department is responsible for the one-to-one presentations and road shows aimed at institutional investors, responding to requests for information from analysts and holding regular meetings with them, and, through the Shareholders' Office, it channels communications with retail investors by telephone, post, email and the website itself.

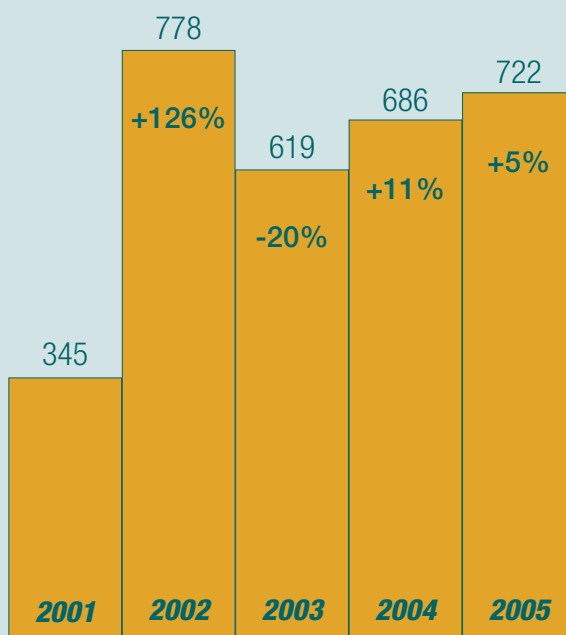
In 2005 the company undertook a study on communications with shareholders to find out if any improvements could be made in this area. As a result of the study, Indra is going to start issuing an informative newsletter specifically for its retail investors.

The 2005 Corporate Governance Report which accompanied the Corporate Responsibility Report included extensive information on the company and explained in detail the company's performance in terms of transparency and information.

No. of queries received by the Shareholders' Office



No. of institutional investors visited during the year



Recognition of Indra's relations with shareholders and investors in 2005

Award to the company in the European high-growth sector that best manages its relations with analysts and investors

from IR Magazine (December 2005)

IV Prize to the Spanish company with the best financial information on the Internet. Transparency and reliability of corporate information

Commendation given by the Spanish Journal of Finance and Accounting (AECA). (June 2005)

Prize for the best online service for investors

from Expansión.com (June 2005)

Special mention for progress in improving Good Governance and Reporting Transparency

given by the Financial Studies Foundation and Recoletos Grupo Editorial. (December 2005)

The preferred channel of communication with shareholders: the Indra website

Indra's corporate website was renewed in 2004 with the aim of incorporating better information for shareholders and investors and serving as an additional means of communication with the Shareholders' Office. In 2005 the structure and operation of the site were updated to make it easier for users to access and operate. As far as transparency of information is concerned, the "Shareholders and Investors" section of Indra's corporate website, in addition to the contents required by Circular 1/2004, of 17 March by the CNMV, envisaged by the Transparency Law, includes other useful information for shareholders and investors such as:

- Following up the General Shareholders' Meeting online via the website.
- The option of registering on an email distribution list whereby the Shareholders' Office informs subscribers of new items published on the corporate website.
- Quarterly financial statements which are not only available in PDF but can also be downloaded in Excel format which makes it easier for users to manage the information.
- Presentations to be made to investors and analysts.
- The Investor Agenda, featuring an annual calendar including events planned with analysts and investors and the expected dates for publishing the quarterly results.
- Analysts' recommendations for Indra, including their most recent published report.
- Information on the progress of general meetings, covering the last four years.
- The press releases issued by the company and news on Indra published in the press.
- Information on the likely date for convening and holding the next General Meeting as soon as the Board of Directors is aware of it, so that shareholders can propose matters to be discussed or included on the agenda.
- Since 2003, the Board of Directors has prepared a report on matters to be dealt with at the Annual General Shareholders' Meeting which is also made available on the website.



Indra Shareholder

Melchor Clemente

Participating in the creation of value

Melchor Clemente, a former bank employee, took an interest in Indra after reading an article in “Expansión” which described the company’s business. That was when, in 1996, he bought his first shares at 91 pesetas each. Today, having increased his shareholding in successive years by 400%, Indra shares represent more than 50% of his investment portfolio. Moreover, he describes himself as a “placing agent” for Indra shares, as he believes that the company has always tried to create value for its shareholders.

Over the last ten years, he has exhaustively followed the company’s progress in the financial press and, more specifically, by regular calls to the Shareholders’ Office (before this department existed it was called the Legal Advisory), visiting the Indra website and using the site’s e-mail subscription service. He is also very much looking forward to the Shareholders’ Magazine, a publication aimed exclusively at retail investors which is to be published soon.

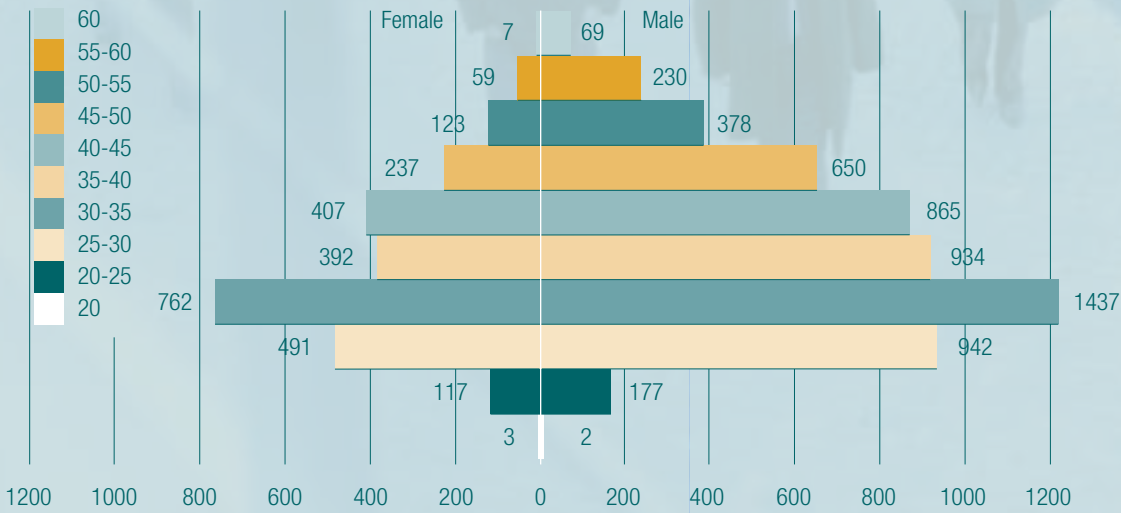
In all this time, Clemente has never missed a single General Shareholders’ Meeting, although last year, being unable to travel to Madrid, he had to follow the conference online on the website. In his first year as a shareholder, he was personally responsible for calling a dozen people to make them use the delegation of voting rights. He himself took charge of compiling them and sending them to Indra. In 2005, the number of delegated votes came to 100. In the same way, at the last AGM he helped to foment the use of electronic voting, encouraging another 15 people to use the system, as he believes that Indra is the company that offers the highest levels of security with this system.

If he had to highlight a particular quality of Indra, this would be the clarity and amount of information the company disseminates. His wish as a shareholder is for Indra to be quoted on the New York stock exchange.



managing talent and diversity

Analysis of employees by age



Indra's Vision of Corporate Responsibility is firmly founded on the importance of knowledge management for innovation and for the people who have the ability to innovate and create value. This is why the company's relations with its employees are an absolute priority.

In 2005, as part of the company's Corporate Responsibility Master Plan, Indra instigated a study on the working climate, **"With your opinions we can improve"**, as a key tool for communicating with employees and gauging their expectations and the internal evaluation of the company.

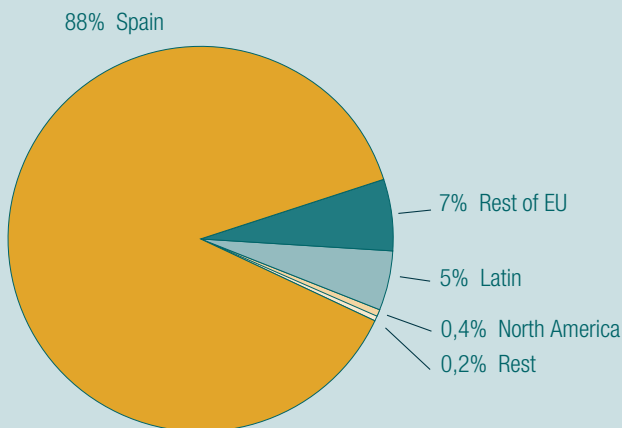
The study involved surveying 3,268 employees and was based on three main areas: their opinion on their own job, immediate boss, department and projects; their perception of the company, and finally their suggestions for improvements and which aspects they rated highest overall. From the results obtained, the company is developing a number of initiatives in four main areas: employee development, internal communications, motivation and loyalty.

Following the company's declaration on Diversity in 2004, Indra's commitment in this field materialised, among other initiatives, in the signing of the Inserta Convention with the ONCE Foundation which was consolidated in 2005 with the incorporation of 12 new members of staff, bringing their talents to the company.

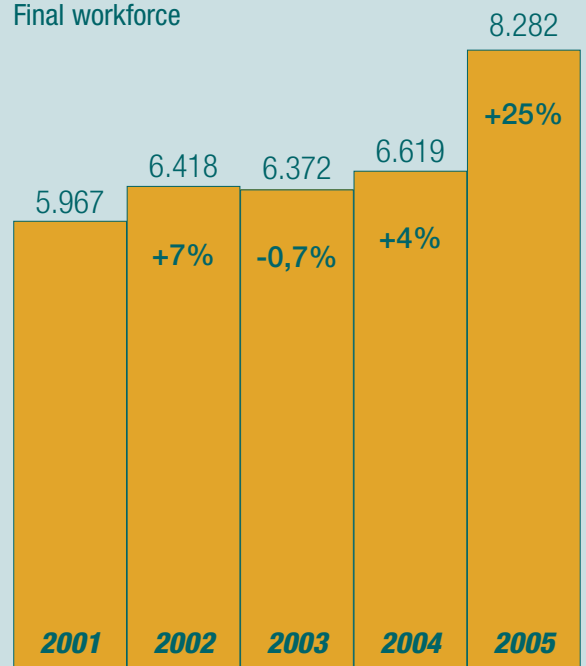
Indra has two main areas of development in its relations with employees: innovation in people management and support for employees so they can generate knowledge for innovation.

Innovo is the global branding under which Indra develops new ways of working in order to bring value to all its employees, increasing their motivation and efficiency. More specifically, through **Equilibra**, the company has instigated initiatives relating to work/private life balance as well as others relating to improving employee's mobility and geographical location in Spain. These measures are applied at all Indra sites in accordance with the regulations in force in each country. Tele-working, the reduction of the working day or part-time work are some of the options in this area.

Analysis of employees by geographic area



Final workforce



W@vo: Indra's experience with tele-working

Under the name of W@vo, Indra has undertaken an interesting experiment in tele-working in which 23 employees were participating at the end of 2005. During the course of the year a follow-up report was made on both the tele-workers themselves and their immediate superiors to assess both parties' satisfaction with the experiment. The most significant results were as follows:

Tele-workers:

- 85% are very happy with tele-working, a percentage that increases the longer the staff member participates in the programme.
- 100% of those surveyed want to continue tele-working.
- 31% believe that their performance has improved and 69% that it is still the same.
- 100% believe that their relationship with their colleagues and bosses has remained the same.

Managers:

- 100% believe that motivation has increased.
- 62% believe that employees' productivity has increased.
- 81% show flexibility.
- 94% believe that communications have been maintained.

The most notable results of **Equilibra** in 2005 were as follows:

- 24 employees benefited from the financial assistance provided by the company for employees with disabled children.
- 27 mothers benefited from a 50% reduction in their working day during their first month back after maternity leave (on full salary).
- 231 employees on official courses used this option to take days off to attend their courses.

