Indra

Activities Report 2006

Strategy
Business
Indra in the world
The stock

1

Indra

Activities Report 2006

Revenues*

1,950

Key business figures

Data in millions of Euros

From 2005, applying IFRS

* Proforma data 2006, with Azertia and Soluziona

(1) Consolidation of Azertia in the last 4 months

19,500 professionals*

	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%

Chairman´s letter - 6

Managing Director´s letter - 8

Governing Bodies - 12

Our Strategy - 14

Corporate Responsibility - 20

Corporate Governance - 24

Talent management - 28

Innovation and quality - 34

Our businesses - 38

Solutions and Services - 40

Markets - 46

Telecom and media - 48

Finance and insurance - 54

Public Administration and healthcare - 60

Energy and industry - 66

Transport and traffic - 72

Defence and security - 78

Indra worldwide - 84

Indra on the Stock Exchange - 90

Work centers - 100

Key words

Strategy 24. Pags 4, 6, 9, 14, 16

Growth 43. Pags 6, 7, 8, 9, 10

Profitability 3. Pags 10, 15

Talent 18. Pags 4, 10, 15, 18, 19

Technology 37. Pags 9, 14, 17, 18, 21

Quality 48. Pags 4, 6, 14 ,15 ,18

Business 79. Pags 2, 4, 6, 7, 8

Key words, the number of times they appear in the document and their page number as shown.

positive financial year

Azertia

value

leadership

Soluziona

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.

growth and profitability

international

commitment

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

Dear Shareholder,

2006 was a very good year for our business, as well as seeing completion of the transactions involving Azertia and Soluziona, two of Spain's leading IT companies. Azertia was consolidated in Indra for the last four months of the year, whereas Soluziona had no impact on the 2006 figures, since the transaction was concluded at the beginning of 2007.

Revenues totalled €1,407m, which represented growth of 11% - disregarding the impact of the integration of Azertia – thereby meeting the target set for the year and once again achieving a higher rate of growth than the market average and other sector leaders.

Order intake, without including Azertia, was 13% higher than revenues. The order backlog at year end amounted to a total of €1,885m, which was equivalent to 1.34 times the revenues for the last twelve months and is in line with the ratios for previous years.

The Operating Profit (EBIT) amounted to €164m. Disregarding the result contributed by Azertia, this was 12% more than in 2005 and equivalent to an EBIT margin of 12%, higher than the 11.8% of the previous year. These figures mean that once again Indra's earnings were well above the sector average.

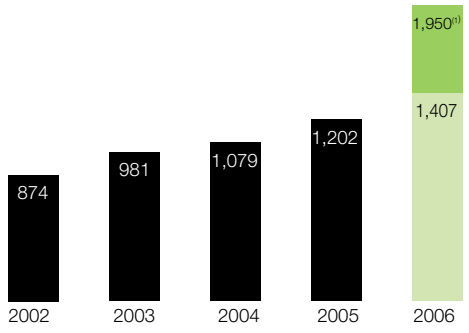
The Attributable Profit amounted to €114m, with an increase in earnings per share of 12%; the integration of Azertia had a positive impact of 2%.

The operating cash flow also performed very well, rising by 109% to €139m. The Company ended the year with a financial position of net debt of €59m, compared with the net cash of €54m at the end of 2005, due mainly to the acquisition of 100% of Azertia's share capital - involving a payment of €119m -, and the payment of the ordinary dividend out of 2005 earnings - €55m -, among other amounts allocated.

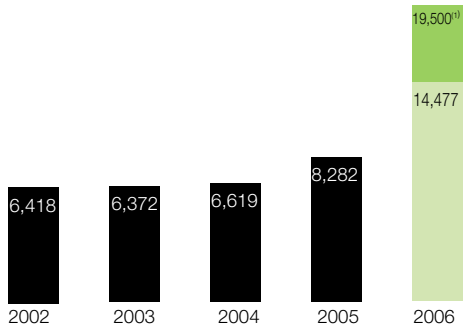
In 2006 we continued to step up our activities in the international markets and achieved an increase in order intake of 34%, which clearly evidences Indra's significant growth potential. Revenues in the United States and Canada rose by more than 20%, with the result that more than 75% of the year's international revenues came from Europe and North America, regions where it is possible to corroborate the competitiveness of our offering and our commercial and project management capabilities.

Domestic revenues were up by 22%. Disregarding the contribution from Azertia, there would have been growth of 14%, well above the 7% that according to a number of different analysts is the growth rate of the Information Technologies

Total revenues (€ M)

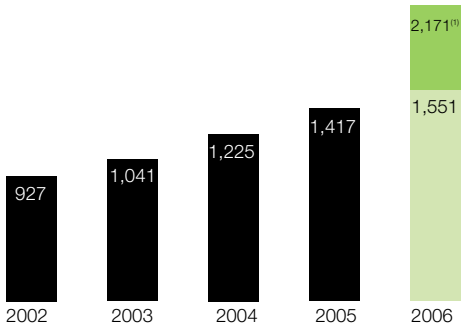


Total workforce

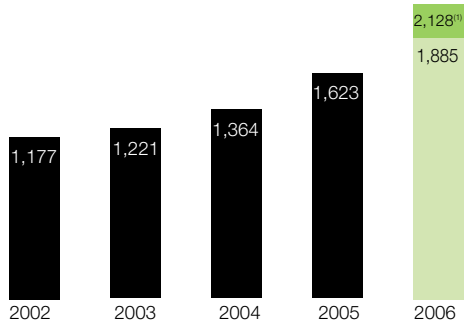


(1) Proforma figures, including Azertia and Soluziona

Order Intake (€ M)



Backlog (€ M)



(1) Proforma figures, including Azertia and Soluziona

market in Spain. This positive trend confirms the strength of Indra's position and of its business model.

