1. INTRODUCTION

Despite a worse than expected deterioration of the macro economic environment, **Indra has met all its objectives in 2011**:

- **Revenues increased** by **5%,** slightly above the expected level announced in November. This increase includes the impact of the Brazilian Politec and the Italian Galyleo (the acquisitions [(2)]). Excluding these acquisitions growth would have reached 3%, 1% above the guidance released at the beginning of the year.
- **Order intake grew 3%** (+2% excluding acquisitions), being **11% higher** than **revenues** of the period.
- **EBIT margin** stood at **10%,** In line with the target announced in the previous result report. Excluding the impact of acquisitions, EBIT margin would have reached 10.5%, in line with the target announced at the beginning of the year.

During 2011, Indra has continued to move forward and develop actions to maintain a growth and high profitability profile, such as:

- Increase its exposure to **emerging** and high growth potential **markets**, through the acquisition of Politec in Brazil and the establishment of subsidiaries in countries of the Asia-Pacific region.

  Revenues in **international markets represent** already circa **half** of the group's pro-forma **sales**, posting an **increase** of **17%**, and double digit growth excluding the positive impact of the acquisitions [(2)].

  Order intake in the international arena has also shown a strong performance, **growing 9%,** and represents 47% of the group's order intake.
- During 2011, Indra has accomplished the necessary actions to develop and adapt its offer to the requirements of the international markets where it is building its presence and to the new needs of its current relevant clients. The **technological investment** carried out by the company allows maintaining a high **competitive** offer, with a significant growth potential.
- Indra has **improved its position** in those clients and local markets where it operates, benefiting from the trend of its largest clients and their main markets to concentrate its portfolio of suppliers into larger companies with a global offering and delivery service.

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(1) Galyleo and Politec's contribution in 2011 amounts €48m in Order Intake, €115m in Order Backlog and €62m in sales, with circa flat EBIT margin excluding integration and acquisition costs, and a loss of €7m including these costs

(2) These acquisitions have an impact in the international order intake and the Services segment, thus not having any effect in the domestic market nor the Solutions segment.

MAIN FIGURES

Order Intake

- Reached **€2,976m,** posting an **increase** of **3%** compared to the same period of previous year, being 11% higher than revenues of the period (**book to bill** ratio at **1.11x**).
- Excluding acquisitions, order intake would have increased 2% versus 2010.
- **International order intake** represented 47% of Indra's total order intake, posting a **9% growth**. Excluding the contribution from acquisitions, the rate of growth would have reached +5%.
- **Commercial activity in international markets** is key in Indra's growth strategy. In this sense, relevant contracts have been awarded during the year 2011, such as the project to develop a high speed train line between La Meca-Medina in Saudi Arabia, the modernisation of the air traffic management system in Omán as well as the modernisation of Bahrain's healthcare system or other contracts in the energy sector in Latin-American.
- **Domestic** market registered **a slight decrease** of 1%, with a positive performance in the areas of telecommunications and air traffic management, as well as in balloting processes, as in 2011 took place general and regional elections in Spain
- **Services** segment continues **growing**, and registers **double digit** growth rate. This increase responds to the positive contribution of the acquisitions (5 percentage points of growth) and to client's preferences to invest in projects that increase efficiency versus projects that generate growth. **Solutions** segment has remained **flat**.

Revenues

- Reached **€2,688**, **growing 5%** compared to the previous year, and 3% excluding acquisitions.
- **International** market **grows** at double digit rate excluding acquisitions. These increase the rate of growth up to **+17%.** All regions posted positive growth excluding the impact of acquisitions, highlighting the c. 20% rates in Latin America, Asia Pacific and Middle East region as well as Africa. Europe registers a flat performance.
- **Domestic** market revenues **decreased** by **3%** compared to 2010, affected by the weak macroeconomic domestic situation which has deteriorated in the second half of the year.
- **Services** segment **increased** by **20%** (or 12% without acquisitions), while **Solutions** decreased slightly **(-1%).** Demand for solutions in mature markets has been lower than in emerging markets, where demand for services that improve efficiency has intensified.
- It should be highlighted that all **verticals**, except Security & Defence, show a positive evolution:
    - Telecom & Media (+24%, +22% ex-acquisitions), Energy & Industry (+12%, +7% ex-acquisitions), Public Administration (+9%, +4% ex-acquisitions), Transport & Traffic (+8%), and Financial Services (+5%, +1% ex-acquisitions).
    - Security & Defence (-14%) posted a negative performance in 2011, although improving in the last quarter of the year, as expected and anticipated in the previous results report.

Order backlog

- Order **backlog** reached **€3,231m**, having increased by **11%** versus 2010.
- At the close of the quarter, order **backlog represents 1,2x** the last twelve month (LTM) **revenues**, ratio which has increased for the third consecutive year.

Income statement and Balance Sheet

- **Net operating profit** (EBIT) reached €268m, 6% ahead of the figure reported the previous year.
- No extraordinary costs have been registered during the year. In 2010 €33m extraordinary costs were accounted.
- **Net operating margin** (EBIT/Sales) stood at **10%**, 1.2pp below the Recurrent Operating Margin (before extraordinary costs) of 2010. This difference is not only due to the decrease in the contribution margin in Services and Solutions but also to the impact of the acquisitions, which have lower contribution margins than Indra's. Excluding this effect, net operating margin would have reached 10.5%.
- **Net profit** reached **€181m**, 4% below net profit in 2010. Excluding the contribution of the acquisitions, net profit would have been **€191m**.
- **Net working capital** is equivalent **to 98 days of annualised revenues** (versus 93 days at the end of 2010), including the positive effect of acquisitions. Excluding this impact, net working capital would have reached 100 days of annualised revenues. This level is below the 108 DOS target announced in November mainly due to some unexpected revenues' **collection** by **year end.**
- Regarding financial items:
  - During the year, total tangible and intangible **investments** (net of capital grants) have amounted €111m
  - Ordinary **dividend** payment on 2010 results reached **€111m**.
  - **Net debt** position stood at **€514m** by the end of the year, equivalent to **1.6x EBITDA**, versus €275m reported in 2010

