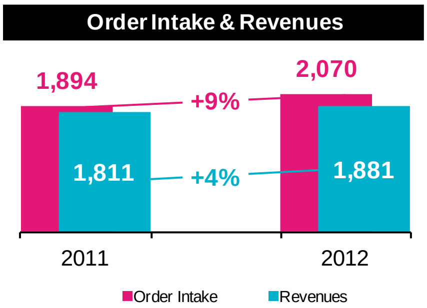
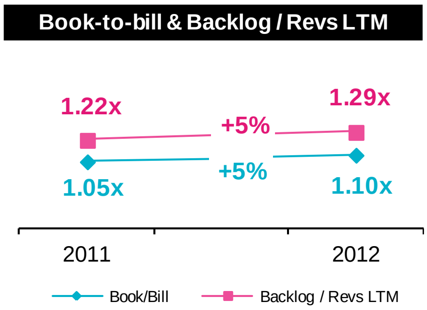
3. ANALYSIS BY SEGMENT

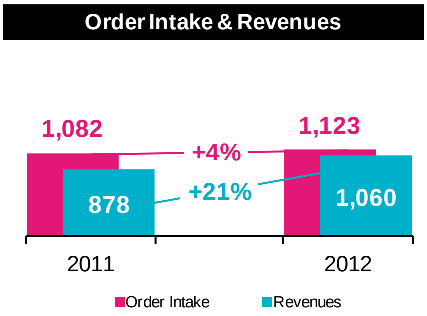
SOLUTIONS

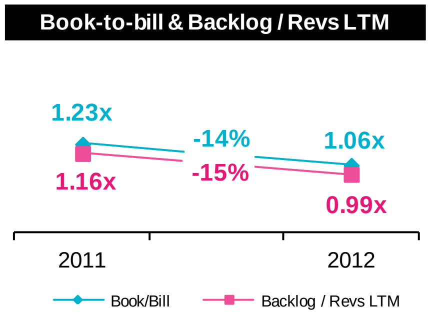




- **Revenues** have grown **4%** versus the previous year, showing a strong growth in Transport & Traffic, PPAA & Healthcare and Energy & Industry verticals, having offset the decline registered in Security & Defence, Telecom & Media and Financial Services. It's worth to highlight the good performance of the Transport & Traffic vertical during the last quarter of the year.
- **Solutions** represented 64% of total sales of the company in 2012.
- **Order Intake** increased by **9%**, a figure which is **10% ahead** of **sales** (book-to-bill at 1.10x, above the ratio registered by the end of 2011) with a positive performance mainly in emerging markets and especially in the Asia and Africa areas, as mentioned in 9M 12's report. All vertical markets, excluding Security & Defence and Financial Services, recorded positive growth rates. Defence & Security weak performance during the last quarter of the year has impacted on the order intake's level at the year end.
- **Order backlog** reached €2,426m, representing an increase of 9%. Order backlog / LTM sales ratio reached 1.29x, 5% above 2011's level (1.22x)
- Indra remains committed to consolidate its position as a leading supplier of **proprietary Solutions** in high potential market segments. The level of investments dedicated to evolve our solutions is maintained, amongst others, in intelligent networks in energy and utilities, air and rail transport, as well as in specific areas of security and defence.

SERVICES





- **Sales** reached €1.060m, posting a **21%** growth versus previous year. The double digit increase registered in the international market, supported mainly by the good performance of the acquisitions of Galyleo in Italy and Politec in Brazil, has compensated the weakness in the Spanish market.
- **Order intake grew by 4%** versus the previous year. All vertical markets registered positive growth rates excluding Telecom & Media, conditioned by the higher order intake registered in 2011, where Indra was awarded with a relevant outsourcing project in the media field (in the Spanish market).
- Order intake during the period was 6% above sales **(book-to-bill ratio** at **1.06x).**
- **Order backlog** shows an **increase** of **3%** and stands at a similar level of LTM revenues.
- **Services** have represented **36%** of the **total revenues**.