Indra's business model is based on making available a combined offering of Solutions and Services in conjunction with a project management system that focuses on strict control of both costs and delivery times, always in accordance with the standards agreed with our customers. The success of this model requires constant improvement of the Company's customer position by creating an offering of greater value with proprietary solutions that enable Indra to set itself apart from its competitors. This offering must combine full knowledge of the business with experience in developing projects that involve the use of state-of-the-art technology in both software and electronics, outsourcing and application management services.

The Azertia and Soluziona operations both fit in with our strategy and our business model. They round out our offering of solutions and services while strengthening our top-level customer position and scope.

In the Solutions segment, disregarding the Azertia figures, revenues and order intake both increased by 9%, but the fact that the order intake was much higher than the revenues for the year led to a 17% increase in the order backlog. Mention should be made of the positive performance of the air traffic control management systems, with the launch of important projects in both the domestic and international markets; the increase in solutions linked to healthcare and Social Security management, the modernisation of the Justice system, and systems of identification and public law and order; as well as the development of a variety of solutions in the field of finance, especially those connected with the management of the international departments of banks, electronic billing, or risk management as part of the Basel II requirements.

As regards Services, and again excluding the contribution made by Azertia, revenues rose by 17%, although there was a drop in both the order intake and the order backlog owing to the large multi-year contracts secured in 2005. The outsourcing and application management services continued to follow the path of growth of previous years, particularly in the Public Administration, Telecommunications and Transport sectors. Special mention should be made of the business process outsourcing (BPO) area, in which BMB's offering has been reinforced by Azertia's position in document management for the financial and public authorities sectors.

In Information Technologies, all the Company's markets achieved double-digit growth, without including the figures due to the integration of Azertia. Particularly noteworthy was the performance of the Telecommunications and Utilities, Public Administration and Healthcare.

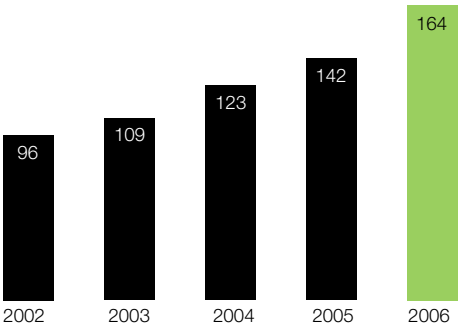
In the SIM/ATS and Electronic Defence Equipment business areas, the order intake of new projects connected mainly with phase two of the Eurofighter programme and several simulation projects for the Chinese market and the US Navy raised the order backlog to 2.22 times the revenues for the last 12 months, reflecting the high profile of this business for the next few years.

In conclusion, 2006 once again saw Indra on a positive course. 2007 will bring the effective integration of both Azertia and Soluziona. The pro-forma consolidated revenues of the three companies totalled €1,950m in 2006 (an increase of 47%), and the headcount has increased to nearly 20,000 professionals. With these dimensions, integration poses a major challenge and requires a process of adaptation to an integrated model of organisation and the profitability standards of Indra. Upon this basis we have set a series of ambitious and demanding objectives for 2007: growth of 9.5%-10.5% in pro-forma consolidated revenues; higher order intake than revenues; and achievement of EBIT of at least 10%, including both the costs of integration and the savings made during the year, estimated to be between €14m and €16m and €9m and €11m, respectively, with the consequent positive impact in following years.

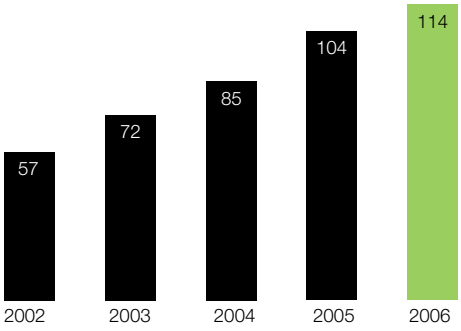
The operational integration into Indra of Azertia and Soluziona began in January 2007 with ambitious targets and actions. All integration processes require a period of adaptation of the operating and management model, in which a good deal of flexibility, credibility and trust are essential. The support of our customers and the talent and dedication of our team of professionals are proving to be of fundamental importance to the success of this new phase. To all of them we owe our sincerest appreciation.

