

Revenues*
in millions of euros

1,950

Professionals*

19,500

Key business figures

	2002	2003	2004	2005	2006 ⁽¹⁾	Variation 2005-2006
Revenues	873.6	981.4	1,079.2	1,202.2	1,406.8	17.0%
International Market (% revenues)	30%	33%	35%	35%	33%	8.3%
Backlog	1,177.4	1,220.6	1,363.7	1,623.1	1,885.0	16.1%
Net Assets	252.83	235.92	233.54	248.56	430.95	73.3%
Cash Position/(Debt) Net	36.6	136.8	197.7	54.1	(58.9)	n.a.
Personnel (average)	6,092	6,385	6,516	7,584	10,611	39.9%
Results						
Operating profit (EBIT)	96.0	109.1	122.7	142.4	163.6	14.9%
Net attributable profit	57.4	71.7	85.4	104.1	114.1	9.6%
Cash-Flow	86.1	112.8	117.5	165.6	193.8	17.0%

Data in millions of euros | From 2005, applying IFRS | * Proforma data 2006, with Azertia and Soluziona

(1) Consolidation of Azertia in the last 4 month

Dear shareholders:

2006 was a positive and important year for Indra. In addition to leveraging strong business momentum, we completed the acquisition of Azertia and reached agreement to integrate Soluziona. The Soluziona transaction closed at the beginning of 2007.

Indra continues growing at significant rates, outstripping that of the market and our main competitors. We posted higher profits and met every single target set for the year.

Without taking into consideration the positive impact from the consolidation of Azertia in the last four months of the year, both revenues and the order backlog registered double digit growth in 2006, with the order intake significantly outpacing revenues. Cash flow and operating income were also strong. We widened our already notable operating margin, consolidating our benchmark position in the sector.

The Azertia and Soluziona transactions are part of Indra's stated strategy of exploring at and integrating businesses that reinforce our capacity to create value. These two companies' businesses are highly complementary with those of Indra and cement our strong leadership position in the overall Spanish market, in the core segments and in each of the vertical markets to which Indra targets its services. These deals also reinforce our international positioning, in particular broadening our presence in Latin America.

The Soluziona deal also meant welcoming Unión Fenosa as one of the company's benchmark shareholders. Unión Fenosa will serve on Indra's Board as a medium-term committed investor. In 2006, Cajastur and Casa Grande de Cartagena also announced significant investments of a long-term nature in Indra. Pursuant to Indra's corporate governance policy, the company's Directors plan to propose at the forthcoming General Shareholders' Meeting that each of these new shareholders be represented on the Board. We are fully convinced that they will each contribute positively to the quality and expertise of our Board.

Our reinforced leadership as a result of the acquisitions of Azertia and Soluziona underscores our enhanced commitment to our customers and professionals: to our customers by being able to satisfy and anticipate their needs and demands; to our professionals by being able to attract, motivate and retain them. To ensure these commitments are met, we have addressed the integration processes with the conviction and agility required, not only from an organisational standpoint, but also from an operational perspective.

We selected these two companies with the goal of enhancing Indra's growth and profit profile following a reasonable integration period for adapting the operating structures and management systems. The ultimate aim is to continue to grow faster and more profitably than the sector in general, and its key players in particular. This is evident in our 2007 guidance which already reflects the effect of the initiatives launched very early on.

Indra's number one priority remains to cement its access to, and positioning in, other significant international markets so that with our enhanced service offering in hand, we can continue to actively explore acquisition opportunities that would enable us to progress more rapidly, with a focus on high-tech and global activities and businesses.

The Azertia and Soluziona transactions have been well received by the markets, reinforcing the onus on this Board to continue to pay the utmost attention to the interests of our shareholders and potential investors.

As a sign of our faith in the company's future, the Board will propose to its shareholders in general meeting a dividend proposal that entails doubling the amount paid out last year, by making an extraordinary dividend in addition to the ordinary dividend resulting from the application of the ongoing shareholder remuneration policy. In all, the company will pay out more than net profit for the year.