Training is another of the mainstays of people management and a key element in promoting knowledge for innovation in people. In 2005 a total of 177,888 hours of training were imparted (47,020 of which were on-line), through 802 training courses which were attended by 7,780 students. In 2005, Indra became the Spanish company with the highest number of employees with PMP qualifications (Project Management Professional) on its workforce. This certificate accredits the employee's competence in project management and the planning, organisation, commitment and people management required by the project, with the aim of achieving the desired results in order to guarantee to customers the fulfilment of agreed objectives and deadlines.

Meanwhile, through the Internal Talent Search programme, we are developing three key areas: the General Development Plan for managing the talents of all employees; Investment, to identify management potential; and finally, Business Management Potential, to identify successors for key positions. Along the same lines, Indra is implementing mentoring experiments in certain areas as a support for training and career development.

To foster innovation and talent in our professionals it is necessary to have a working environment that allows them to access the company's knowledge and exchange it. For this reason, in 2005 we continued to carry out various activities geared towards divulging

and sharing knowledge, encouraging the involvement of employees and fostering their initiative skills. In recognition of this work, Indra received the award for Best Employee Portal 2005 given by the Companies' Institute, the Grupo Infopress and the Capital Humano magazine.

During 2005, the Indr@web re-launched forums as a platform for dialogue and exchanging information, by means of which the company's knowledge management is fostered in a culture of participation. The forums were divided into two main areas, professional and social, and emerged as an excellent tool for sharing knowledge.

In Spain, trade union and legal representation of employees is carried out by the trade union organisations within the company and the committees established at the work sites where these organisations have held trade union elections. The trade unions and committees are provided with premises for carrying out their work in proportion to the needs, size and capacity of each work site. Trade union representatives are also provided with facilities for disseminating information, collecting union fees and time during working hours to carry out their work as representatives.

Indra's management team liaises constantly with the employees' representatives in Spain for whom it provides quarterly information on:

- Staff recruitment and losses.
- Subcontracted jobs.
- Balance Sheet, Profit and Loss Account and Consolidated Cash Flow statement.
- Overall economic data, broken down by business and geographical areas, concerning sales, recruitment, margins, employment, etc.

in 2005 we continued to carry out various activities geared towards divulging and sharing knowledge, encouraging the involvement of employees and fastening their initiative skills

Industry and Commerce

Paula Aguado

Working from home

For Paula Aguado and Indra, the opportunity to work from home is proving mutually beneficial. For Paula, tele-working requires discipline and dedication, the right environment and obviously an immediate superior who supports the initiative, this being the case with Pepe Señor.

Indeed, not every job is suitable for carrying out at home, but many of them are, and in other European countries this option is regarded not only as a way of facilitating the personal life-work balance but also as a tool for reducing traffic congestion, and consequently pollution, in major cities. Not to mention the increase in productivity and motivation that this option so frequently involves, which is what has happened in this particular case.

In Paula's example, her work on the IT Research Committee, which provides information for the Management Committee and Working Groups, seemed made to measure for tele-working as she does not have to be physically present at Indra to do her job.

Online from when she turns on her computer at 8.00 am, Paula sets herself a fixed schedule and rules for not mixing her two worlds: "It's just as if I'm going to the office with set working hours", she says. During this time, she is in constant contact via email or telephone, holds whatever meetings are necessary and, of course, pops into Arroyo de la Vega on a regular basis.



In terms of health and safety, Indra encourages the consultation and social participation of its employees

Every year the employees' representatives take part in drawing up and monitoring the Training Plan, for which they are provided with exhaustive information on the objectives, resources and characteristics of the training projects.

In terms of health and safety, Indra encourages the consultation and social participation of its employees in Spain. To this end, the company has set up Health and Safety Committees at its working sites with more than 50 employees. These committees have the status of professional association and their mission is to keep a regular check on Indra's actions in terms of risk prevention. They hold regular meetings, the contents of which are recorded in the relevant minutes.

The mission of these Committees is to:

- Participate in drawing up, putting into practice and evaluating the company's risk prevention plans.
- Put forward initiatives on methods and procedures for effective risk prevention.
- Put forward proposals to the company for improving conditions or correcting any existing deficiencies.

The Health and Safety Committees at Indra's working sites have achieved several agreements on Health and Safety issues, notable amongst which are:

- The internal operating regulations of the Committees themselves.
- Annual programme of preventative actions to be implemented.
- Appointment and constitution of Emergency and Evacuation Teams.
- Risk evaluation methods in terms of Safety, Ergonomics and Psychosocial factors.
- Smoke-free workplaces.

At some working sites Internal Regulations for the Health and Safety Committee have been established.

Indra's Risk Prevention Services investigate and record occupational accidents (except "in itinere") by means of protocols and documents adapted to the series of practical recommendations given by the ILO. These accidents are analysed by the company and are reported to the Risk Prevention Managers where this person exists. The Risk Prevention Services make a quarterly report to the Health and Safety Committees, including the documentation relating to the analysis of each accident. Every year the Risk Prevention Services draw up a Preventative Activities Report which, amongst other items, reflects all the data relating to occupational accidents, with the aim of drawing conclusions for the next Annual Risk Prevention Programme. This report is available for viewing by the Employment Authorities and a copy is sent to the Risk Prevention Representatives. In 2005, a total of 8,300 hours of risk prevention training were received at Indra.

Indra ensures that all employees in Spain undergo regular health checks in accordance with the risks affecting their position.

Special attention is also paid to protecting and monitoring employees who have declared a physical, mental or sensorial disability or are particularly sensitive to occupational risks.

In terms of social benefits, 93,5% of Indra's employees are covered by accident or illness insurance up to 100% of their salary. The company has taken out life insurance for all its employees. 67% of Indra's employees also benefit from luncheon vouchers. All Indra's employees have access to personal low-interest loans.

In 2005, 127 women took temporary maternity leave. For this same reason, all the requests for leave of absence were granted as were the 59 requests for reduced working hours.

Indra forums: Shared knowledge, learning communities

In 2005 Indra re-launched forums as a key tool for encouraging its employees to share knowledge. 1,409 professional topics were put forward for discussion and 7,927 messages were posted, doubling the average of the previous three years.

The following details show the depth and productivity of the forums:

- Since the forums were introduced on 8 March 2005 there have been 1.2 million messages posted on the screens of the different users using the forums. An average of 817 users have visited the forums every day.

- The forum search engine has been used 89,185 times in the search for information.

- In the forums grouped under the heading “Human Factor”, 99 topics were raised and there were 1,366 messages in the eight months of its operation.

- Professional forums represented 77% of total activity, with the remaining 23% dedicated to social forums.

- The conclusions of an open discussion by users and the suggestions received from various sources resulted in the expansion of the features of the forums, highlights of which were the evaluation of messages and the recent introduction of “my profile”.

To publicly acknowledge the contribution of this shared knowledge environment, the **Fermat Prizes** have been established. In addition to online activity, 11 **technological meetings** and 3 **Human Factor forums** were held offline.

Equilibra: Indra's work/private life balance policy

Under the name **Equilibra** Indra has initiated a system in Spain for balancing work and family life based on two main policies:

Flexibility policy

entailing solutions for making working hours more life-compatible and increasing the ways of organising the working day.

Professional services and support policies

providing the help and tools necessary for reducing the extra-organisational load on the employee and their adaptation to the workplace.

Equilibra, which will continue to be developed in the future, already offered the following options in 2005:

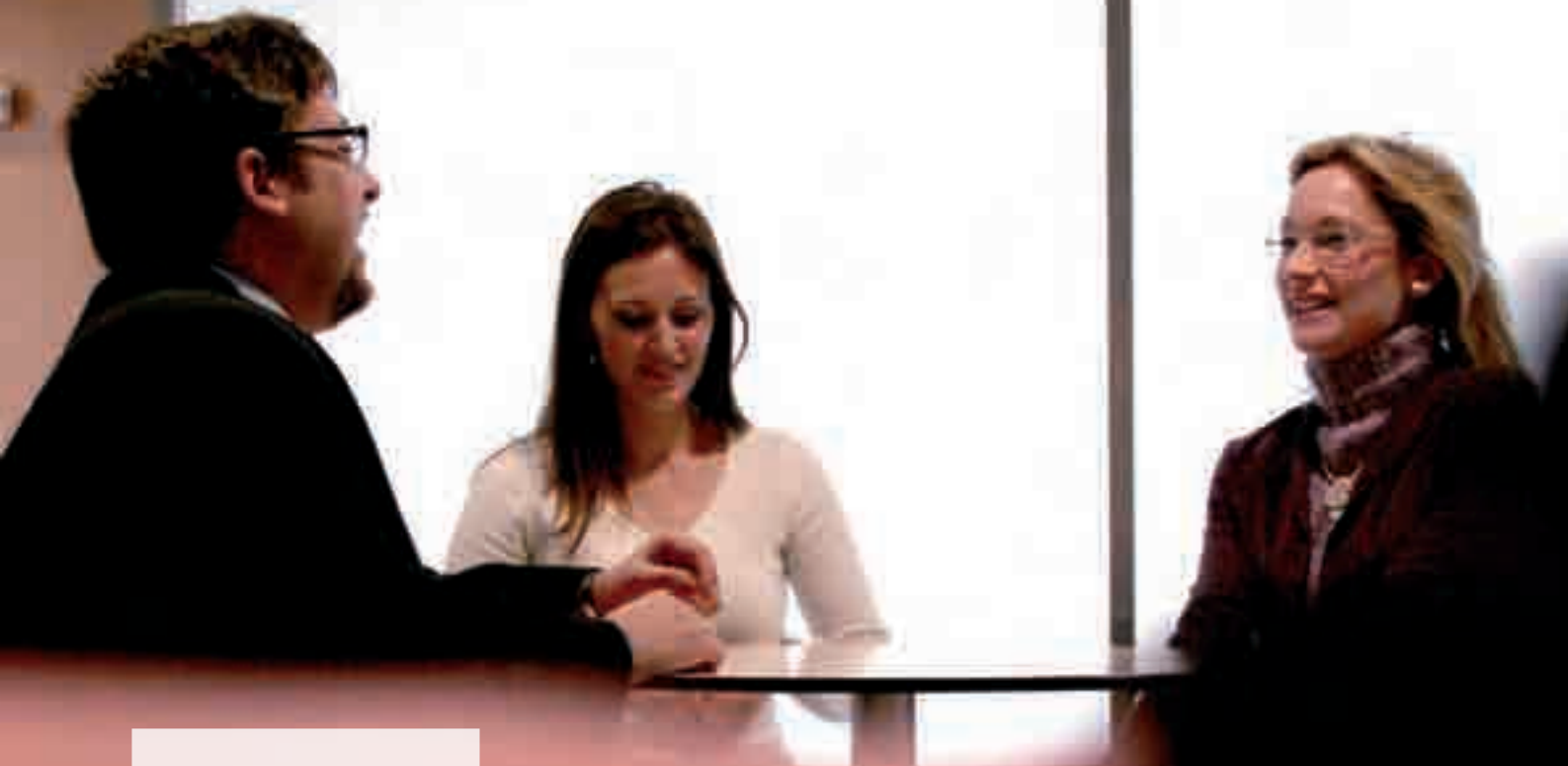
Flexibility Policy

1. Compressed working week (Friday afternoons free).
2. A flexibility band of 30 – 60 minutes, depending on the site, for arriving at and leaving work.
3. Flexible lunch hour of 30 or 45 minutes, also depending on the site.
4. Three working days of paternity leave, which is one day more than the statutory allowance.
5. One-day wedding leave for children, parents or siblings if in the same or a neighbouring province to where the employee works, extendible to two days or more in other cases.
6. In the event of the serious illness or death of family members (up to the second degree of consanguinity), one additional day to statutory leave, i.e. 3 to 5 days in total depending on the distance to be travelled.
7. Opportunity to add one full day per month breastfeeding leave up to the age of 9 months.
8. In the case of temporary incapacity that involves hospitalisation during holidays, those days will be excluded from calculating the holiday period.
9. Time off to accompany children under 14, physically and mentally disabled dependents of all ages, and spouses on visits to the doctor.
10. Ten full or 20 half-days per year for people on official courses to sit exams.
11. Whatever time is necessary to see the GP or national health specialist.
12. If the employee has been at the company for over a year, he/she can ask for unpaid leave of up to three months so long as his/her direct superior is in agreement with this.
13. After returning from maternity/paternity leave, the employee can work 50% of the normal working day while still receiving 100% of his/her salary for the first month.