Regino Moranchel
Managing Director

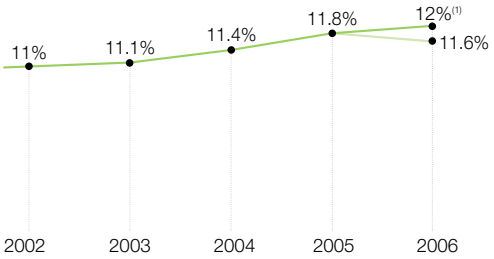
Operating profit (€ M) (EBIT)



Net attributable profit (€ M)

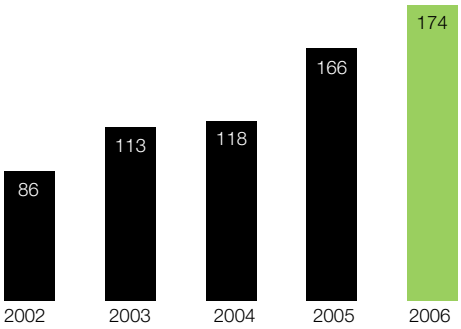


Operating margin (% EBIT/Revenues)



(1) Figures excluding Azertia's last four months of 2006

Cash flow (€ M)



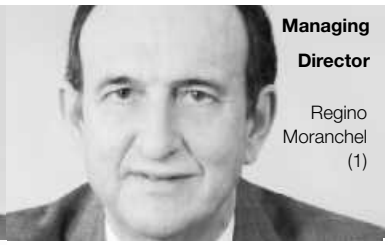
Governing Bodies

Board of Directors

Chairman

Javier Monzón (1)

Managing Director



Regino Moranchel (1)

Vice-Chairmen

Humberto Figarola (1)

Manuel Soto

Carlos Vela (2)

Secretary (non-executive)
Daniel García-Pita

Vice-Secretary (non-executive)
Carlos González

Appointments and Remuneration Committee

Joaquín Moya-Angeler (P)
Manuel Azpilicueta
Pedro López Jiménez
Manuel Soto
Carlos Vela (2)

Executive Committee

Javier Monzón (P)
Isabel Aguilera
Manuel Azpilicueta
Francisco Constans
Pedro López Jiménez
Regino Moranchel
Pedro Ramón y Cajal
Carlos Vela (2)

Audit and Compliance Committee

Manuel Soto (P)
Francisco Constans
Honorato López Isla
Estanislao Rodríguez-Ponga (2)
Juan Carlos Ureta

(P) Chairman
(1) Executives
(2) Representatives of Mediación y Diagnósticos S.A.
and Participaciones y Cartera de Inversión, S.L., holding companies wholly owned by the shareholder Caja Madrid

Members

Isabel Aguilera

Manuel Azpilicueta

Francisco Constans

Honorato López Isla

Pedro López Jiménez

Joaquín Moya-Angeler

Pedro Ramón y Cajal

Estanislao Rodríguez-Ponga (2)

Juan Carlos Ureta

General Directors

Juan Carlos Baena
Javier de Andrés
Emma Fernández
Rafael Gallego
Ángel Lucio
Cristóbal Morales
José María Otero
Javier Piera
Santiago Roura
Joaquín M. Uguet
Josep M. Vilá

Advisory Board

Ramón de Miguel Egea
Santiago de Torres Sanahuja
Julián García Vargas
Carlos López Blanco
Luigi Michetti
Ángel Serrano-Estellez