We trust that these proposals, together with the Board's work in 2006, meet with your approval.

Javier Monzón
Chairman




Our strategy

A Project for the future

Since Indra's creation, we have taken the steps necessary to build a solid company, in order to be able to offer a horizon of growth and sustainable medium-term returns, which allows us to exceed the average progress of the market, and to be a highly attractive company in our field.

The incorporation of Azertia and Soluziona, effective since January 2007, has reinforced Indra's leadership in the market. The Company has consolidated itself as the largest Spanish IT organization, with new possibilities for our global offering, while always maintaining our objectives of quality and innovation. At the same time, Indra is expanding its international presence, especially in Latin America, and is doubling the volume of activity in the financial sector.

This operation is taking place at a favourable moment in the market. The IT market maintains the high level of growth of previous years, and clients continue to review their supplier structure, long-term commitment, strength and ongoing innovation from their suppliers.

The companies incorporated complement Indra with regards to clients as well as offering and geographical presence. Azertia contributes a significant improvement in our position in the financial sector, reinforces our offering in Public Administration and Health, and complements our presence in Latin America, among other factors. Soluziona's strengths are related to clients and solutions in the Energy and Utilities sector, and as well as their significant presence in Eastern Europe.

1

Create value
19,500 professionals
Capt
Development
Retention

Talent Management

Indra's business plans are based on employee talent. Our employees are the ones who innovate and create value. With the incorporation of Soluziona and Azertia, we have become a company made up of a large team of over 19,500 professionals who form part of a leading organization, which offers major opportunities for professional development and future growth.

2

Spirit of leadership
Innovation
Quality

Innovation and quality

Indra is a company with a spirit of leadership and international development, for which not only an outstanding supply with high added value is required, but also ongoing improvement in our project and process management capacities. For this reason, innovation is the basis of Indra's strategy, which is reflected in the quality of the solutions and services developed by the professionals who are part of Indra and in the internal progress of its organization.

3

Solutions and services
Demanding customers
Unique offer

Growing with our customers

The numerous successful experiences of Indra, Azertia and Soluziona come together to offer our clients the most innovative solutions and services, designed to adjust to their needs and to raise the value of our supply. The long-term commitment that we have made to our clients has given us a strong reputation in the market in which we operate. At Indra, we work with the most demanding clients, although the effort devoted to meeting their needs is seen in the development of unique solutions and services

Indra is the leading Information Technology company

Solid technology base, permanent innovation, quality in processes and results, demanding management and the high degree of qualification of more than 19,500 professionals are the pillars sustaining our success.

We are also gaining, at the same time, the value of a great team of professionals in an organization focused on training, development and retention of the talent of capable, enthusiastic persons, who are willing to accept the responsibility and challenge of innovation.

Sustainability over time of this business model is based on the application of best practices in corporate governance and responsibility, along with a team of professionals who are able to provide innovation in supply and management, and who are committed to the quality of customer service.



4

Innovation
Sustainability
Stakeholders

Corporate responsibility

Innovation is a major cornerstone in the sustainable development of Indra, and therefore an obligation to our shareholders. This is the reason why we have decided that innovation should be spread to each of the remaining stakeholders (clients, employees, suppliers), as well as to the institutions within the communities in which we work, motivate and develop innovation, and to society in general.