Services policies

1. Employees caring for disabled children receive financial assistance.
2. The company makes up social security contributions to 100% of salary from the first day of maternity leave.
3. Indraclub: through this club, Indra offers its employees reduced prices on products and services.
4. If the employee has an officially recognised disability of at least 33%, Indra finances 100% of the cost of a broadband line.

Indra sees it as an obligation to value their employees without judging or discriminating against them in any way with regard to their nationality, race, religion, sex, political views, sexual orientation, marital status, disability, social background or any other factor



Diversity Policy

Indra's business activities are based on the innovation and talent of its employees. These are the people who are responsible for research, learning, teaching and, in short, innovating in terms of solutions, services, methodologies and ways of thinking.

Indra therefore equates its success with its employees, and sees it as an obligation to value their employees without judging or discriminating against them in any way with regard to their nationality, race, religion, sex, sexual orientation, marital status, political views, disability, social background or any other factor.

Indra is committed to and upholds diversity, because the company sees it as a driving force for innovation, both in terms of the internal management of its resources and the generation of services, and therefore as a vehicle for achieving corporate goals. Indra applies this same approach to diversity in its recruitment procedures as well as in assessing, remunerating and promoting its employees.

At the same time, Indra is aware that this diversity policy should not only ensure equal opportunities for all its employees but also uphold their dignity and rights in their jobs on a daily basis. For this reason, Indra's efforts are geared towards respect for different cultures and human rights as well as instilling these values in their employees to create a pleasant working environment that enables people to develop all their talents and skills.

To make this policy a reality, Indra recognises the following rights of its employees:

- Health and safety in every operation and installation
- Freedom to join trade unions.
- The right to fair pay in line with the job market.
- Equality of opportunity.
- Training.
- Respect for diversity

General profiles	2001	2002	2003	2004	2005
Top executives	97	100	105	119	122
Percentage qualified or highly qualified	80.2	81.3	84.2	84.9	82

Diversity

No. of employees in Spain	5,674	5,758	5,713	5,834	7,240
No. of employees in the rest of the world	293	660	659	785	1,046
Percentage of male/female employees	71/29	70/30	70/30	71/29	69/31

Commitment and motivation

Average length of service	9.6	10	9.6	9.7	8.9
Percentage of employees in a variable remuneration system (1)	19	27	28	29	25
Percentage of employees promoted (2)	4.98	4.99	3.65	4	6
No. of employees in skills evaluation systems (3)	4,536	4,813	4,853	5,595	6,272
Percentage of employees in Stock Option plans	78.35	67.67	60.9	54.9	54.54
Undesired external turnover (2)	6.7	3.7	4	4.5	6.5

Experience (4)

Average age of the workforce	37.4	38.1	38.3	38.6	38.1
Average professional experience	13	13.7	13.9	14.3	13.8
Average age of executives	47.1	47.8	48.1	47.8	46.9
Average professional experience of executives	22.5	23.4	24.4	24.1	23.4

Training and Knowledge (5)

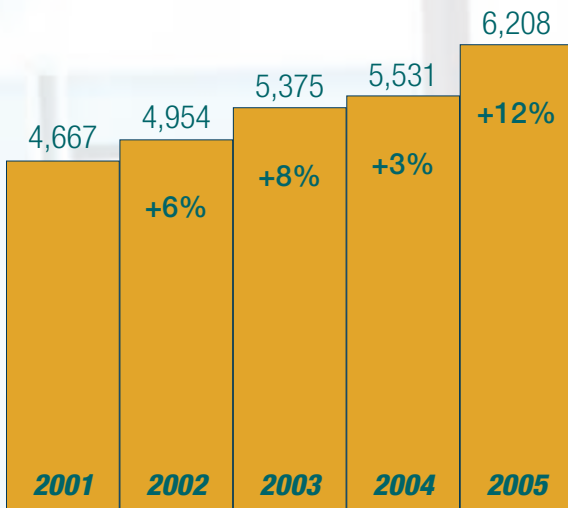
Total training hours imparted (6)	144,122	103,604	124,020	166,912	169,588
Expenditure on training as percentage of total remuneration	2.55	2.01	2.15	2.80	2.38
Training appraisal: student satisfaction (1-5) (7)	3.84	3.91	3.9	4	4.1

Indra's appeal as an employer (4)

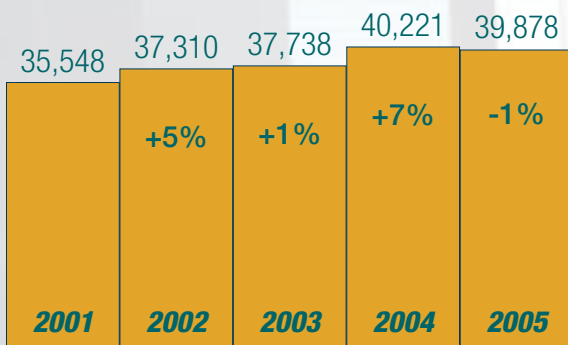
No. of spontaneous job applications (8)	19,428	20,400	18,400	19,231	18,753
No. of job applications per post advertised	252	276	268	216	176

(1) Calculated on 93% of employees; (2) Excluding BMB; (3) Including Indra Sistemas, Indra ATM, Indra Espacio, Indra Sistemas de Seguridad, Indra Portugal, Indra Chile and Indra Argentina; (4) Estimated data; (5) Data for Spain; (6) Excluding prevention hours; (7) Including value of on-line training; (8) Excluding Europraxis.

Graduates and staff with high qualifications



Total job applications received over the year



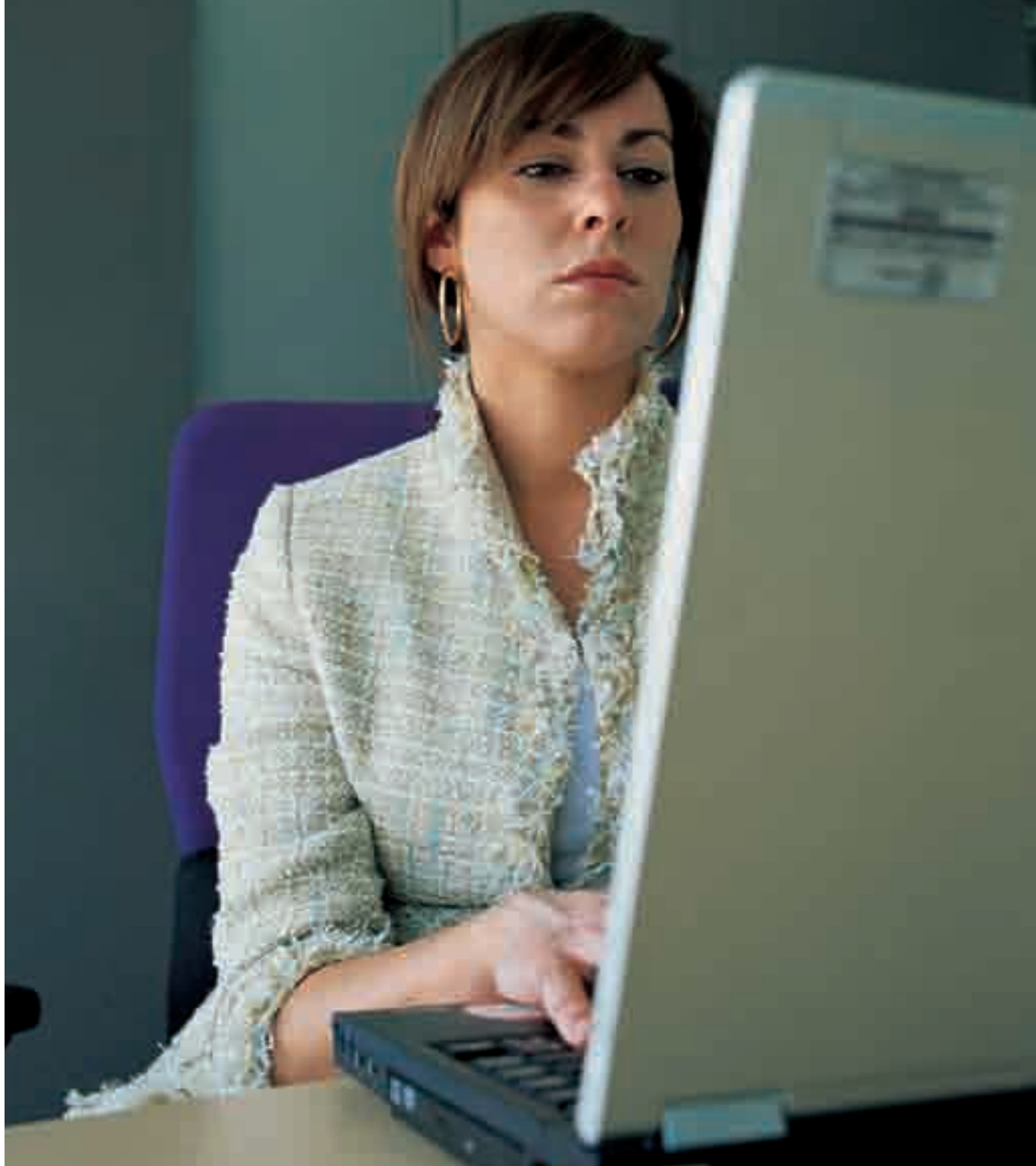
Occupational Accident Rate

Rates	2003	2004	2005
Frequency rate	22.6	18.41	16.12
Incidence rate	37.9	30.8	27.04
Severity	0.11	0.07	0.05
Average duration	4.69	4.05	4.54
Mortal accidents	0	0	0

With and without leave (Excluded accidents in itinere, spanish data)

Indra and its customers

improving quality



The quality of our solutions and services and customer satisfaction are a fundamental cornerstone of our corporate responsibility. For this reason, the company's quality policies and systems and the way our customers perceive us are extremely important in this respect.

Indra is among the leading companies in the technological sector in terms of prestige and currently appears in 16th place on the MERCO ranking (Spanish Corporate Reputation Monitor) which selects the top 100 companies from 2,500 around the country. Last year, Indra received the Computing 2005 Prize in the category of Security in recognition of the company's work as an ICT user in implementing its single employee card based on a public code infrastructure, and the prize for the Generalitat on the Web project.

Indra develops projects of tremendous technological complexity which demand the highest standards of quality in their processes. Indra's certifications include ISO 9001, EN 9100 regarding aerospace and ISO 14001 regarding the environment, and a Quality Guarantee System for every Indra facility and activity relating to Defence in accordance with PECAL standards 110, 160 and 2110. In 2005 the company has continued working to adopt the CMMi (Capability Maturity Model Integrated), a methodology for improving processes that covers the entire lifecycle of project development and management. In 2005 the Automated Simulation and Maintenance Systems and the High Performance Applications Maintenance Centre (CARMA), obtained Level 3 CMMi recognition from the SEI (Software Engineering Institute) of the Carnegie Mellon University in the United States. Our Project Development Management also received the same recognition for the Development Centre Network.

Customer satisfaction is an area of management to which numerous efforts are dedicated and encapsulates the following tools:

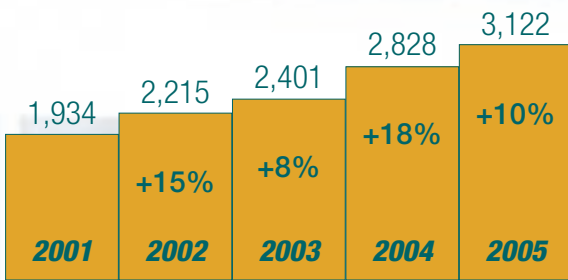
- An annual corporate survey by an external consultant of a significant sample from our customer portfolio.
- A systematic internal end-of-project survey of the Project Manager.
- The preparation of six-monthly and yearly follow-up reports.
- Continuous improvements in processes directly relating to customers.