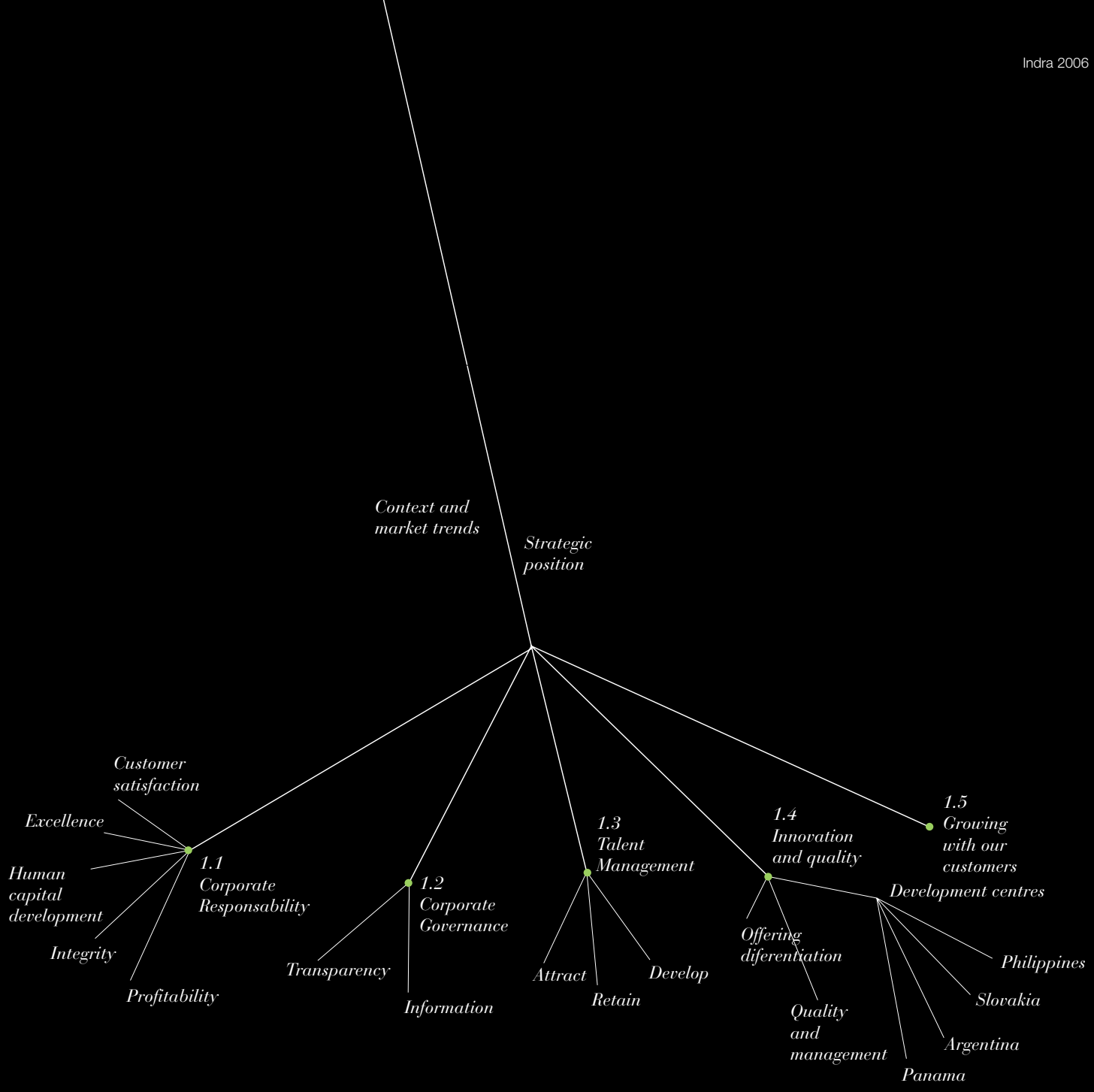
1 Our **strategy**

Indra is the leading Spanish Information Technologies 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 Indra's success.

Indra + Azertia + Soluziona

81% qualified and highly specialised professionals


Context and market trends
Strategic position
Customer satisfaction
Excellence
Human capital development
Integrity
Profitability
1.1 Corporate Responsability
1.2 Corporate Governance
Transparency
Information
1.3 Talent Management
Attract
Retain
Develop
1.4 Innovation and quality
Offering diferentiation
Quality and management
1.5 Growing with our customers
Development centres
Philippines
Slovakia
Argentina
Panama

Our strategy

The creation of value and competitive advantages must be founded on solid and sustainable bases. At Indra, knowledge and value are two sides of the same coin. There is a reciprocal relationship between them.

Knowledge is spread throughout the whole organization, creating synergies, encouraging the development of ideas and facilitating innovation.

Innovation is the core of Indra's strategy and the key to what makes us different in the development of solutions and services with high added value for our clients.

Context and market trends

During 2006, the technology market has maintained the rhythm of growth of the last few years, and at the same time it has continued to become a market with two major segments; solutions and services, each one with distinctive characteristics.

The services segment has continued to show a rhythm of growth higher than the average for the sector. Increasingly, companies opt to outsource their technological services, as a way of making their cost structure more flexible and, at the same time, gaining access to the best management practices for these services. This segment is price-sensitive, so there's a growing tendency to relocate to low-cost environments, and to give priority to volume as a competitive factor.

The solutions segment's main factor for success is its wide range of its own solutions for the business problems of our customers. Achieving these solutions requires making a continued effort to innovate, and an extensive knowledge of the challenges faced by each market, both nationally and internationally.

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. At the same time, there is the ever-present pressure on prices and greater requirements for quality, efficiency and a return on investments in technology.

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.

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 continuous improvement.

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.

Talent Management

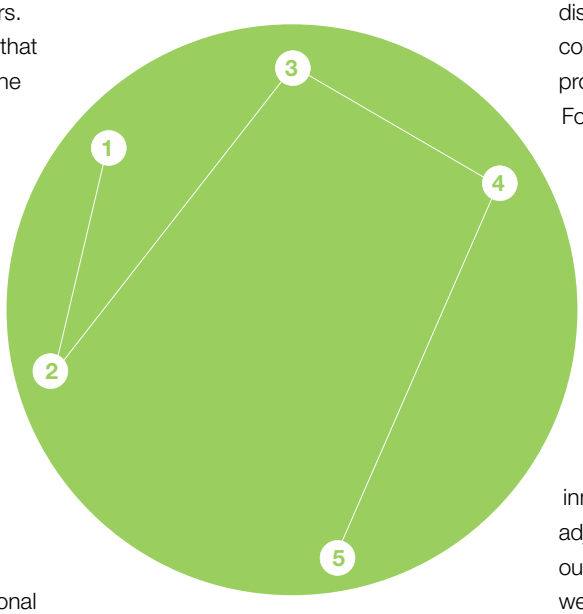
Indra's business plans are based on employee talent. Our employees are the ones who innovate and create value. With the incorporation of Soluziona and Azertia, we have become a company made up of a large team of over 19,500 professionals who form part of a leading organization, which offers major opportunities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

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 groups (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.

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.



Innovation and quality

Indra is a company with a spirit of leadership and international development, of which a distinctive, high value-added offering and continuous improvement in our project and process management capacities are essential. 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.

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 offering. 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; nevertheless, the effort devoted to meeting their needs is seen in the development of unique solutions.

