1. INTRODUCTION

MEETING 2012 TARGETS

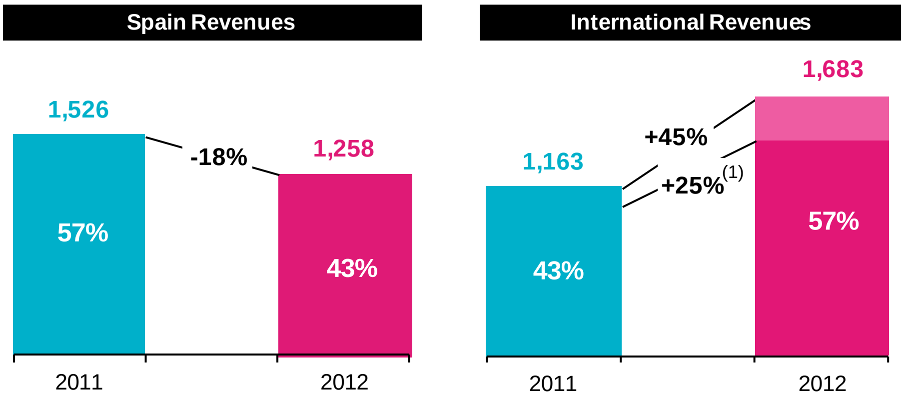
Indra has had in 2012 a globally satisfactory performance, achieving all the targets established for the year:

- **Revenues** increased **9%**, at the **high end of the forecast range** of 8%-9%
- **Order intake** grew 7%, with a **1.1x** book to bill ratio, **ahead** of the target to reach at least 1.0x
- **Recurrent EBIT margin** has reached **8.5%,** in the **middle of the range** announced of 8%-9%
- **Net working capital** of **104 equivalent days of sales** was also in the middle of the established range of 100-110 days
- **Net material and inmaterial capex** has totaled **74M€** (within the 65-75M€ guidance)

Meeting these targets has demanded an **intense managerial effort**, having to compensate with a greater activity in the international markets a **significantly** larger **than initially expected negative performance** in the **Spanish market**. That market has been dominated by a macroeconomic environment which has turned to be more unfavorable than expected, affecting order intake, revenues, profitability and net working capital despite of which the company has increased free cash flow generation for the year.

The company's **performance** in the **international markets** has been **very positive**. International markets have increased its weight by 14 p.p., accounting now for 57% of total revenues, growing 45% through the year, more than 25% organically. Almost two thirds of the total order intake has been generated in the international markets.

This performance has been possible by the confluence of several factors, amongst which are worth mentioning: actions to adjust resources and operational costs in Spain to the deteriorating environment; adjustment of the offer, mainly the solutions one, to the competitive demands of our geographical markets; successful integration of the acquired companies in Brazil, Italy and Norway.



(1) Growth without acquisitions

MAIN FIGURES

Order Intake

- Reached **€3,193m,** implying an **increase** of **7%** compared to the previous year (approximately -2% excluding the impact of acquisitions), and being 9% higher than revenues of the period (**book to bill** ratio at **1.1x**).
- Indra's commercial effort carried out during 2012 has resulted in an increase of the **international** order intake of 45%, representing **63%** of total group's order intake, and thus consolidating Indra's international position in those markets where the company operates.
- **Spanish market** order intake registered a **decrease** of **26%**, reflecting not only the difficult conditions of the Spanish market but also the company's selective positioning in some clients and segments.
- **Solutions** segment registered a 9% growth, with a relevant increase in the international markets, while **Services** grew 4%.

Revenues

- Sales have followed the same trend seen in Q3-12 and reached **€2,941m**, **growing 9%** vs 2011, and posted a slight increase (c.+1%) excluding acquisitions. As previously mentioned, this growth has been achieved on the back of the positive performance of the international markets, which has compensated the decrease in the Spanish market, which had already accelerated in the third quarter.
- **Services** segment registered a **21% growth**, mainly driven by the positive impact of the acquisitions made in 2011 and by the increase in international markets. **Solutions** posted a **4% growth**, affected by the Spanish market negative performance.
- Four verticals posted **double digit rates of growth** –worth mentioning PPAA & Healthcare and Financial Services. Security & Defence and Telecom & Media which showed a decrease in sales due to the negative impact of the domestic market.

Order backlog

- Order **backlog** reached **€3,470m** (+7% versus 2011), and **represents 1.2x** last twelve month (LTM) **revenues**.

Income statement and Balance Sheet

- **Operating Profit** (EBIT after extraordinary costs) reached €217m, 19% below the figure obtained in 2011, and **Net Profit** (Net Profit after extraordinary costs) reached €133m, **27% below** 2011. During 2012 Indra has incurred in €32m of **extraordinary expenses**, slightly above the €30m expected for the year, aimed at improving the operating efficiency of the company in the Spanish market.
- **Recurrent Operating Profit** (EBIT before extraordinary expenses) stood at €249m, **7% below** the figure obtained in 2011, resulting in a **Recurrent Operating Margin** of 8.5%, in line with Q3 12 trend and in the mid point of the target of the company.
- **Recurrent Net Profit** (Net Profit before extraordinary costs) reached €157m, **13% below** the figure reached the previous year.
- **Net working capital** maintained a stable trend compared to the first nine months of the year (105 days of sales) and at year end is equivalent to **104 days of annualised revenues,** in line with the 100-110 days range expected for the full year.
- Indra's investment strategy has remained unchanged in the **development** of its **Solutions' offering.** During the year, **payments** for tangible and intangible (net of subsidies) assets amounted €74m (within the targeted range of €65-75m). Payments for financial investments, net of disposals, reached €53m, which mainly include the acquisition of Indra Navia in Norway and other deferred payments from acquisitions.
- **Net debt** at the end of 2012 reached **€633m** (versus €661m at the end of September), resulting in a ratio of **2.1x LTM recurrent EBITDA.**