The Corporate Customer Satisfaction Survey is an annual process for gauging customers' perception of the quality of service provided throughout the year. The survey has been carried out since 2002 and last year 55 customers took part in a representative survey of 180. The results obtained were positive (3.8 points on a range of 1 to 5), showing an improvement over the previous year.

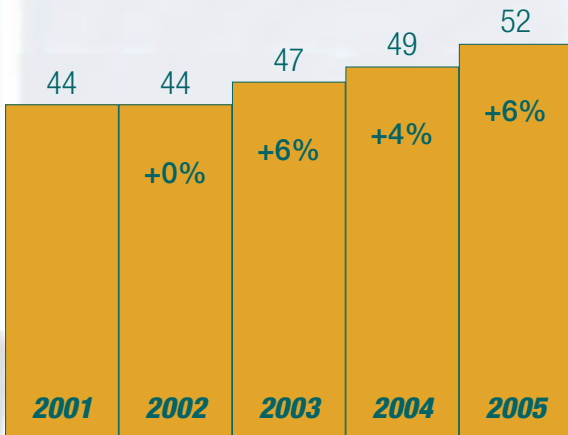
The End-of-Project Survey is a permanent process to gauge the perception of Project Management in relation to the quality of service throughout the project. Indra put this system into action in 2004 in Spain and Portugal. In its last report, relating to the second six-month period of 2005, 445 projects were assessed and data on more than 1,500 already-evaluated projects is available. The general perception of the Project Manager was positive.

The quality of our solutions, services, and customer satisfaction are a fundamental cornerstone of our corporate responsibility

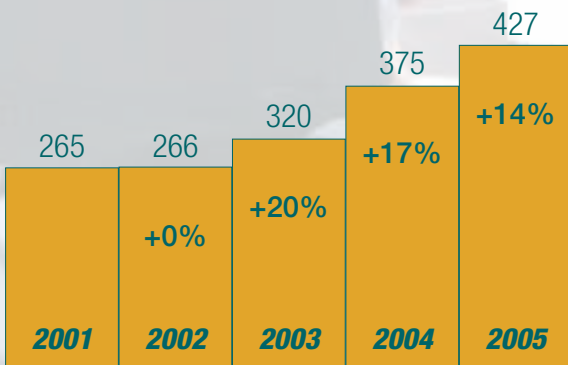
Total number of customers over year



Number of countries where Indra has a reference



Total international revenue (€M)



Customer profile	2001	2002	2003	2004	2005
No. of customers in the public sector	351	355	358	510	698
No. of customers in the private sector	1,583	1,860	2,043	2,318	2,424
No. of new customers	284	281	186	409	249
Turnover of the top 35 customers (€M)	454	515	568	606	691
Customer satisfaction and loyalty (1-5)		4	3.7	3.7	3.81

Diversity

International market: % order intake	35	37	30	39	34
Revenue, rest of the European Union (€M)	124,447	154,388	193,306	261,858	281,620
Revenue in USA and Canada (€M)	38,582	41,312	45,672	30,769	36,994
Revenue in South America (€M)	76,934	40,461	43,487	47,804	57,705
Revenue in Asia and rest of the world (€M)	25,487	30,034	37,926	34,453	50,343

Image

No. of website visits	-	-	295,811	379,626	394,122
Average daily website visits	-	-	810	1,037	1,080
Single website visitors	-	-	96,293	116,849	121,213

Analysis and Commercial Follow-up Manager Indra

Francisco Ibáñez García

Evaluating customer satisfaction

How does Indra measure customer satisfaction? Francisco Ibáñez explains how the company has been developing various measurement systems since 2002 with a clear goal: improvement.

Customer satisfaction, he explains, has a particularly vital strategic value for the company. To make sure nothing is left to chance, Indra has not only one procedure in this respect, but two.

Customers' perception of the quality of the service provided has been measured every year since 2002 by a corporate survey. A customer sample is drawn up to create a file; a questionnaire is then sent out, in this case in English, and replies are sent by pre-paid post or by accessing the website. All this is accompanied by telephone follow-up. "When we receive the replies from the customers, regardless of the subsequent processing of the information, any problems encountered are immediately notified", explains Francisco Ibáñez, which allows the Market Managers to provide a solution as soon as possible. "Once the survey has finished, the data is processed and a report is drawn up with the results which is presented to the Management Committee and then specific reports are distributed to the Market Managers".

In addition, Indra carries out another ongoing survey on the perception of the Project Manager in terms of the quality of service provided. These end-of-project surveys have been carried out since 2004 and entail a six-monthly evaluation of results. On this occasion the questionnaire forms part of the management system of GEP projects – GESTIONA – so that when the Manager notifies the end of a project the application opens up the questionnaire for completion.

The reason for this double system, explains Francisco Ibáñez "is to be able to obtain and cross-reference results on customer satisfaction from different approaches: the quality perceived by the customer, the quality desired by the customer, and the quality perceived by the Manager".



Indra and its suppliers

promoting responsibility in the value chain



Our suppliers are our partners in innovation and a fundamental stakeholder in developing our Corporate Responsibility. As a result of our Corporate Responsibility Master Plan in 2004, we established the Framework Principles for Supplier Relations to encourage responsibility at every level of the value chain, as well as a regular consulting system which we implemented last year.

In 2005 the number of suppliers surveyed increased from 137 to 229 and an improvement of 60% was achieved in the response rate. On a scale of 1 to 5, supplier satisfaction last year was 4.06. The most highly-rated aspect of our company is its capacity to fulfil contractual terms (for 94% of those surveyed, their satisfaction level was high or very high). 85% of the sample also believed that Indra is a commercial point of reference and for 66% of them relations between the company and suppliers have significantly improved. As areas for improvement, the suppliers highlighted, amongst other things, the need for better ordering procedures and to improve liaison with other departments involved in projects.

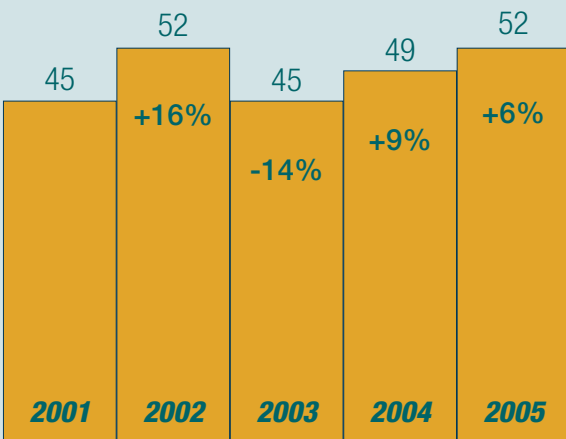
In 2005 we put into operation a three-year Strategic Purchasing Plan with the aim of reviewing, simplifying, automating and applying new e-commerce technologies in the purchasing process. The most important actions that Indra is taking in line with this Plan are as follows:

- Elimination of paper in issuing all orders, and the use of electronic signatures.
- Implementing an automated Order Follow-up Procedure (SASP).
- Automation of the purchasing process of MRO items (maintenance, repair and operations) and standard production items from distributors' catalogues.

The automation process has made it possible for electronic follow-up to be used for almost 200 suppliers. We should also point out in this respect the development of suppliers' websites, to which 45 of our main suppliers are configured.

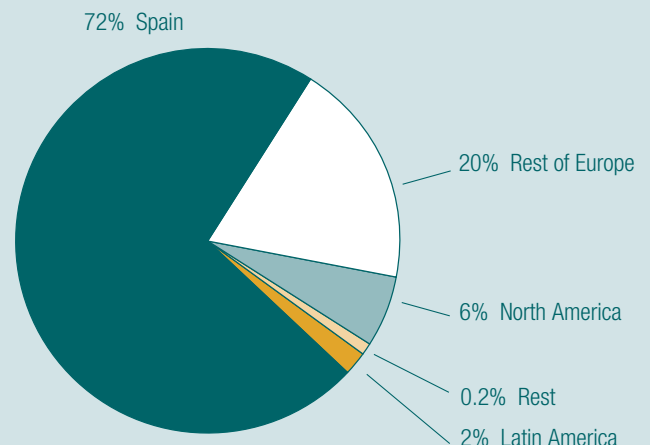
Finally, in 2005 Indra started working on a survey on subcontractors in their Torrejón and San Fernando de Henares plants (Madrid) on environmental issues, which will be implemented in 2006 with the aim of establishing minimum environmental requirements for subcontracting purposes.

No. of current joint ventures



Data as 31st December 2005

Distribution of suppliers paid in & by country



Indra's Framework Principles of Relations with Suppliers

Main objectives

Indra's relations with its suppliers are one of the mainstays of the company and a key factor in the quality of the services we offer our customers. Indra has established stringent standards both in terms of quality and the way we conduct our business relations. For this reason, we expect the same kind of commitment from our suppliers.

All supplier organisations with which Indra collaborates are encouraged to regard us as their prime development partner and the company undertakes to make its business visible and accessible to them.

This general declaration is reflected in the following specific intentions, objectives and commitments:

1. How Indra would like to be perceived by its suppliers

As a benchmark of technology

As an excellent customer –“The Customer”– in terms of solvency, professionalism and growth

As a demanding customer

As a customer that meets its commitments and cooperates with its suppliers

As an excellent commercial reference

2. What Indra expects from its suppliers

Involvement in and commitment to Indra's goals to achieve the highest customer satisfaction

Strict compliance with agreed commitments

Sustained excellence in the quality of the goods or services supplied

A flexible management and response capacity to enable Indra to adapt at all times to any changes in customers' requirements

An ethical approach and transparent management

3. What Indra offers to its suppliers

Participation: By encouraging suppliers to participate in the business areas in which they are involved to gain a better understanding of Indra's needs and to contribute their experience

Selection: Indra's policy for selecting suppliers is based on the principles of professional ethics and free competition

Communications and relations: We establish reciprocal communication channels that encourage and ensure transparency in our relations and mutual understanding, and also make us aware of situations or possible changes in either organisation that might effect compliance with contractual agreements, in order to seek joint solutions

4. Human Rights and essential employment standards

Indra acknowledges its responsibility by virtue of the Universal Declaration of Human Rights to promote and protect human rights in our business operations.

We also recognise the principles of the Global Compact and we have a Diversity Policy.

We urge all our suppliers to adopt a similar approach. In particular, we expect our suppliers to:

- Comply with applicable legislation and the recommendations ratified by the ILO.
- Provide a safe working environment, providing access to protective equipment and health and safety training to minimise potential risks
- Treat their employees fairly and not discriminate against them for reasons of gender, sexual orientation, race, age, trade union membership, political views, marital status or nationality

5. Commitment and environmental impact

Indra aims to work with suppliers who demonstrate a commitment to the environment and develop environmental management systems, particularly suppliers who:

- Comply with current legislation
- Implement and commit to appropriate environmental policies
- Recognise the key environmental impacts of their business
- Oversee and regularly report on increasingly stricter objectives
- Adopt the necessary environmental management systems and assign the relevant responsibilities

e-commerce: reducing consumption and saving time

The e-commerce initiative instigated in 2005 is a very valuable part of Corporate Responsibility due to the considerable reduction in consumption and savings in time, as shown by the following figures:

Reduction of paper consumption by **3 tonnes per year**: we have stopped printing **432,000** order forms and **216,000** additional information sheets

Environmental impact: we have saved **48 more trees** for more than 20 years and have also saved **2,100 m³** of water.

Reduction in sending orders to suppliers:
Previously: **3 to 5 days**
Now: **Online**

Reduction in the internal signing cycle:
Previously: **3 days**
Now: **1 day**

Reduction in paper filing:
50 m³ per year

Commercial Chief Spain & Portugal. Farnell InOne

Juan Carlos Rodríguez

The future of B2B: e-commerce

As a supplier to Indra, explains Juan Carlos Rodríguez, the experience of automating orders is proving very beneficial. After eight years of relations with Indra, *Farnell InOne* has been working on this platform for one year now, which will end up with complete automation on both sides in a genuine example of e-procurement.