Corporate **Responsibility**

Since 2003, Corporate Responsibility has constituted one of the main pillars of Indra's strategy. Following the growing internationalisation of the company, and paying attention to the communities where we work, we know that our best contribution to sustainable development, locally and globally, is our own activity, and, more accurately, our own capacity for innovation.

Our Vision

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

Our sustainability is linked to our relationship with the stakeholders we define as 'strategic': shareholders, employees, clients, suppliers, the communities where we work, and the society in general.

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 dissemination.

The knowledge management and innovation which we are capable of creating with each stakeholder are the priority areas of responsibility for the company. This is why our vision of sustainability is based primarily on people, who are the main protagonists of innovation, as they are the ones who research, learn, teach and, in short, innovate in creating solutions, services, and ways of doing and thinking.

Acknowledgements

Among the main milestones of the year it is worth pointing our inclusion in the Dow Jones Sustainability World Index (DJSWI) and in the Dow Jones Stoxx Sustainability Index (DJSI STOXX), since September 2006. Likewise, Indra has the best corporate reputation within the technology, consultancy and computing sectors; and is in thirteenth position among Spanish companies, according to the MERCO Index (Spanish Monitor of Corporate Reputations) of the 100 most admired companies of our country in 2007 and the number one in its sector.

In line with the continued improvement in responsibility and public disclosure of accounts in this area, the 2006 Corporate Responsibility Report attached to this Activity Report was completed in compliance with the G3 guidelines of the Global Reporting Initiative. Indra followed the highest level of A+ application, presented in a balanced and reasonable way the economic, environmental and social performance of Indra, and verified submission externally.

First in our sector

Indra is in the13th position among the one hundred most prestigious companies in Spain and the first in our sector, according to the MERCO (Spanish Monitor of Corporate Reputations) index.

Dow Jones Sustainability Indexes

GRI REPORT GRI CHECKED

Indra's key sustainability initiatives: The three materiality levels

Indra has defined the material initiatives for its sustainability, divided into 3 areas:

1. Responsible initiatives shared by the business sector

They are those material initiatives that we have to report about and act in the same way as other companies, because they are shared challenges in business sustainability.

It is worth pointing out, the practices of Corporate Governance, transparency and shareholders participation; the reconciliation of employees work and family life; service quality, the promotion of responsibility towards the value chain; the company's environmental management.

2. Responsible initiatives specific to the information technologies sector

They are those initiatives where it is necessary to act in an unusual way due to the special meaning and important of the sector in which we operate.

Such is the case, for instance, of the recruitment, retention and management of talent that our company's innovation depends on, which is key to our competitiveness and economic, social and environmental sustainability. Within this range of initiatives, there is also the collaboration that, within the framework of R+D+i, we have to carry out with the knowledge institutions and other organizations to innovate more efficiently.

3. Solutions and services for the environmental and social sustainability

These initiatives are shaped around the social and environmental challenges to which our services and solutions can contribute in a decisive manner:

• Technological solutions and services which make the management or improvement of the environment easier. Proof of this is our remote sensing solutions, and many others which represent savings in energy consumption, raw materials or time for our customers and indirectly for society.

• Technological solutions and services which provide public services, their reliability, security and efficiency. This is the case, amongst others, of our solutions for Public Administrations, health system and transports. In both developed societies and those described as transition, emerging or developing economies public services have proven to be a particularly critical area for society and the welfare of citizens and for economic and social development.

• Technological solutions and services which support the security and protection of persons (security solutions), high value area of responsibility for the customers we collaborate with and the societies in which we develop our activity.

• Solutions and services which provide consultation processes and their technical reliability, as modern systems are established in these processes.

Corporate **Governance**

The value of transparency

Indra has been applying a policy of maximum attention to the aspects of its corporate governance since 1999, with the aim of adapting it, at all times, to the best practices, as well as all national and international recommendations regarding the subject.

This policy is translated into a constant practice of review and improvement over the rules and procedures of the Company in the subject matter of corporate governance, in order to place such governance under the influence of the best standards of the sector, consistently obtaining public recognition by analysts and investors. Thus, in 2006, Indra obtained the award granted annually by the Spanish magazine ”Mi Cartera de Inversión” (My Investment Portfolio) for Good Corporate Governance, whose jury pointed out, among other items, that Indra’s bid for transparency and its active policy of attention towards shareholders was commendable.

Corporate Governance

Since 1999, the year when its shares were admitted for negotiation on the continuous market, Indra has had a set of rules and practices for Corporate Governance which aim to adjust, at all times, to the current regulations and to best practices, both national and international, and since then, has been regularly updated and improved.

During the 2006 financial year, after the publication of Spanish Act 19/2005, of the 14th of November, regarding the European public limited company, which modified several aspects of the Spanish Corporations Act, the Ordinary Shareholders Meeting approved the modification of certain articles of the Regulations for Shareholders´Meeting and By-laws, in order to adapt its wording to the new regulations regarding the calling of the meeting.
Also, during the 2006 financial year, the Board of Directors approved the modification of the Internal Code of Conduct in Matters Related Securities Markets, in order to adequate its contents to the provisions in Royal Decree 1333/2005, regarding market abuse, which was publicly communicated through relevant event on the 17th of May, 2006.