5

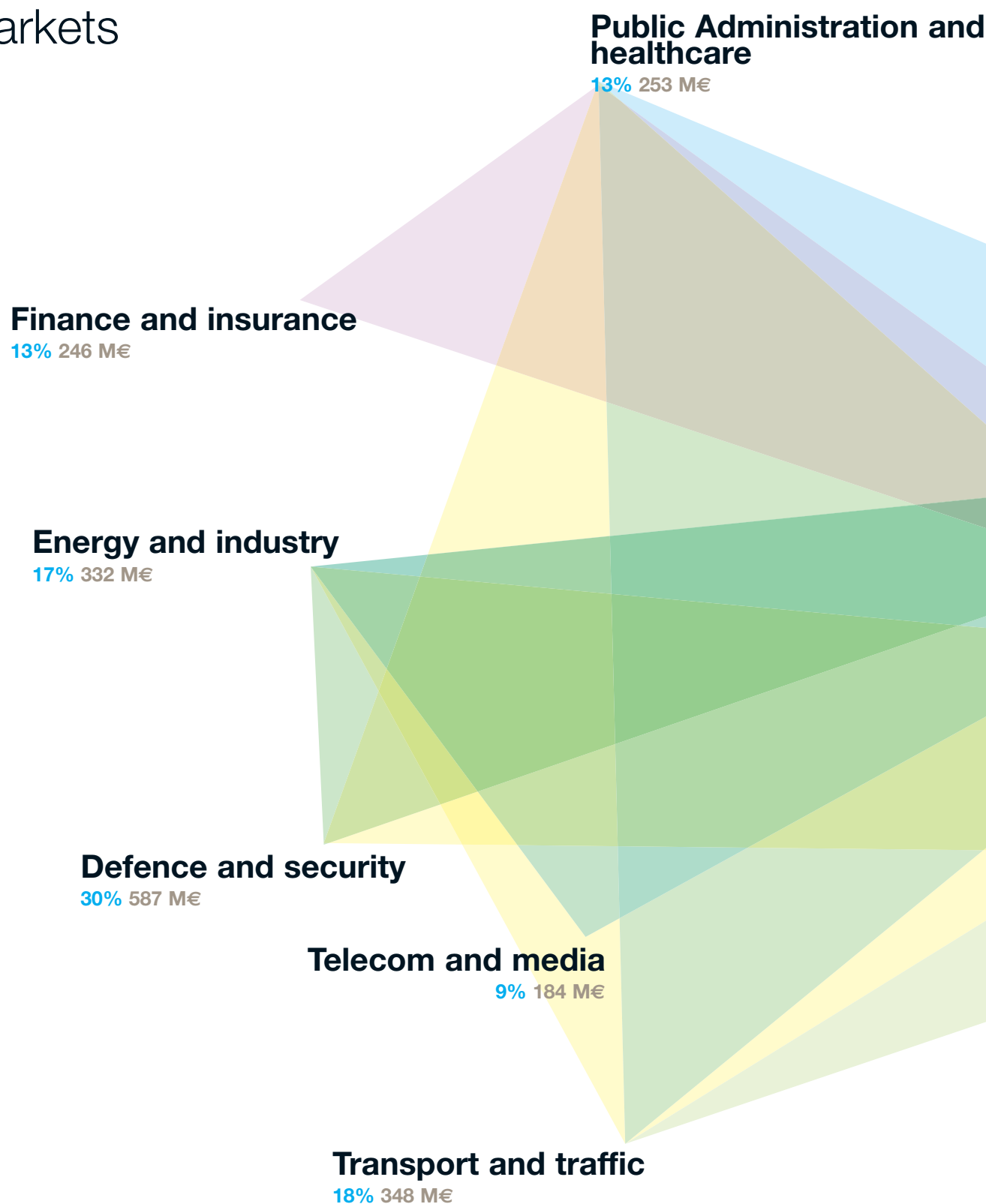
Transparency
Participation
Compliance
Best practices

Corporate governance

Indra has always been firmly committed to excellence in corporate governance and to the quality of our relationships with shareholders and investors. Since 1999, the company has published an annual report on corporate governance, addressing both legal requirements and domestic and international corporate governance best practices and recommendations.