“At the moment, the digital platform that part of the catalogue is already posted on is enabling Indra to deal with us in an automated, decentralised way. Every day we access the purchasing portal to see what orders have come in, at which point the delivery date is confirmed and the order is validated, and if this is not possible it is notified via the portal itself”.

E-commerce means less chance of mistakes, an increase in reliability and obviously reduces costs by eliminating telephone calls, faxes and email. As far as this supplier to Indra is concerned, we are looking at the future of B2B relations, something that will allow an exponential improvement in relations between the two parties.



Indra and the environment

towards sustainable management throughout the company



Although Indra does not carry out any highly polluting activities, we are firmly committed to the environment, as reflected by our environmental policy and by the conviction that high-tech services can make an effective contribution to improving our environment.

Indra has established and implemented an Environmental Management System based on the guidelines of the UNE-EN ISO 14001 standard and EU Regulation 761/2001 Environmental Management Audit System (EMAS) in Arroyo de la Vega and, in 2005, two other centres, Torrejón de Ardoz and San Fernando de Henares. Our medium-term goal is to implement this system in all the company's other centres.

Indra has instigated various environmental awareness-raising campaigns in these centres, distributing a Good Practices manual on indr@web as well as other methods.

The Arroyo de la Vega environmental management programme had the following targets and goals in 2005:

- To reduce the consumption of natural resources by reducing the electricity we consume per person per year by 1%.
- To reduce the consumption of raw materials by an overall reduction of 1% per person in one year of the use of white organic paper, changing over to using recycled paper.

With regard to the 2005-2006 period, the following targets have been set for San Fernando de Henares:

- Reduction in the generation of UW (Urban Waste): calculation of the measurement parameter and overall reduction of 1% of the UW generated per person up to December.
- Reduction in the consumption of raw materials by an overall reduction of 1% per person in one year of the use of white organic paper, changing over to using recycled paper.
- Reduction in the volume of discharges. Reduction of 5% of the "oils and fats" parameter in the analysis of discharges with regard to the average achieved in 2004.

Meanwhile, Torrejón de Ardoz set itself the following targets for the 2005-2006 period:

- Reduction in the generation of UW: calculation of the measurement parameter and overall reduction of 1% in the UW generated per person up to December 2006 (in paper).
- Reduction in the consumption of raw materials: overall reduction of 1% per person in one year of the use of white organic paper, changing over to recycled paper.
- Reduction in energy consumption. Overall reduction by 2% per person up to December 2006 of the use of central heating fuel.

Consolidated data from the Arroyo de la Vega, Torrejón de Ardoz, San Fernando de Henares and Aranjuez centres (Madrid):

	Product	Totals	Units
Direct energy consumption by primary sources	Electricity	22,750,484	Kwh
	Diesel C	278,500	L
	Natural gas	180,659	m ³
Total water consumption	Potable water	63,806	m ³
	Well water (*)	1,584	m ³
Total residue by type and final use	Hazardous waste managed by authorised waste management companies	24,861	Kg
	Non hazardous Waste managed by authorised waste management companies	349,123	Kg
	Recyclable toner	963	Units
Total area dedicated to the company's activities	Production area	113,487	m ²
	Energy source	Totals	Units
Indirect energy use (**)	Coal	106,142	Gigajoules
	Natural gas	3,774	Gigajoules
	Petroleum products	22,330	Gigajoules
	Biomass	1,892	Gigajoules
	Wind	1,557	Gigajoules
	Hydro	12,468	Gigajoules
	Nuclear	100,573	Gigajoules

(*) Measured by counter beginning month of June in San Fernando de Henares and Torrejón de Ardoz.

(**) Indirect energy use calculated based on direct electricity consumption in gigajoules (22,750,484 Kwh= 81,901 gigajoules) Through the GRI Energy Protocol.

Initiatives for using renewable energy sources and increasing energy output:

Torrejón

In Torrejón a new building of 5,400 m2 is to be built and three buildings covering a total of 7,150 m2 will be demolished in 2005/6.

New boilers in the main building and the replacement of another two by heat pump systems.

San Fernando

We are considering the gradual replacement of transformers that use pyralene.

Aranjuez

Three generators run on diesel C are being withdrawn

Two replacement generators using natural gas are to be installed.

Soundproofing

Installation of silencers and insulation in the compressor room.

Economising on consumption of well water

Installation of a pumping system by differential pressure to optimise consumption.



Quality and Environment Department Indra

Isidoro Atienza

Extending ISO 14001 and EMAS certification

As explained by Isidoro Atienza, attaining ISO 14001 and EMAS environmental certification for Indra sites, first at Arroyo de la Vega and last year at Torrejón and San Fernando, involves a long process of continuous improvement which not only concerns the Quality and Environment department but also General Services, which has an important role in the whole process. As Atienza explains, once these certificates have been achieved “they have to be maintained” and this requires constant vigilance.

Nowadays, environmental management is one of the key factors in a sustainable, responsible company and for this reason Indra is particularly dedicated to it. The process of implementing the system starts with an environmental review of each centre to identify its environmental situation and record any incidents that need correcting so that the relevant plan of action can be drawn up. One of the most important aspects in the process is compliance with applicable legislation in terms of waste, emissions, discharges, land and noise.

Part of EMAS certification also involves making an Environmental Declaration which should reflect all the details of each centre. This is validated annually by AENOR and submitted, in the case of Madrid, to the Department of the Environment of the Community of Madrid. This entire process is now starting in Aranjuez in line with the company’s goal of achieving certification for all its centres in the medium term.

In addition, remarks Atienza, there is a need to raise the awareness of the people in our organisation with regard to observing the principles established in our Environmental Policy. In this respect, he says, any communication or action is welcome by Indra employees. They also contribute their ideas so that all of us, as a team, can improve the environmental conduct of the company.



Indra and knowledge institutions

an essential dialogue



Some very specific interlocutors of enormous value to Indra's activities and, therefore, its Corporate Responsibility, are the entities we call knowledge institutions.

This name encompasses all the organisations that work towards generating and disseminating knowledge, such as universities, training centres, foundations and non-profit organisations associated with education, research and training or, more specifically, the areas of interest to Indra, such as new technologies.

Aware of the importance of these institutions, Indra appointed a University Relations Coordinator in 2005. At the same time, a working group was set up to monitor and develop these relations and various follow-up systems were set in motion. There are around 40 collaboration agreements with universities and public entities and more than 60 research groups. The largest number of these are with the Polytechnic University of Madrid (UPM), the Pontificia University of Comillas (UPCO) and the Autonomous University of Madrid (UAM).

In the area of innovation, Indra collaborates in jointly developing projects with various universities, such as the Polytechnic Universities of Madrid and Catalonia, the Autonomous University of Madrid, the Pontificia University of Comillas, and the San Pablo CEU University. These joint ventures focus on developing projects in complementary specialist areas to Indra, and in some cases go back 25 years. In 2005 Indra participated in some advanced R+D projects, including:

- Wind energy prediction system.
- System for measuring operational risk in financial institutions.
- System for modernising electronic voting procedures.
- Development and adaptation of the air traffic control system to the new European interoperability requirements.
- Development of an advanced system for managing and controlling urban traffic.
- Development of an onboard synthetic aperture radar.
- Development of an ultra-rapid band communications interceptor.
- Development of an interoperable tactical environment for flight simulators.

These joint projects have been extremely productive for both sides, both in terms of the opportunity for a company like Indra to develop solutions spearheaded internationally by academics and university research departments, and for the universities themselves, as this kind of collaboration allows them to gear their academic activities towards the development of actions in line with the entrepreneurial spirit that our society so desperately needs.

Indra has also taken an active part in various initiatives of different Administrations (mainly the Ministry of Industry, Tourism and Trade, the Ministry of Education and Science and the Community of Madrid).

The company also liaises constantly with universities with regard to professional recruitment, especially through the Fundación Universidad Empresa. Indra also sponsors masters' degrees and other courses and seminars. In 2005 more than 330 scholarship trainees were taken on.

In recognition of its work in the field of innovation, Indra won the Best European Business prize in 2005 for the company's contribution to innovation. The awards were given by the strategic consultant Roland Berger in conjunction with the Financial Times, Expansión magazine and the IESE Business School.

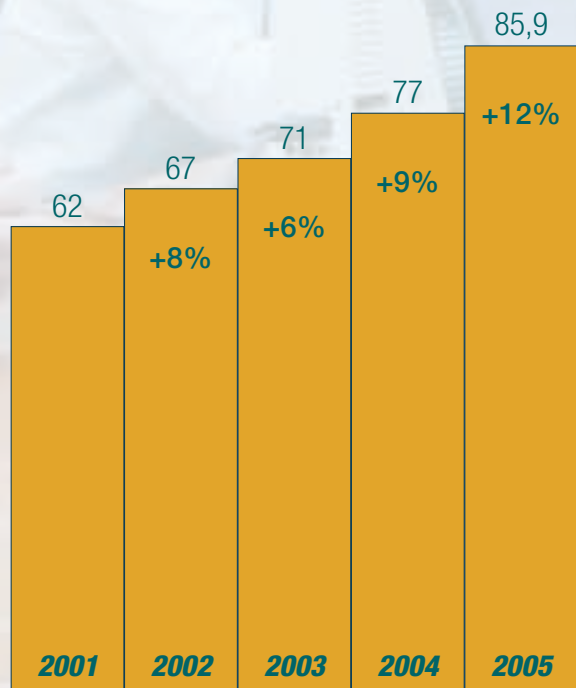
**Indicators of relations
with knowledge institutions**

	2001	2002	2003	2004	2005
N° of conferences and forums participated in	29	33	35	45	64
N° of interns at Indra during the year	60	88	72	282	338
N° of associations to which Indra is a member	9	9	17	22	60

**No. of collaboration agreements
with universities and business schools**



Investment in R&D&i (€M)



Data as 31st December 2005



Professor at the Polytechnic University of Madrid School of Telecommunications Engineers. Director of the Department of Signals, Systems and Radio Communications

Félix Pérez

Sharing Knowledge

Indra's relationship with the Polytechnic University of Madrid can be traced back to the collaboration agreements at the beginning of the 80s, explains Félix Pérez. "In fact, there was a significant change in the Seventies, when the University started coming into closer contact with the industrial world".

Collaboration since that time has been constant, and today there are two levels of cooperation: as associates in teaching students (scholarships, work experience, etc.) and as collaborators on R&D projects (associated with the development of future products at INDRA, joint responses to national and European public tenders, etc.)

Relations with the University, as Félix Pérez explains, are based on a philosophy of mutual trust, and generally involve people who know each other very well and know what to expect. "Sometimes Indra leads us, and sometimes it's the other way round".

Pérez explains the importance of pre-competitive research and how this is ideally suited for undertaking by someone who does not have the pressure of rapidly launching a product or service on the market. The "i" for innovation sometimes demands the more measured research and reflection that can be provided by the University.

Having worked with Indra for more than twenty-five years, collaborating with the company, has, in the words of Pérez, created excellent synergies on both sides.



Indra and society: relations with
non-profit organisations and
the communities in which we operate

driving
forward
economic
and social
development



Through our own corporate activities, Indra exercises a positive impact on society by generating direct and indirect jobs. As a Spanish technology company, Indra also contributes very significantly to economic growth in the regions in which we operate.

The local communities in which we operate and non-profit organisations, as agents of civil society, form two of the key stakeholders in our relationships with society.

In line with our conviction that the best way we can contribute to society is through innovation and the excellence of our commercial activities, we should mention our contribution to electoral processes and improvements to the environment.

Since 1978 the company has been offering its services for electoral processes in more than 180 projects in various American and European countries. In some of these cases, Indra has used the electronic voting systems developed earlier by the company.