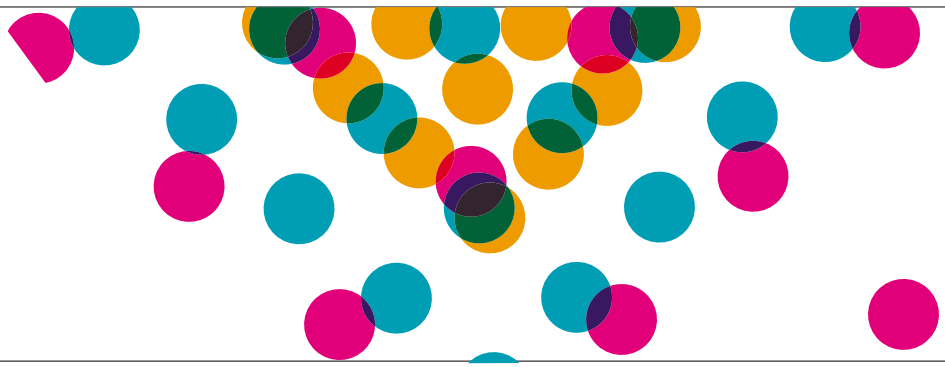
As it was done in the previous financial year, on the occasions represented by the Ordinary and Extraordinary Shareholders´ Meetings of 2006, the Company made the procedures available to its shareholders, so that they could exercise and delegate their vote or grant representation by means of electronic and distance-communication. These same procedures will be applicable during the 2007 Ordinary Shareholders´ Meeting.

After publication of the Unified Code for Good Governance, as performed by the Spanish Stock Exchange Commission (CNVM in Spanish), the Company carried out a full review and update of its Corporate Governance rules in order to adapt them not only to the recommendations foreseen in such Code, but also to the most recent recommendations and best practices regarding Corporate Governance.

Within the framework of this review, the proposal for the modification of section 2, Article 30 of the By-laws and Article 12 of the Regulations for Shareholders´Meeting has been subjected to the 2007 Ordinary Shareholders´ Meeting.

Regarding the Regulations for the Board of Directors, it is intended to perform a full review of such during 2007, with the above-mentioned purpose. The new text of the Regulations approved by the Board will be made public through relevant event, and the next Shareholders´ Meeting will be notified of the modifications introduced.

Regarding the assessment of the functioning and quality of the activities of the Board of Directors and its Committees regarding the 2006 financial year, as foreseen in the Regulations for the Board of Directors, the



Board performed a formal self-assessment procedure through the individual filling-in of a full questionnaire by each member, regarding the composition, functioning, and quality of the activities of the Board and its Committees under the supervision and coordination of the President of the Appointments and Remuneration Committee. In the light of the report issued by this Committee on the conclusions of the procedure, the Board Meeting closed with a widely satisfactory assessment about the functioning and quality of its activities, as well as those of its Committees, during 2006.

In the 2006 Corporate Governance Report, which the Company has made public along with this Activities Report, extensive and detailed information about the previous questions has been included.

Likewise, through the Company's web page (www.indra.es), all updated information regarding Indra's Corporate Governance can be accessed.

The internal rules by which Indra's Corporate Governance is headed are the By-laws, the Regulations for Shareholders´ Meeting, the Regulations for the Board of Directors, and the Internal Code of Conduct in Matters Related Securities Markets. All of these are incorporated into the public registries of the Spanish CNMV.

The Company's Governmental bodies, aside from the Shareholders´ Meeting, are the Board of Directors, the Executive Committee, the Audit and Compliance Committee, and the Appointments and Remuneration Committee.

During 2006, the composition of the Board of Directors responded to the share structure of the Company and included executive, controlling, and independent directors. External directors represent a wide majority over the total (9 out of 12), and from them, 7 are independent and 2 are controlling.

The Audit and Compliance and Appointments and Remuneration Committees are exclusively composed by external directors, with a 3 to 1 proportion between independent and controlling.

Within the framework of the Company's general supervision and monitoring function, the Board of Directors has, at all times, ensured compliance with the Company's Corporate Governance rules, both in its own

Indra has been awarded with the 2006 award for Good Corporate Governance from *Mi Cartera de Inversión*

functioning and its Committee's. As during each financial year, the Board performed its review of efficiency and compliance with such Corporate Governance rules, concluding that, during 2006, such rules had been complied with fully and satisfactorily, in addition to conveniently performing the above-mentioned modification to the By-laws, the Regulations for Shareholders´ Meeting, and the Regulations for the Board of Directors.

Pursuant to what is foreseen in the By-laws and the Regulations for the Board of Directors, during 2006, the Board had reserved the direct knowledge and approval of the most relevant matters, specifically those considered as being of its exclusive competence. During each session, the Board carried out monitoring and control over the operations performed by the different Committees, as well as a detailed analysis of the Company's financial-economic and business situation.

Regarding related transactions, with the aim of preserving, at all times, the application of equal treatment and market conditions principles, the Board dealt directly with –in accordance with what is established by its Regulations– the learning and authorising of all of them. Likewise, the Board continuously verified diligent compliance with regulations regarding the communication of information to securities markets applicable to listed companies.