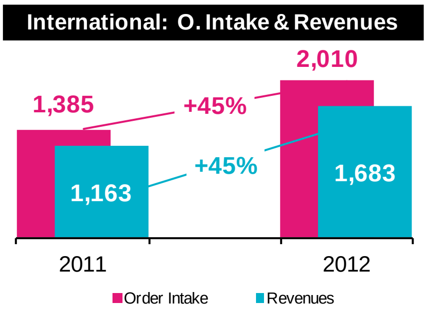
4. ANALYSIS BY VERTICAL

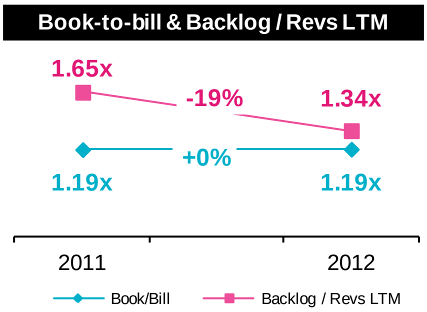
REVENUES	2012 (€M)	2011 (€M)	Variation €M	Variation %
PPAA & Healthcare	516.9	390.5	126.4	32
Financial Services	464.4	386.4	78.0	20
Energy & Industry	460.4	407.8	52.6	13
Transport & Traffic	667.1	597.2	69.9	12
Telecom & Media	369.0	396.8	(27.8)	(7)
Security & Defence	463.2	509.8	(46.6)	(9)
TOTAL	**2,941.0**	**2,688.5**	**252.5**	**9**

- **Public Administrations & Healthcare** has posted the best performance (+32%) on the back of the positive evolution of international markets, which has more than compensated the double digit decrease in the Spanish market. By regions, it is worth highlighting the performance in Latam and Asia, Middle East & Africa. In spite of the weakness in the Spanish market, Indra is selectively positioned as a relevant supplier in those institutional clients that have initiated a process of concentrating and rationalising their IT needs.
- **Financial Services** shows a 20% growth during the period. Indra has managed to maintain the same level of activity in the Spanish market than the previous year, thanks to its strategic position within the institutions that are leading the concentration process in the banking industry and in spite of the general trend of costs control and budget restrictions by clients. In the international markets, the company continues to grow in different clients as it consolidates its presence as a local player, reinforced after the acquisition of Politec.
- **Energy & Industry** has increased by 13% and maintains a tendency of strong growth in Latam that more than compensates the performance of the Spanish market. Indra's scope of investment in this area not only includes the electric field, but also infrastructure and services management in the oil and water management systems' field, where important references have been achieved.
- **Transport & Traffic** has reached 12% growth, showing a strong performance in the last quarter of the year, supported, amongst others, by the commercial synergies obtained in the areas of air traffic management and airports since the acquisition, in the second quarter of 2012 of Indra Navia. The performance of the Spanish market, which registers negative rates of growth, has been significantly impacted by the budget restrictions that the main institutional operators (ADIF, RENFE, DGT, AENA amongst others) are being subject to.
- **Telecom & Media** has registered a decline of 7%, conditioned, as expected, by the significant increase in activity during the last two years and the weakness of the Spanish market, where operators are strongly reducing investments in new projects and in some cases the scope of some relevant contracts. However, the international market –especially in Latam- has had a good performance during 2012.
- **Security & Defence's** level of revenues has declined 9% during the year. As announced in Q3-12 results reports, the decline of the level of activity that the Spanish market has registered in the last months of 2012 has led to negative growth rates for the vertical, in spite of the positive performance of the international activity.