In the referendum on the European Constitution held in February 2005, Indra carried out one of the most important experiments in Internet voting yet to be implemented at a global level. Almost two million people from 52 municipalities had access to electronic voting.

Another of Indra's initiatives that benefits society is the development of software for electoral processes that enables disabled people to vote electronically, as well as Metro and railway ticket vending machines for the blind.

With regard to the environment and in the field of telecommunications, Indra has developed tele-detection solutions that enable forest fires to be detected, images revealing climate change to be revealed, systems to warn vessels of the proximity of cetaceans, etc.

Finally, we should highlight our Technological Development Centres, created in 2004 with the aim of promoting the decentralisation of production, based on software industrialisation management methods. The network of Development Centres currently comprises the near-shore centres in Madrid, Malaga, Badajoz and Salamanca and an off-shore one in Buenos Aires. The unit has become a benchmark of quality for Indra's project management, having achieved Level 3 CMMi certification at the beginning of 2006.

Indra contributes
very significantly
to economic growth
in the regions in which
we operate

Indra and Internet Day

On 25 October the first 'Internet Day' was held with the slogan "Live it!" More than a hundred public and private organisations took part in the event which aimed to promote the Information Society and reduce the digital gap that separates Spain from the European average with regard to Internet use.

The aim was to foster digital citizenship and provide information on the opportunities offered by the Internet, primarily bringing it closer to collectives with disabilities and "unconnected" groups of people. In doing so, representatives from companies, universities, professional associations and public and private entities collaborated in some 300 events that took place in every Autonomous Community and city in Spain on this date. Indra took an active part in the 'Internet Day' with the following proposals:

Technological support for the Alcobendas Town Council

On the occasion of Internet Day, the Alcobendas Town Council invited users of its portal, www.alcobendas.org, to register for the "Declaration of Principles for Building the Information Society" and offered them the opportunity to collaborate in improving the services on its website by answering an electronic survey.

Indra was responsible for enabling people to give their opinions using the Opina tool which forms part of the European programme Eureka in which it participates, whose objective is to offer public administrations innovative tools for monitoring the expectations and levels of satisfaction of their citizens. Both the survey and the Declaration were sent to website users and were posted on the council's website until 25 October. The questionnaire was also published in the newspaper "7 Días" distributed by the town council.

Electronic voting at the Polytechnic University of San Pablo CEU.

A pioneering experiment

On Internet Day, at the Higher Polytechnic School in Madrid and Valencia of the San Pablo CEU University in Madrid, a pilot scheme for electing delegates and deputy delegates by Internet was carried out. These university elections were a ground-breaking event in the Spanish university sector and were supported by Indra.

The initiative formed part of the scientific, academic and educational collaboration agreement between the San Pablo-CEU Foundation and Indra. Indra's electoral processes department developed the computer tool and afterwards a multidisciplinary group of students and teachers worked for a month on adapting the programme to the specific needs of the centre.

Indra and the Third Sector: Knowledge Partners

Our vision of Corporate Responsibility implies a commitment to promoting knowledge for innovation in all our stakeholder relations in every field in which we operate. As a company, we believe that creating wealth through our business activities and providing solutions and services is our prime responsibility. For this reason, we regard institutions that are closely connected with knowledge as being crucially important, such as universities, professional training centres, industry forums and associations.

In this context, what is our current vision of Social Action? Our view is that social action is only one part of the company's responsibility. Collaboration with non-profit organisations is undoubtedly a strategy for sharing values with society, and should never be a sporadic or one-off action motivated only by corporate marketing that distracts the company from its main responsibility to its shareholders, its customers and its employees.

It is important for us to develop our collaborative experiences with non-profit organisations beyond the simple donation of funds, by means of other contributions such as equipment or, where applicable, our finest asset: the knowledge held by the people at Indra.

Yet Indra seeks to go one step further by collaborating with non-profit organisations, which make up the so-called third sector, as if they were knowledge partners. Some of these organisations may become genuine partners due to their ability to target market and legislative trends and signals in such complex fields as the environment or disability, where our company can only develop services if it has the right partners.

Among other objectives, our Social Action Policy aims to establish a framework of relations with third-sector experts who we can partner to improve the living conditions in certain areas which we perceive as high potential markets.

Innovation and entrepreneurship in Spain: A diagnosis of the situation in Spain and courses of action

On 21 September the book **Innovation and Entrepreneurship in Spain: a diagnosis of the situation in Spain and courses of action** was presented in Madrid, promoted by Indra and directed by financial analysts as the first report in a series of works that aim to promote the dissemination of technological trends and goals.

This study analyses innovation and entrepreneurial activity in Spain in a European context to provide guidance on the most efficient policies and actions that need to be developed in our country.

The report pointed out that the reasons that Spain lags behind in innovation and entrepreneurial ability stem from three kinds of obstacles: socio-cultural (aversion to risk), bureaucratic (administrative procedures) and financial (access to and characteristics of funding, particularly for young or innovative enterprises). It also highlighted the poor growth of investment in technological capital as one of the main reasons behind the lower efficiency of the Spanish economy.

Recognition of Indra in 2005 for its contributions to society

Best European Business Prize

for the company's contributions to innovation. The prizes were awarded by strategic consultant Roland Berger in conjunction with the Financial Times, Expansión and the IESE Business School

SIC Magazine Prize

in the category of services and systems integration, for Indra's contribution to society with the Electronic Certification Technology application and, in particular, its use in electronic voting

National Computer and Health Prize

awarded by the Spanish Health Informatics Society (SEIS) for being the organisation that has made the greatest technological efforts to develop solutions in the healthcare field

High Performance Applications Maintenance Centres (CARMA) Indra

Jaime Esquivias

Creating wealth and generating quality jobs

What is a CARMA? How do they work? What is the Buenos Aires CARMA?

As Jaime Esquivias explains to us, the idea came up three years ago to group technical or customer departments in such a way that software maintenance was optimised and more effective. CARMA gave rise to seven or eight programmes and the aim was to group them into three areas: customer, technology and geographical region or zone.

Today there are three CARMA's in Spain (Badajoz, Madrid and Malaga) and one in Buenos Aires. On the subject of this last one, Esquivias mentions the important role that a CARMA can have both in terms of promoting local development and as a key element for internationalising the company.

"Far from seeing delocalisation as a problem, we need to understand it as a driving force for development in these markets and a means of growth for Indra". Because, in addition, "the people we employ are qualified and the wealth that is generated stays in the country".

The Buenos Aires team is made up of around 100 people who service South America and Spain. Today, the Buenos Aires CARMA has consolidated its reputation for quality.



Indra's Social Action in 2005

Projects for supporting innovation and the implementation of the Information Society	Activities involved	Project Partner (Foundation, Association, etc.)	Beneficiaries
Innovation and entrepreneurship: diagnosis of the situation in Spain and courses of action	Preparation and dissemination of a report to promote innovation	International Financial Analysts	Society
Internet Day: electronic voting for the Alcobendas Town Council	Implementation of an electronic voting solution	Alcobendas Town Council	Society
Internet Day: electronic voting for the election of representatives at the University of San Pablo CEU	Implementation of an electronic voting solution	Universidad of San Pablo CEU and the Internet Day	University students
"Internaut" project for training people to use the Internet	Creation of an Internet classroom	OVSI Foundation	Society
Projects in support of underprivileged collectives	Activities involved	Project Partner (Foundation, Association, etc.)	Beneficiaries
Christmas Card	Design, printing and handling	Fundación Realiza	People with intellectual disabilities
Talita Calendar	Sponsorship of calendar	Fundación Talita	People with intellectual disabilities
Games for Africa	Event sponsorship	Sports for Good Foundation	Underprivileged collectives
Awards for Insurance Companies	Project sponsorship	Mozambique Sur	People of Mozambique
Ilusión Project	Sponsorship of the construction of a centre for the disabled	Apsuria	People with disabilities
Support for tsunami victims	Donation	Red Cross	Tsunami victims
Promoting sport in Alcobendas (Fundal)	Sponsorship of activities to promote a sporting culture in underprivileged sectors	Fundal (Alcobendas' Sports Foundation)	Underprivileged collectives
Donation of equipment	Donation of computer equipment	Nuevo Futuro; association of parents or guardians of people with mental disabilities in Aranjuez; the NGO Novas Rutas; the cultural association Amigos de Guzmán; A.D.E.A.T (association for supporting drug addicts); Helsinki España - Human Dimension; Fundación San Pablo CEU; Cruz Roja Juventud	Underprivileged collectives
Total Social Action			490,000€ + 75 computers and printers

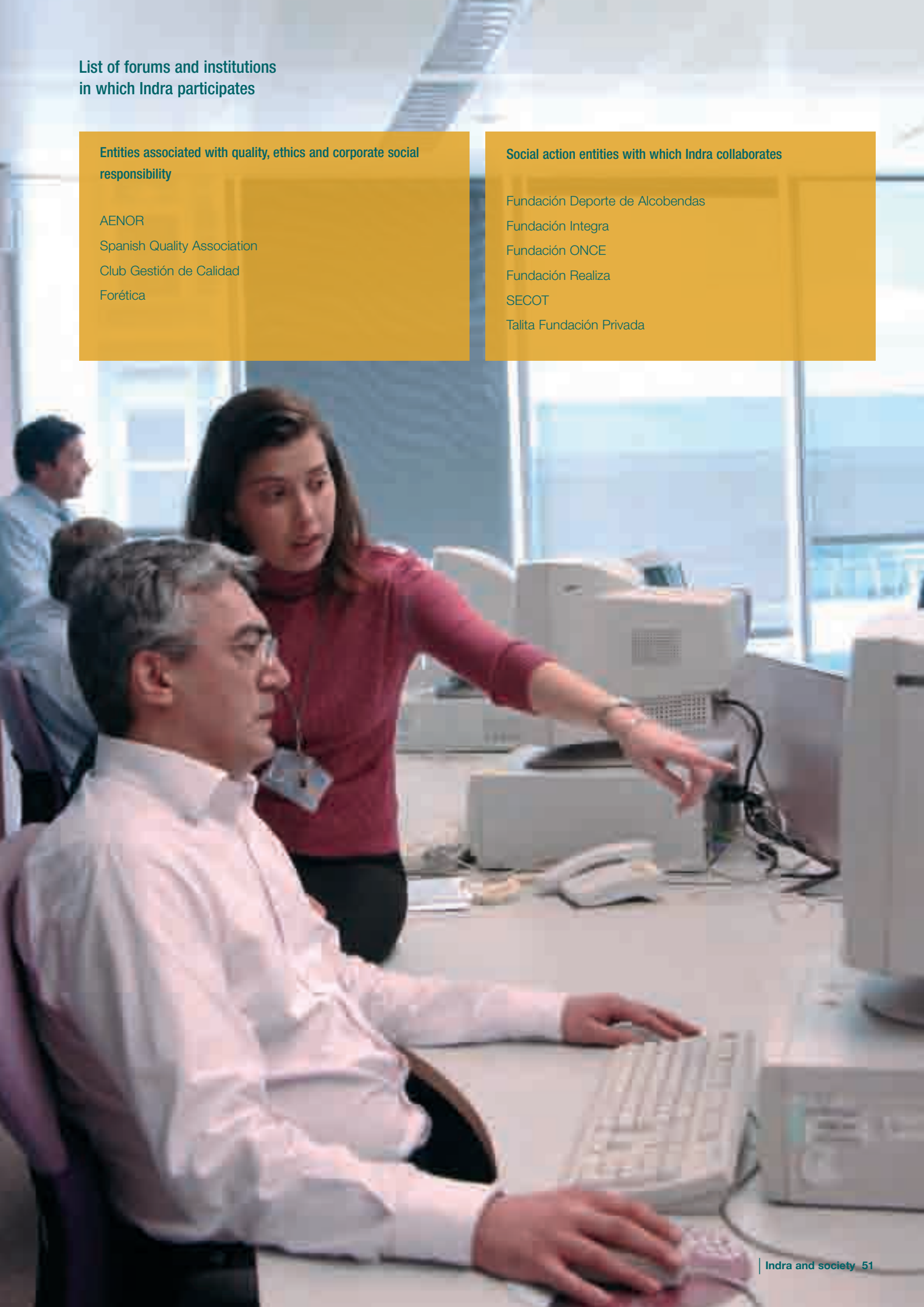
List of forums and institutions in which Indra participates

Entities associated with quality, ethics and corporate social responsibility

AENOR
Spanish Quality Association
Club Gestión de Calidad
Forética

Social action entities with which Indra collaborates

Fundación Deporte de Alcobendas
Fundación Integra
Fundación ONCE
Fundación Realiza
SECOT
Talita Fundación Privada



10 principals to which we are committed

The **United Nations Global Compact** is a commitment comprising the 10 principles set out below. On endorsing the Global Compact, companies undertake to gradually implement the principles so that they become a fundamental part of their strategies and operations. The Global Compact is therefore a firm commitment from each company to follow the path traced by these principles and an essential point of reference for good corporate citizenship.