Using the same criterion, during each session of the Board of Directors, all operations performed by the Company with its treasury stock, which are executed and made public in strict compliance with the legislation in force and what is foreseen in the Internal Code of Conduct in Matters Related Securities Markets, were reviewed.

During 2006, the Board of Directors held 12 sessions, the Executive Committee held 11, the Audit and Compliance Committee held 9, and the Appointments and Remuneration Committee held 8, having issued minutes for all of them. The total dedication of the Board members, including that which was provided to their Committees, was approximately 1,450 hours annually.

Talent **management**

The capture, development and retention of talent are key to our value contribution

Indra is an organisation aimed at the capture, development and retention of capable enthusiastic persons, who will accept the responsibility and challenge to innovate.
Innovation in solutions, services and processes can only be carried out to the maximum capacity of the professionals who make up Indra´s team to share a common objective with the customer, where commitment and excellence must be catalysts in the whole process.
Since January 2007, with the operative integration of Soluziona and Azertia, Indra has been greatly strengthened by the incorporation of experienced professionals from both companies.
Indra strongly believes in people's value and commits to them: over 20,000 highly qualified professionals make up the talent of the company.

Capture talent

Indra is the best company of the sector for the professional career development: it is considered to be a leading company within the Spanish market, with strong growth and directed towards international markets; it carries out innovative and attractive activities, and has the best professional teams to grow with as professionals.

The challenge

The challenge for the coming years is to continue to grow in a strong and sustainable way, also paying special attention to our main international services. This requires us to be able to attract the best professionals of the sector, who sustain this growth in the present time and will be able to lead it in the future.

For this reason, Indra is strongly developing its activity in various university job forums, which throughout 2006 has allowed us to be present in 15 of these fora. In addition, in 2006 Indra has reinforced the capture of professionals with the launch of the *ProgEmpleados* (Employees Program) project, which urges Indra's employees to "invite" acquaintances who are recently qualified in technological areas to the selection processes for the various work centres. This initiative has been a huge success already, as 85% of the curricula received through this channel joined the company eventually.

Initiatives

In addition, during 2006, Indra has continued to develop initiatives to attract the best professionals, such as the formation of the Indra Chair at the Polytechnic University of Madrid (UPM). With this Chair, besides motivating joint research between Indra and the UPM, it hopes to increase cooperation regarding the students training, employment of scholarship holders and recruitment of professionals.

Another action in this field is the agreement between Indra, the CEU Business School of San Pablo and the Ability consultancy company to grant scholarships to recent graduates to cover 60% of the full cost of the Masters in Management of Consultancy Systems. When the Masters degree is completed, scholarship holders will be hired by Indra.

It is also worth pointing out the cooperative agreement between Indra and the Francisco de Vitoria University, which will allow students to do the second term in Computing Science Engineering (in accordance with the Bologna Agreement) while they are developing their professional activity at Indra

85%

of the curricula received through the employees joined the company eventually.

43,300

applications for employment in 2006.

Professional development and retention

Indra is a company with a spirit of leadership and international development, full of opportunities for professionals interested in building a prestigious career in consulting and solutions and services development as well as in high-tech services. Indra has the will and commitment to offer professional development opportunities and future growth to its professionals.

Development

Through training programmes we offer professionals the knowledge, capacity and skills needed to develop their duties with the criteria of excellence. This leads to a guarantee of quality in the projects developed for customers.

Every employee has at their disposal self-diagnosis and training tools to understand and achieve their performance level required by the company and to be able to perform their assigned work in the best possible way.

Indra´s talent management is based on roles. Each role has assigned development paths, which are achieved through activities such as reading suggestions, in-classroom and online training courses and participation at events.

ITS programme

Since 2003 Indra has been developing Internal Talent Search (ITS). The ITS programme has two forms: one for all employees and another for those employees with higher potential

Following criteria related to technical and language abilities, academic training and skills assessments through performance evaluation by supervisors, each year the Human Resources department selects a group of people to enter the ITS programme at different levels: technical, administration and management. For these programmes, we look for people with a full profile in three dimensions: people leadership or the capacity to develop it, extensive technical knowledge and business ability. During 2006, over 200 professionals went through some ITS programmes. Proof that ITS programmes are successful is that two of the new marketing directors in the company came from these programmes.

In Indra, we are aware of our company's increasing requirement for professional growth of our staff and, due to that, 222,844 training hours were given (58,572 online) through 857 training activities attended by 8,428 students. We have also continued to develop new training tools throughout 2006.

Forma-t

Indra has launched Forma-t, a new training strategy with short-term goals, formed by training modules specific to each professional profile. This plan incorporates new elements in several areas. In competencies and skills we have introduced the "blended learning" methodology (attendance-online mix) with new training programmes: Habilita-t to support employees, Inícia-t for incoming technical staff, Créce-t for level II and III technicians, and Consolida-t for the more experienced technicians.

Languages and Technical training

Within the technical training field, Indra develops training activities aimed at the various certifications gained in cooperation with the main technological companies such as Sun Microsystems, Oracle or Cisco.

With regards to languages, a specific language certification has been started, Certifica-t, adapted to suit the common European framework and with collaboration of Longman Pearson Education, which covers three methodological types of training (in-classroom, by phone and online).