Our **businesses**

Markets



Increasing the value of our offering

Knowledge involves synergies. The incorporation of Azertia and Soluziona not only widens our solutions and services portfolio, but also the integration of our professionals gives us the opportunity to **generate an exponentially higher knowledge**. The many successful experiences of Azertia and Soluziona **join** Indra's to be able to offer innovative services and solutions to our clients, which are adapted to their needs and, consequently, increases the value of our offering.

Solutions

Own solutions

Air traffic management (ATM)
Infrastructure management and transport operators systems
Satellite navigation systems

Intelligence, surveillance, detection, command and control systems
Sensors and Electronic Defence
Simulators
Automatic maintenance systems
Integrated logistics systems
Satellite control and communication

Security

Business support systems (BSS) and operations support systems (OSS)
Satellite GSM net structure
TV channel management services

Open Utilities
Generation power stations systems (OCEN)
Systems of environmental monitoring
Integrated management of energy market agents
Energy Trading systems

Core Banking architecture
Clearing, payment methods and financing
Financial terminals and multi-channel solutions
Investment, private banking and personal banking management
Fund management
Foreign trade solutions
Operational risk
Para-banking financial solutions
Insurance management
Electronic claims processing

Electronic Administration
Identification systems
Integrated tax management
Citizen attention
Digital healthcare
Administrative procedure simplification
Electronic file management
Procedural and legal management solutions
Vote counting systems

Networks

Consultancy

Strategy consultancy
Operational consultancy
Technology consultancy

Third parties solutions

IVR (Self-Service)
ERP
CRM (Customer Relationship Management)
BI (Business Intelligence)

Services

Technology outsourcing and applications management

BPO (Business Process Outsourcing)

Highlighted international projects

USA

Toll systems for the Indiana Roll

Mexico

Cablevisión's account statements

Panama

Merchant Marine Passport

Colombia

Monitoring systems and train traffic management for the Metro of Medellín

Chile

Technological modernisation of the Valparaíso's Port enlargement

Nicaragua

Improvement in the courts of justice management

France

Maintenance and development of the loyalty systems for the France Telecom

Portugal

Digital Health Information System

Belgium and the United Kingdom

ERP for the Hesperia Group

Morocco

Traffic management of the Moroccan coast

Brazil

Surveillance systems to control the Amazon and maritime zones

Uruguay

Development and implementation of a web solution for the Insurance Bank of the State of Uruguay

Telecom and media

Supporting Telefónica's international expansion

Indra was awarded two projects linked with the initiative for convergence of the management systems of Telefónica's subsidiary's in Latin America.

These projects, which are being developed from the Centro de Desarrollo Tecnológico (Technology Development Centre) in Buenos Aires, cover the establishment of financial-economical, logistical and general modules of SAP R/3.

Energy and Industry

eCampus

e-Learning Service for Red Eléctrica Española (REE)