Principle One

Business should support and respect the protection of internationally proclaimed human rights within their sphere of influence.

Principle Six

Business should eliminate discrimination in respect of employment and occupation.

Principle Two

Business should ensure that it is not complicit in human rights abuses.

Principle Seven

Business should support a precautionary approach to environmental challenges.

Principle Three

Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle Eight

Business should undertake initiatives to promote greater environmental responsibility.

Principle Four

Business should uphold the elimination of all forms of forced and compulsory labour.

Principle Nine

Business should encourage the development and diffusion of environmentally friendly technologies.

Principle Five

Business should support the effective abolition of child labour.

Principle Ten

Business should work against corruption in all its forms, including extortion and bribery.

Table of GRI Indicators

	<i>Content of the GRI Report</i>	<i>Page(s) – Report</i>
1. Vision and strategy		
1.1	Presentation of the organisation's vision and strategy as regards its contribution to sustainable development	10 to 15 - CR
1.2	Statement by the Chairman (or an equivalent executive) describing the main aspects of the sustainability report	4,5 - CR
2. Profile		
Organisation's profile		
2.1	Name of the reporting organisation	4,5 - CR
2.2	Main products and/or services, including brands, where applicable	3,6 - AR
2.3	Operating structure of the organization	34 to 43 - AR
2.4	Description of the main departments, operating companies, subsidiaries and joint ventures	60 to 64 - CAA
2.5	Countries in which the organisation operates	43 - AR
2.6	Nature of ownership: legal form	16 - CAA
2.7	Nature of the markets served	44 to 95 - AR
2.8	Size of the reporting organisation	3,8 to 10 - AR
2.9	List of stakeholders, main characteristics of each one of them and relations with the reporting organisation	12,16 to 49 - CR
Scope of the report		
2.10	Contact person(s) for matters relating to the Report, including website and e-mail addresses	63 - CR
2.11	Period covered by the Report (e.g. financial year, calendar year)	Cover, 4,5 - CR
2.12	Date of most recent previous Report (if applicable)	15 - CR
2.13	Report coverage	4,5 - CR
2.14	Significant changes in the size, structure, ownership or products/services since publication of the previous Report	24, 32, 33 - CAA
2.15	Basis for the preparation of Reports on joint ventures, shared subsidiaries, leased facilities, external services and other situations that could considerably affect any comparison between periods and/or reporting companies	There is no reports of this kind
2.16	Description of the nature and effect of any reorganisation of information already presented in previous Reports and reasons for such adjustments	10 to 15, 40 - CR
Report profile		
2.17	Decisions not to apply GRI principles or protocols when preparing the Report	GRI has been applied
2.18	Criteria and/or definitions used to account for financial, environmental and social costs and profits	16 to 95 - CAA
2.19	Significant changes with respect to prior years in the calculation methods applied to key financial, environmental and social data	15, 40 - CR
2.20	Internal policies and measures to guarantee the accuracy, completeness and veracity of the data presented in the sustainability Report	10 to 15 - CR
2.21	Existing policies and measures designed to provide independent mechanisms for verifying the Report as a whole	4, 5, 10 to 15 - CR
2.22	Means through which users may find additional information or Reports on financial, environmental and social aspects	63 - CR

CR: Corporate Responsibility

AR: Activities Report

CAA: Consolidated Annual Accounts and Directors' Report

CG: Corporate Governance

n.av: Not available

n.ap: Not applicable

3. Governance structure and management systems

Structure and governance

3.1	Organisation's governance structure, showing the main board committees responsible for designing strategies and overseeing the organisation	12, 13 - AR 10 to 15, 63 - CR
3.2	Proportion of the board of directors formed by independent non-executives	11 - CG
3.3	Process for determining the need for the members of the group of experts to guide the organisation's strategies in matters such as environmental and social opportunities and risks	11 - CR 57 to 70 - GC
3.4	Management processes for supervising the identification and management of financial, environmental and social risks and opportunities	11, 12 - CR 57 to 70 - GC
3.5	Relationship between management remuneration and the fulfilment of the organisation's financial and non-financial targets	17 to 19 - GC
3.6	Organisation's structure and key members responsible for the supervision, implementation and audit of financial, environmental and social policies	10 to 63 - CR
3.7	Mission statement and values, principles or internal codes of conduct and policies related to financial, environmental and social performance, including implementation status	8 to 15 - CR
3.8	Mechanisms allowing shareholders to make recommendations to the board of directors	16 to 18 - CR 22 - CG

Stakeholder commitment

3.9	Basis for identifying and selecting the main stakeholders	10 to 18 - CR
3.10	Stakeholder consultation methods, expressed in terms of consults frequency, by type and stakeholder group	13 to 21, 31, 34, 35, 37 - CR
3.11	Type of information generated through stakeholder consultation	13 to 21, 31, 34, 35, 37 - CR
3.12	Use of the information obtained as a result of commitments with stakeholders	13 to 21, 31, 34, 35, 37 - CR

General policies and management systems

3.13	Explanation regarding whether the precaution principle or approach is taken into account by the organisation and how	14, 15, 38, 39 - CR
3.14	Commitments, principles or other voluntary initiatives of a financial, environmental and social nature developed externally and endorsed by the organisation	52, 53 - CR
3.15	Membership of business and industrial associations and/or national and international advisory bodies	51 - CR
3.16	Policies and/or systems for managing the impact of processes carried out prior or subsequent to those of the organisation	35 to 41 - CR
3.17	Organisation's approach to managing the indirect financial, environmental and social impacts as a result of its activities	25 to 41 - CR
3.18	Main decisions taken during the preparation of the Report regarding the location or modification of operations	46 to 47 - CR
3.19	Main decisions taken during the preparation of the Report regarding the location or modification of operations	16 to 53 - CR
3.20	Certification status of financial, environmental and social systems	31, 39 - CR

Performance indicators

Financial performance indicators

Core indicators			Additional indicators	
<i>Content of the GRI Report</i>		<i>Page(s) – Report</i>	<i>Page(s) – Report</i>	
Direct Financial Impacts				
Customers				
EC1	Net revenues	12 - CAA		
EC2	Analysis by geographic market	78, 79 CAA 32, 33 - CR		
Suppliers				
EC3	Costs of all raw materials and goods acquired and services contracted	12 - CAA	EC11	Breakdown of suppliers by organisation and country 35 - CR
EC4	Proportion of contracts settled in accordance with agreed terms	35 - CR		
Employees				
EC5	Total wage bill	51 - CAA		
Capital providers				
EC6	Distribution of capital by provider	7 to 15 - CAA		
EC7	Increase/decrease in earnings retained at end of period	7 to 15 - CAA		
Public sector				
EC8	Total sum of all kinds of taxes paid, analysed by country	47 - CAA	EC12	Total expense incurred to develop external business infrastructure n.av
EC9	Subsidies received, analysed by country or region	44 - CAA		
EC10	Donations to local communities, civil society and other groups, in cash and in kind, analysed by group type	50 - CR		
Indirect Financial Impacts				
			EC13	Indirect financial impacts of the organisation 42 to 51 - CR

Environmental performance indicators

Core indicators			Additional indicators	
<i>Content of the GRI Report</i>		<i>Page(s) – Report</i>	<i>Page(s) – Report</i>	
Raw materials				
EN1	Total consumption of raw materials except water, by type	40 - CR (1)		
EN2	Proportion of raw materials used that constitutes waste (processed or otherwise) from sources external to the reporting organisation	n.ap.		
Energy				
EN3	Direct energy consumption, analysed by primary source	40 - CR	EN17	Initiatives for the use of renewable energy sources and to increase energy-related performance 40 - CR
EN4	Indirect energy consumption	40 - CR	EN18	Energy consumption footprint of the main products, expressed in joules n.av.
			EN19	Other indirect uses of energy and implications (travel, product life cycle management) n.av.
Water				
EN5	Total water consumption	40 - CR	EN20	Water sources and eco-systems significantly affected by water consumption n.ap.
			EN21	Annual extraction of sub-surface and surface water as % of total annual reusable water 40 - CR
			EN22	Total water recycled and reused (including waste water and other types of water used, e.g. refrigeration water) n.ap.

(1) Data provided is partial (related to specific work centres).

Environment performance indicators (continuación)

Core indicators			Additional indicators	
	Content of the GRI Report	Page(s) – Report		Page(s) – Report
Biodiversity				
EN6	Location and size of owned, leased or administered land in habitats rich in biodiversity	n.ap. (2)	EN23	Total area owned, leased or administered, devoted to production or extraction activities
EN7	Analysis of the main impacts on biodiversity of the activities and/or products and services in land, marine and freshwater environments	n.ap. (3)	EN24	Impermeable area as a % of land acquired or leased
			EN25	Impacts of the activities or operations on protected and sensitive areas
			EN26	Changes caused to natural habitats as a result of the activities and operations; % of habitat protected and restored
			EN27	Objectives and programmes for protecting and restoring eco-systems and indigenous species in impoverished areas
			EN28	Number of species included in the IUCN red list whose habitat is inside areas affected by operations
			EN29	Business units that operate or plan to operate inside or close to protected or sensitive areas
Emissions, disposal and waste				
EN8	Greenhouse gas emissions (CO ₂ , CH ₄ , N ₂ H, HFC, PFC and SF ₆)	n.av. (4)	EN30	Other relevant indirect greenhouse gas emissions
EN9	Utilisation and emissions of ozone-reducing substances	n.av. (5)	EN31	Any production, transport, import or export of waste regarded as “hazardous” under the Basel Convention
EN10	NO _x , SO _x and other relevant atmospheric emissions by type	n.av. (4)	EN32	Water sources and eco-systems/habitats significantly affected by waste water and other liquid waste
EN11	Total waste analysed by type and destination	40 - CR		
EN12	Significant waste water disposal by destination	n.ap. (6)		
EN13	Disposal of significant chemical substances, oils and fuels, expressed in figures and total volumes	n.ap. (7)		
Suppliers				
			EN33	Actions of suppliers in relation to the environmental aspects of the programmes and procedures implemented in response to the governance structure and management systems section
Products and services				
EN14	Significant environmental impacts of the main products and services	39 - CR		
Compliance				
EN15	% of products sold that are able to be recovered at the end of their useful lives and % actually recovered	n.av. (8)		
Transport				
EN16	Events and fines arising from non-compliance with international conventions/treaties/declarations and with local, regional, sub-national and national agreements on environmental issues	n.ap. (9)	EN34	Significant environmental impacts related to transport for logistic purposes
			EN35	Total environmental expenses by type

(2) Indra does not own, lease or administer land in habitats rich in biodiversity.

(3) This indicator is not applicable to the company's business, products or services.

(4) There are no measurement systems.

(5) No data available on refrigerants.

(6) Waste generated by the company's business activities is insignificant.

(7) Waste of this kind generated by the company's business activities is insignificant.

(8) Products sold that could be recovered at the end of their useful lives are insignificant due to the nature of the company's business activities..

(9) No fines have arisen.