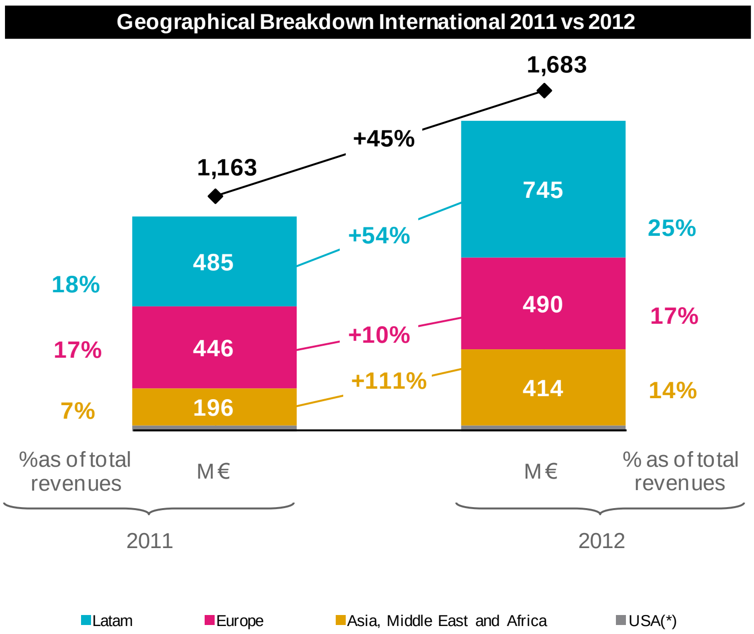
5. ANALYSIS BY GEOGRAPHY

International market:



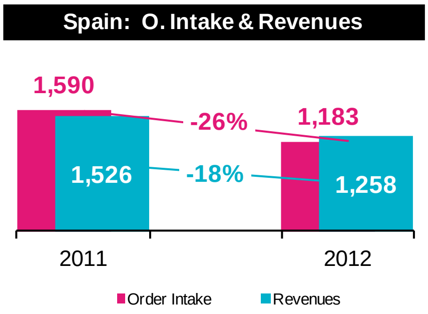


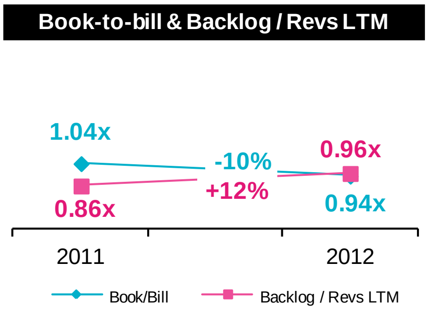
- **Revenues** in the international markets increased by 45% compared to 2011, reaching €1,683m and representing 57% of the company sales. Excluding the acquisitions of Galyleo in Italy, Politec in Brazil and Indra Navia in Norway, **growth** reached approximately **25%**.
- **Order intake** grew by **45%** to €2,010m, being 19% ahead of sales (international **book-to-bill** at **1.19x,** in line with 2011 ratio).
- **Backlog** increased by **18%** in 2012, and represents **1.34x** the international **LTM sales**.
- **Latin America** continues to show a strong positive trend, with a **54%** increase and now represents **25%** of total **group sales**. Brazil, Mexico, Colombia, Peru and Chile continue to post significant growth, while the company consolidates its presence in other countries.
- **European market** has grown **10%** during 2012, with a positive performance of the Italian and English market, while USA & Canada (1% of total group sales) have registered a 6% decline.
- **Asia, Middle East and Africa's** revenues have posted a **111%** increase, mainly driven by the positive performance of PPAA & Healthcare. Order intake in this geographic area has also shown positive evolution as the company has contracted several relevant projects in different areas of activity.



* USA: 2012: €34m (-6%)

Spanish market:





- The **weakness** of the **Spanish market**, anticipated in previous reports, is reflected in the **decreasing** revenues which dropped **18%** at year end. Spanish market sales stood at €1,258m and represent **43**% of **total group** sales (57% in 2011).
- All verticals, except Financial Services which posted the same level of revenues than last year, have registered negative rates of growth, not only due to the lower levels of activity derived from the budget restrictions of institutional clients in the Transport & Traffic and Defence fields, but also to the existing price pressure stemmed from the deteriorating macro environment.
- **Order intake decreased by 26%** and **book-to-bill** stands slightly below 1x (0.94x) compared with 1.04x reached at the end of 2011.
- **Backlog/LTM** ratio during the year 2012 reached **0.96x,** above the figure registered in 2011 (0.86x).

6. ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Income statement

- **Contribution margin** reached 15.9%, down 1.4 pp versus 2011, reflecting pricing pressure, higher revenue growth in the Services segment versus Solutions and the commercial efforts done by the company for its international expansion.
    - Contribution Margin in Solutions decreased 1.1 pp to 17.6% versus 2011.
    - Contribution Margin in Services decreased 1.6 pp to 12.8% versus 2011.
- **Recurrent operating profit** (EBIT before extraordinary costs) reached €249m, 7% below the figure reported in 2011.
- **Recurrent operating margin** (EBIT before extraordinary costs/Sales) stood at 8.5%, accomplishing the targeted range of between 8% and 9% for the full year.
- During the full year 2012 Indra has incurred in €32m of extraordinary costs, dedicated to improve the productive efficiency of Indra, mainly in Spain. After these extraordinary expenses, **Operating profit (EBIT)** reached €217m.
- **Overheads** accounted for 7.4% of revenues compared to 7.3% in the previous year.
- **Net financial expenses** reached €54m compared to €38m during the same period last year. The increase derives from the higher average debt position, its average cost and the accounting effect (but no cash out) of long term R&D loans with zero interest rate cost and of the accounted interests expenses from the acquisitions made primarily in Brazil and Italy.
- **Tax rate** stood at 22%, at similar levels as 2011.
- **Recurrent net profit** reached €157m (€133m including the impact from extraordinary costs), and decreased 13% versus the previous year.

Balance Sheet and **Cash Flow Statement**

- **Net working capital** reached €834m, equivalent to 104 days of revenues, in the middle point of the targeted range of 100-110 days of revenues. This level is in line with the 105 days of revenues registered in Q3-12 and 6 days of revenues higher than the one registered in 2011.
- Despite the economic environment, Indra maintains its commitment in developing Solutions through its R+D activity. Indra invested €51m in **intangible assets** (net of subsidies), figure lower than the one in 2011 (€69m).
- Payments for **tangible assets** reached €24m -including around €4m of investments in different projects- versus €42m in 2011.
- No news regarding **Financial investments,** which amounted 53€, in line with previous quarter. They include the divestment recorded during the year (Administradora de Archivos), and the acquisition of Indra Navia for €38m, as well as other deferred payments from other acquisitions.

- **Treasury stock** position by year end is almost not-existent (0.01% of total outstanding shares).
- **Net debt** position stood at €633m by the end of the year, equivalent to 2.1x LTM recurrent EBITDA, versus €661m reported at the end of Q3-12 and versus €514m in 2011.

Human Resources

- **Total workforce** at the close of the year 2012 stood at 38,577 employees, 3% higher than Q3-12 and 8% higher than the end of 2011.
- **International workforce** (slightly above 17,000 professionals) represents 44% of the total workforce, registering a 17% growth compared to December 2011:
    - Latin America represents circa 37% of the total workforce, showing a 16% growth versus the end of the previous year.
    - Asia, Middle East and Africa count with over 1,000 professionals, registering a 30% growth.
- **Final workforce** in **Spain** increased only marginally (+2%) versus the December 2011, and reaches 21,550 employees. This figure should be analysed taking into consideration that:
    - A number of international projects in the Solutions segment are developed in a large extend from Spain. Although these professionals are assigned to the international markets, they are located in Spain.
    - The negative performance of revenues in the Spanish market is due to pricing pressure rather than to a decrease in the volume of activity, meaning that the company needs to adequate its workforce to satisfy this volume of activity.
    - A relevant long term outsourcing contract put in force during the fourth quarter of the year, aimed at increasing the efficiency of one of Spain's largest financial institutions, implied adding 800 professionals in order to execute the project.