TRADING UPDATE AND 2012 TARGETS

The position achieved by Indra in the different **international markets** leads to **expect relevant growth rates** in such markets for 2013, which compensates the decline in activity that the company foresees will continue experiencing in the Spanish market, so that **total revenue growth be positive**, with an also **positive cash flow performance**.

Although 2012, after several years of negative performance, has been a certainly tough and negative year for Indra in **Spain**, the **weak macro environment** and the cost reduction measures undertaken by the main economic agents, private and public, will continue to have a negative impact in large part of Indra's areas of activity and clients in the Spanish market. In this market it cannot be ruled out a double digit revenue decline (although smaller than last year's), with negative impact in operating performance. To reduce as much as possible such negative impact, the company will **continue implementing actions** to **adequate resources** and operating costs, expecting to incur in extraordinary costs of €20m in 2013.

The expected behavior of the **international markets** will result in such markets accounting for around 60% of total revenues in 2013, with **Latam** posting an **specially positive** performance, sustaining relevant order intake and revenues growth rate,s as well as an improving profitability.

To address such material growth rates and to fully leverage their future potential, the company will continue selectively developing and **adjusting** its own **solutions** offer **portfolio** to the requirements of the markets with most relevant demand.

Management of the **balance sheet** will be a **first order priority** in 2013 and following years, the company expecting a reduced growth in net working capital while exploring selective divesting opportunities. With all this, the company foresees to **maintain** an **adequate shareholders' remuneration policy** without increasing its financial leverage.

Even with this positive evolution, profitability generated in the **international** markets will **not fully compensate** the negative **impact** from the **Spanish** market in 2013, taking into account that some of the efficiency improvement measures undertaken will not have full impact in the whole of 2013.

In the context mentioned in the previous paragraphs, and taking into account that order backlog at the beginning of the year represents 45% revenues coverage (a level similar to last years'), together with recurrent order intake and the nature of contracts in advanced negotiation stage, Indra expects to reach the following **targets** in **2013**:

- **Revenue** growth slightly positive
- **Order intake** similar or ahead of revenues
- **Recurrent EBIT margin** (before extraordinary expenses) around 8%
- **Net working capital** in the range of 100-110 equivalent days of sales
- **Net capital expenditures** around €70m

As has been mentioned in previous reports, the company has launched in 2012 several **initiatives** to **optimize management processes and production efficiency**, with a global view that encompasses all vertical and geographical markets. These initiatives, which will continue being implemented in 2013 and following years, add to the ones already implemented to strengthen managerial, commercial and access to different markets where Indra is developing its presence. All this, jointly with **investments** in developing and aligning the offer **portfolio**, are aimed to consolidate Indra's position in the international markets, with relevant and **sustainable growth rates**, as well as **increasing profitability** and **cash flow generation.**

The sum of these initiatives -which together with the specific actions to adequate resources and costs will allow to quickly **reverting** the **current negative** profitability **performance** of the **Spanish market**, once it initiates its recovery-, is already bearing tangible fruit in Latam and will progressively materialize in other geographies; thus **progressively recovering Indra its growth and high profitability profile**.

2. MAIN FIGURES

The table below shows Indra's 2012 main figures, including the impact of the acquisitions of Galyleo (consolidated since July 1st, 2011), Politec (consolidated since October 1st, 2011) and Indra Navia (consolidated since May 1st, 2012)

INDRA	2012 (€M)	2011 (€M)	Variation (%)
Order Intake	3,193.2	2,975.8	*7*
Revenues	2,941.0	2,688.5	*9*
Backlog	3,470.3	3,230.9	*7*
Recurrent Operating profit (1)	248.8	267.8	*(7)*
Recurrent EBIT margin (1)	8.5%	10.0%	*(1.5) pp*
Extraordinary costs	(31.6)	0.0	*na*
Net Operating Profit (EBIT)	217.2	267.8	*(19)*
Attributable Profit	132.7	181.0	*(27)*
Adjusted Attributable Profit (1)	157.3	181.0	*(13)*
Net debt position	*633.3*	*513.6*	*23*

(1) Before extraordinary costs

Earnings per Share (according to IFRS)	2012 (€)	2011 (€)	Variation (%)
Basic EPS	0.8519	1.1129	*(27)*
Diluted EPS	0.8519	1.1129	*(27)*
Diluted EPS (adjusted)	0.9675	1.1129	*(13)*

- **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.

	2012	2011
Total number of shares	164,132,539	164,132,539
Weighted treasury stock	1,538,122	1,491,128
Total shares considered	**162,594,417**	**162,594,411**

- At the close of December 2012 the company held 11,041 treasury shares, representing 0.01% of total shares in the company.