TRADING UPDATE AND 2012 AND MID TERM TARGETS

Despite higher **difficulties** to make forecasts coming from the complexity and uncertainty of the general economic environment, **Indra's** current backlog, commercial ongoing initiatives, its position in solid clients, and the growing presence in high growth markets grants the company **enough visibility to present its 2012 targets**. Indra is fully confident that it will meet these targets, as it has done in the past, even on such difficult years as the recent ones.

The acute and swift **economic deceleration** seen in some of the company's markets, in particular in the Spanish one, impact negatively the company in the very short term. Indra is reacting to the situation although the **initiatives undertaken** and ongoing will have full effect in a longer timeframe. Thus, Indra is presenting its **targets to 2014** so that the impact and costs of such actions can be fully assessed.

The nature of Indra's activities and its market position, together with the actions it has quickly and surely adopted, have allowed it to sustain, during these years of **economic crisis** its **growth profile** with recurrent operating **profitability** of double digit and a solid financial position. All with the ultimate objective of **maintaining** the company's **shareholders remuneration** policy.

These **objectives** will continue to be key in managing through **2012** and in the following years, as the complex and difficult economic environment in Spain continues, progressively and softly improving from next year on.

In this context, **international markets** will continue being the company's **growth engine**. In 2012 we expect international order intake to be larger than the domestic one, and that **international revenues** will account for **50%** of **total** revenues. The strong international growth is based, amongst other factors in the **improvement** of Indra's **portfolio** of **solutions** to adapt them to the specifics of the international markets, and on the acceleration of the company's **positioning** in high **growth geographies**.

In the **domestic** market, although the suppliers concentration trend by large clients benefits Indra, we will follow a policy of very **selective growth** prioritizing profitability and net working capital.

The higher weight of **services** and the dilutive impact from the **lower operating margin of acquisitions**, mainly **Politec** in **Brazil**, in a context of **lower pricing** power, **reduce** Indra's **profitability** in **2012**. The company's **profitability** will **progressively recover** with the increase in the operating margins in Brazil and the positive impact of the initiatives undertaken to increase the efficiency of the company's production processes. Such organizational and resources allocation initiatives will imply **extraordinary costs** of around **1%** and **0.5%** of **revenues** in **2012** and **2013** respectively.

The **strengthening** of the company's **portfolio** of **solutions** will also have a **positive impact**. Investments in developing new offer will not only help in the international expansion of the company, but also allow to **leverage** the **demand** for high added value solutions in areas where the company already has a leading position (transport & traffic, energy, healthcare, financial services, security,…) and other emerging areas (cloud, analytics, …).

The **size** of such **investments** will **decrease** in the coming years thanks to the **efforts already made** in the last years.

In this context, Indra aims to achieve the following **targets** for 2012 and following two years:

- **Revenues** are expected to grow between **6.5% and 7.5%** in **2012**, with positive performance excluding Politec and Galileo acquisitions. The domestic revenues are expected to decrease at a single digit rate and International markets are expected to post a relevant growth rate. During the following two years, we expect the domestic market to progressively recover and to maintain a relevant rate of growth in international markets.
- Book-to-bill ratio above 1x every year so that order backlog will continue to grow.
- **Recurrent EBIT margin** is expected to be between **8%** and **9%**, recovering progressively to levels around **10%** in **2014**.
- **Maintain net working capital** between a range of **110-100 DOS**, converging towards the lower range at the end of the period.
- Decrease the level of **tangible** and **intangible** capex to **€65-75m** per year

2. MAIN FIGURES

The table below shows Indra's 2011 main figures, including the impact of the acquisitions of Galyleo (consolidated since July 1st) and Politec (consolidated since October 1st):

INDRA	2011 (€M)	2010 (€M)	Variation (%)
Order Intake	2,975.8	2,882.0	***3***
Revenues	2,688.5	2,557.0	***5***
Backlog	3,230.9	2,899.2	***11***
EBIT margin (before non recurrent extraordinary costs)	10.0%	11.2%	***(1.2) pp***
Extraordinary costs	--	(33.4)	***na***
Net Operating Profit (EBIT)	267.8	251.9	***6***
EBIT Margin	10.0%	9.9%	***0.1 pp***
Attributable Profit	181.0	188.5	***(4)***
Net debt position	*513.6*	*274.9*	***87***

Earnings per Share (according to IFRS)	2011 (€M)	2010 (€M)	Variation (%)
Basic EPS	1.1129	1.1605	***(4)***
Diluted EPS	1.1129	1.1605	***(4)***

- **Basic EPS** is calculated by dividing net profit for the period by the total number of outstanding shares less weighted treasury shares at the close of the period.
- Treasury shares and total shares are weighted in accordance with the number of days they have been on the company's balance sheet during the year.
- **Diluted EPS** is the same as basic EPS given the company has not issued convertible shares or any other similar financial instruments.

	2011 (€M)	2010 (€M)
Total number of shares	164,132,539	164,132,539
Weighted treasury stock	1,491,128	1,687,159
Total shares considered	**162,641,411**	**162,445,380**

- At the close of December 2011, the company held 1,332,549 weighted treasury shares representing 0.81% of total shares in the company.