Social performance indicators

Core indicators			Additional indicators	
	Content of the GRI Report	Page(s) – Report		Page(s) – Report
Employment practices and decent work				
Empleo				
LA1	Analysis of employees (gender, age, qualifications, country)	28 - CR 26 to 29 - AR	LA12	Employee welfare benefits not required by law 21 to 24 - CR
LA2	Net job creation and average churn by region / country	28 - CR 26 to 29 - AR		
Employer/employee relations				
LA3	Proportion of employees represented by independent trade unions	22 CR	LA13	Provisions for formal representation of employees in decision-taking or management, including corporate governance 22 to 24 - CR
LA4	Policy and procedures for informing, consulting and negotiating with employees on operational changes in the organisation	22, 25 - CR		
Health and safety				
LA5	Methods for recording and notifying occupational accidents and professional illnesses, in relation to the relevant ILO recommendations	24 - CR	LA14	Clear data attesting to compliance with the ILO's guidelines relating to employee health management systems 24 - CR
LA6	Description of health and safety committees formed jointly by management and employee representatives and proportion of employees represented on those committees	24 - CR	LA15	Description of formal agreements with trade unions or other employee representatives responsible for health and safety in the workplace and proportion of employees represented 24 - CR
LA7	Rates of absenteeism, occupational accidents and injuries, days lost and the number of work-related deaths (including subcontracted workers)	24 - CR		
LA8	Description of policies or programmes (in the workplace or elsewhere) relating to HIV / AIDS	n.av. (10)		
Qualifications and training				
LA9	Average training hours per annum	28 - CR	LA16	Description of procedures in place to encourage ongoing training and manage retirement programmes 22 to 24 - CR
			LA17	Specific policies to manage practical knowledge or ongoing training 22 to 24 - CR
Diversity and opportunity				
LA10	Description of equal opportunity policies and programmes and of review systems designed to ensure compliance, and the results of such reviews	27 - CR		
LA11	Composition of high-level management and corporate governance departments (including the board of directors), stating the proportion of women to men and any other diversity indicators deemed culturally appropriate	10 to 16 - CG		
Human rights				
Strategy and management				
HR1	Detailed list of policies, guidelines, corporate structures and procedures relating to human rights and the organisation's operations, as well as review systems and results	14, 15, 27, 35, 53 - CR	HR8	Employee training in human rights practices relevant to operations 14, 15, 22 to 24 - CR
HR2	Examples showing that human rights impacts are considered when taking decisions on procedures or investments or selecting suppliers/contractors	14, 15, 35 - CR		

(10) Indra has no specific policy or programme relating to HIV/AIDS

Core indicators		Additional indicators	
	Content of the GRI Report	Page(s) – Report	Page(s) – Report
HR3	Detailed list of policies and procedures required to evaluate human rights initiatives relating to the supply chain and contractors, as well as review systems and results	14, 15, 35 - CR	
Non-discrimination			
HR4	Detailed list of general policies and procedures/programmes designed to avoid all kinds of discrimination in operations, as well as review systems and results	27 - CR	
Freedom of association and collective bargaining			
HR5	Analysis of the freedom of association policy and the extent to which it is applied	22 to 24 - CR	
Child labour			
HR6	Explanation of the policy referring to the rejection of child labour, as defined in ILO Convention 138, level of information and application, and list of related procedures/programmes, as well as review systems and results	52 - CR	
Forced labour			
HR7	Explanation of the policy referring to the rejection of forced labour, level of information and application and list	52 - CR	
Disciplinary measures			
			HR9 Description of appeal practices related (not exclusively) to human rights n.ap.
			HR10 Analysis of the no-reprisal policy and of confidential complaints systems n.av.
Security measures			
			HR11 Human rights training for security personnel n.av.
			HR12 Description of policies, guidelines and procedures designed to address the needs of indigenous people n.ap. (11)
			HR13 Description of claim mechanisms for the community, managed jointly by the organisation and the authorities n.ap.
			HR14 Proportion of operating revenues redistributed to local communities n.av.
Society Communities			
S01	Description of policies for managing impacts on communities in the regions affected by the business activities and of related procedures/programmes, as well as review systems and results	47 to 51 - CR	S04 Awards received for social, environmental and ethical actions 24 - CR
Corruption			
S02	Description of policies, management systems, procedures and compliance mechanisms in relation to corruption and bribery, targeting both the organisation and its employees	53 - CR	

(11) Indra does not operate in regions or communities where indigenous people live.

Core indicators			Additional indicators		
	Content of the GRI Report	Page(s) – Report			Page(s) – Report
Political contributions					
S03	Description of policies, management systems, procedures and compliance mechanisms in relation to political contributions and pressure groups	n.av. (12)	S05	Amount of money donated to institutions and political parties mainly to finance the parties or their candidates	n.ap.
Competition and pricing					
			S06	Rulings on lawsuits under antitrust regulations	n.ap. (13)
			S07	Description of policies, management systems, procedures and compliance mechanisms to prevent conduct that is contrary to free competition	n.av.
Product liability					
Customer health and safety					
PR1	Description of the customer's health and safety policy during the use of products and services, level of information and application, and list of related procedures / programmes, as well as review systems and results	n.ap. (14)	PR4	Number and type of breaches by the customer of health and safety regulations, as well as fines and penalties imposed	n.ap.
			PR5	Number of claims ratified in relation to health and safety aspects of products and services	n.ap.
			PR6	Product labelling and compliance with non-mandatory codes, or awards relating to the organisation's social and / or environmental responsibility	31 - CR
Products and services					
PR2	Description of policies and management systems / procedures, as well as compliance mechanisms relating to product labelling and information	n.ap. (15)	PR7	Number and type of breaches of product information or labelling regulations, as well as penalties and fines imposed	n.ap. (16)
			PR8	Description of policy, procedures / management systems, and compliance mechanisms related to customer satisfaction, including results of surveys measuring customer satisfaction.	31, 33 – CR
Advertising					
			PR9	Description of policies, management systems and compliance mechanisms relating to applicable advertising regulations and non-mandatory codes, stating the geographic areas covered by such policies	n.ap.
			PR10	Number and type of breaches of marketing and advertising regulations committed	n.ap.
Privacy					
PR3	Description of policies, management systems, procedures and compliance mechanisms relating to customer privacy	n.av. (17)	PR11	Number of proven claims for violations of customer privacy	n.av. (18)

(12) Indra has no specific policy relating to this field, but the company makes no contribution to political parties.

(13) No ruling has taken place.

(14) The nature of Indra's solutions and services do not require any health or safety policy.

(15) The nature of Indra's solutions and services do not require these policies.

(16) No breaches, penalties or fines have taken place.

(17) Customer privacy is safeguarded by Indra that follows the Spanish Privacy Database Law (15/99)

(18) No claim has taken place.

Principles governing this report

This Corporate Responsibility Report 2005 has been prepared under the Global Reporting Initiative 2002 (GRI) *Guidelines for the Preparation of Sustainability Reports* and has been declared "in accordance" by the GRI.

This report refers to financial year 2005 and also includes certain prior-year data, as recommended by the GRI 2002 Guidelines, so as to illustrate the evolution of Indra's performance in terms of Corporate Responsibility.

For the first time, in line with Indra's commitment to transparency, the social and environmental performance information contained in the Corporate Responsibility Report 2005 has been verified by independent third parties. The section entitled Verification Letter includes the scope, description and conclusions of their verification work.

The information presented in this report encompasses Indra Sistemas, S.A. (parent company) and all the subsidiary and dependent companies that make up Indra. Appendix I of the Report on the Consolidated Annual Accounts and Directors' Report at 31 December 2005 and 2004 contains a full list of these companies. Any information relating to a different time horizon or organisational scope is included in the report together with an explanation of the difference.

The environmental indicators reported relate to three sites in Madrid, in Arroyo de la Vega, Torrejón de Ardoz and San Fernando de Henares. The social performance indicators relate in some cases to all Indra's sites in Spain and abroad, and in other cases only to domestic sites (Indra Spain), including expatriate personnel based in Spain.

In accordance with our continuous improvement commitment, Indra is working to extend the scope of the information to the entire Indra Group.

Indra's Corporate Responsibility Report 2005 reflects the company's management of the environmental and social aspects that have a material impact on the business. In order to identify the aspects that are relevant to Corporate Responsibility, in 2003 Indra implemented a Corporate Responsibility Management Plan. As explained in the section *Responsibility Management at Indra*, the plan comprised three phases:

- Definition of Indra's Vision of Corporate Responsibility.
- Diagnosis of the company's Corporate Responsibility status.
- Development of a Corporate Responsibility Master Plan.

During these three phases, a variety of consultation, participation and communications tools were developed to ascertain which aspects have a material impact on the group and then to prepare a Corporate Responsibility Master Plan.

In this context, this report must be read together with the corporate information prepared by Indra for 2005, particularly the Activities Report 2005, which contains a detailed description of Indra's business areas.

The results of the company's environmental and social performance management and activities are measured and represented on the basis of the indicators published in this report.

The persons responsible for the information presented have been directly involved in the preparation of the report in order to provide relevant details in relation to each material aspect. The table of GRI indicators identifies the indicators for which no information is available.

The information providers are internally responsible for ensuring the accuracy of the information included in this report, which derives from a number of management and information systems in place in the areas that report to Indra's Corporate Development and Marketing Management. A number of internal control mechanisms are applied to the information managed by these systems.

Indra endeavours to improve the systems used to generate, aggregate and consolidate data in order to enhance the quality of the information presented in the Corporate Responsibility Report.

Your opinion is important

The evolution of Indra's Corporate Responsibility necessarily entails the enhancement of communication and dialogue with all our stakeholders: shareholders, employees, customers, local communities in which we operate, business partners and society at large.

This Report serves as a basis for such dialogue and we therefore ask you to provide an opinion on both the formal aspects of the Report and on the specific evolution of Indra's Responsibility.

This same form is available in the Internet at the address www.indra.es/corporateresponsibility

There is no need to provide your full name, address or contact e-mail address, unless you wish to do so, although we would be obliged if you would indicate whether you are a shareholder, employee, etc.

Full name (optional)

Address (optional)

Contact e-mail (optional)

1. I am a

- Company shareholder
 - Potential investor
 - Analyst
 - Employee
 - Customer
 - Supplier
 - Administration
 - Media
 - Social non-profit organisation
 - University or academic institution
 - Foundation
 - Other (specify)
-

Please send us the completed questionnaire to the address:

**Avda. de Bruselas, 35
28108 Alcobendas, Madrid (Spain)**

The questionnaire may also be completed on our website (www.indra.es/corporateresponsibility) and sent by e-mail.

Part A: Evaluation of formal aspects of the Report

1. Score from 1 to 5 the information provided in the Report (lowest score = 1).

Shareholder relations

1 2 3 4 5

Employee relations

1 2 3 4 5

Customer relations

1 2 3 4 5

Relations with knowledge institutions

1 2 3 4 5

Relations with society

1 2 3 4 5

Relations with environment

1 2 3 4 5

Part B: How we can improve our responsibility

1. Score from 1 to 5 the aspects that you consider to be most relevant to Indra's corporate responsibility (lowest score = 1). Please suggest specific improvement actions in each area.

Shareholder relations

1 2 3 4 5

What specific aspects could be improved?

Employee relations

1 2 3 4 5

What specific aspects could be improved?

Customer relations

1 2 3 4 5

What specific aspects could be improved?

Relations with knowledge institutions

1 2 3 4 5

What specific aspects could be improved?

Relations with society

1 2 3 4 5

What specific aspects could be improved?

Relations with environment

1 2 3 4 5

What specific aspects could be improved?

Person responsible for the Corporate Responsibility Report:

Esta memoria se puede encontrar
en la página web de la compañía:
www.indra.es

Responsible for the Corporate Responsibility Report:
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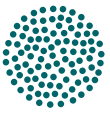
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This Report has been prepared in association with Villafañe & Asociados Consultores



Indra

We wish to thank all our professionals for their cooperation during the preparation of this report.