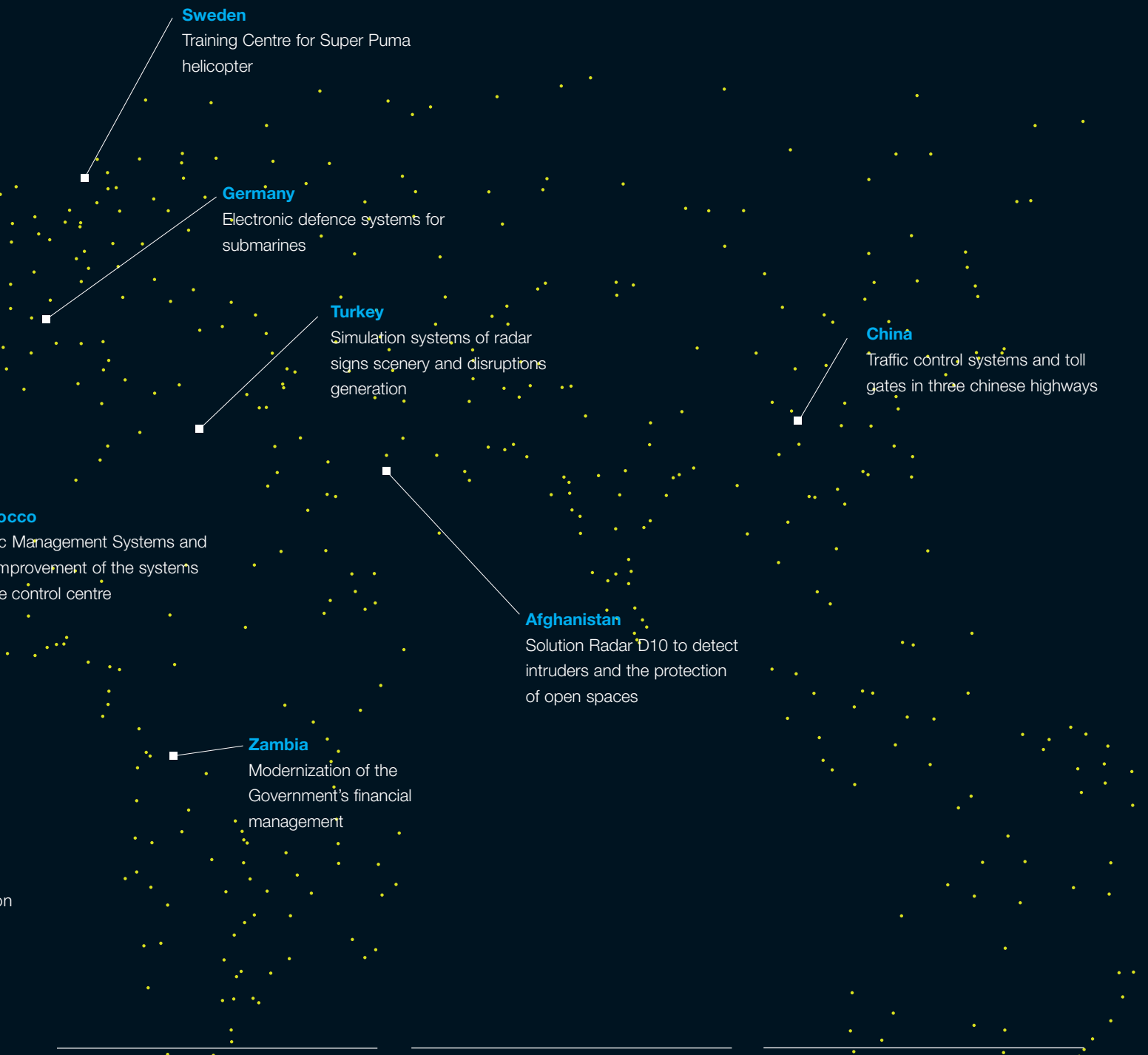
(REE) trusted Indra with the implementation and exploitation of their e-Learning service, which will allow the electrical company to strengthen its training plans and the automation of the Human Resources management, linked to the development in responsibilities, and aligned with their organizational and business objectives.

Public Administration and healthcare

A paperless parliament

Supporting the upgrading of the Congreso de los Diputados (Spanish Deputies Congress)

The aim of this project is to get the Deputies Congress to work "without papers", to make the deputies' job easier and to promote e-democracy. To do this, a new central system for information and communication will be defined and implemented, offering its service to all users according to access keywords assigned to each of them.



Finance and insurance

Reinforcing the International Area of Banco Sabadell

The International Area management platform sets Indra in a clearly competitive advantage position, due to the facilities already performed and also because of the company's importance and consequently because it opens up important expectations for the near future.

Transport and traffic

Indiana Toll Road

Indra enters the toll system market in the United States

The toll system will have manual, automatic and electronic toll lanes, which will allow automatic payment via electronic devices installed on the vehicles. This system will be controlled from a Control Centre that will gather all the maintenance and operating information.

Defence and security

Integrated emergency management system for UME

The system developed by Indra has been designed to support all UME (Emergency Military Unit) activities, like strategic and operative surveillance and planning, the creation of forces and their managing and monitoring, by means of linking up different State Administration bodies with responsibilities for emergency management.

The Indra Share

Indra and the sector

Indra shares continued to register a positive performance and gained 13% in 2006, outperforming not only the companies in the sector but also the sector indexes on which the company is listed: FTSEeTX (6%) and MSCI Europe IT Services (4%).

The following graph shows Indra's performance in relation to the IBEX 35 and to average figures for the main European IT services companies (base value of 100)

Comparative progress of Indra 2006 (base 100)



Source : Bloomberg

Since the 2006 year-end, Indra's position in the sector has further improved, a circumstance that has been clearly perceived by the market. The stock's market value at year-end 2006 was 416% up on its value at the date of the IPO in March 1999, whereas the sector average remained flat.

Shareholder and Investor Relations

In 2006 Indra continued to apply an active communications policy in order to ensure optimal transparency and information disclosure to the financial markets, making numerous presentations to institutional investors and analysts in Spain, Europe and the United States.

Value progress of Indra 2006



Dividend charged to 2006 profit

0.78

euros gross dividend per share

0.43 +

euros ordinary dividend

0.35

euros extraordinary dividend

100% Increase of Gross Dividend per Share

100% % dividend over Attribute Result per share (payout)

+4.2% Dividend yield 2006¹

¹ Gross dividend paid during 2007 on the share price at 29th December 2006.

Shareholder Structure

(at 29th December 2006)

Nº of shares	Cajastur 8,212,805	Free Float 108,407,924			
	14.98%	5.62%	5.00%	74.40%	
Caja Madrid Nº of shares 21,901,361	Casa Grande de Cartagena 7,309,396				
			Total ordinary shares	145,831,486	99.76%
			Redeemable shares	356,440	0.24%
			Total shares	146,187,926	100.00%

Stock market indicators

Indra's stock showed 100% trading frequency throughout the year (256 days), accompanied by high liquidity, reaching an average daily volume of 1,069,050 shares. This represents a 9% decrease in respect of the previous year, due to the high block volume generated in February 2005 following the announcement of an extraordinary dividend payment for the financial year.

Main stock market indicators 2006

Total number of shares (31-12-2006)	146,187,926
Number of ordinary shares (31-12-2006)	145,831,486
Free-float (31-12-06)	108,407,924
Par value of share (€)	0.20
Average daily volume (shares)	1,069,050
Average daily volume (€M)	17,678
Trading days	254
Trading frequency	100%
Minimum daily volume (shares) (21 August)	191,448
Maximum daily volume (shares) (16 November)	3,471,364
Total effectively traded volume (€M)	4,490
Total annual volume (shares)	271,538,628
Total volume as % of total ordinary shares	186%
Total volume as % of free float	248%
Annual minimum share price (13 June) (€)	14.05
Annual maximum share price (16 November) (€)	19.12
Closing price (29 December) (€)	18.61
Average share price (€)	16.50
Market capitalisation at 29 December (€M)	2,721

Net earnings per share (EPS) (€)(1)	0.7806
Cash flow per share (CF/S) (€) (1)	1.326
Book value per share (€) (1) (2)	2.348

Price / EPS (P/E) (3)	23.84
Price / CF/S (PCF) (3)	14.04
Price / Book value per share (P/BV) (3)	7.93
EV / Revenues (4)	1.98
EV/EBITDA (4)	15.07

(1) Based on the total number of shares in the company: 146,187,926 shares

(2) Book value does not include €2.4M from the capital increase (redeemable shares) carried out to provide coverage for the Options Plan 2002 and corresponding to options outstanding at 31-12-2006.

(3) Based on the share price as at 29 December 2006.

(4) The year-end Enterprise Value (EV) is based on: Market capitalisation at 29 December 2006 + Net Debt of the company at that time (58,9 M€).