In addition, answering business needs, various specialised programmes have been developed in collaboration with large companies, universities and prestigious institutions. Among these, it is worth highlighting the Indra-Sun Master II Edition, the Consultant Improvement Programme with the Institute of Stock Market Studies and the Complutense University of Madrid, or the Univerhsus Programme with the Ortega y Gasset Foundation of the Complutense University of Madrid.

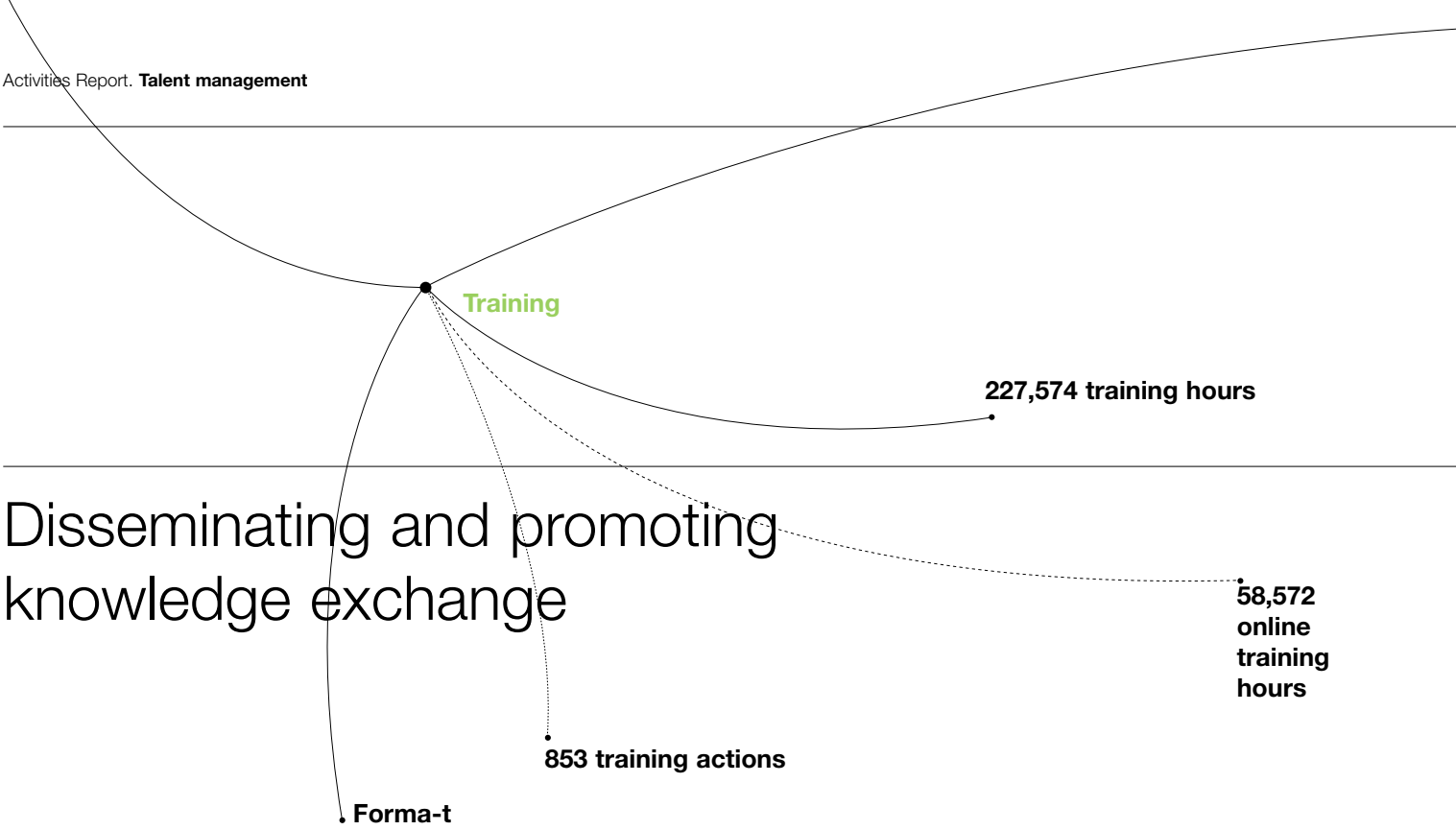
Leadership in PMP

During 2006, we have continued our efforts to reinforce Indra´s leadership among Spanish companies through the amount of certified PMP (Project Management Professionals) professionals, and to join the exclusive group of European companies with the highest amount of people with this kind of certification. In December 2006, Indra had 34 certified professionals. The PMP certification is the highest recognized global certification to prove professional competence in Project Management. “Certcities”, an American prestigious publication, which annually evaluates professional certifications in IT and computer science engineering, has included the PMP certification in the “top ten” of the highest-valued qualifications by the market in the years 2004, 2005 and 2006. During 2006, the PMP certification has gone up to fourth place in this classification, and there is an increasing number of organisations and companies requesting that the projects done for them or funded by them are to be run by a PMP.

Equality Plan

Indra wishes to continue to increase the percentage of female staff, and therefore has set up an Equality Plan. This plan is a group of progressive implementation measures aimed at developing a culture of balance and equality in the company. With the implementation of this Plan, Indra adds to its work-life balance programme, Equilibra, functioning since 2005, the equality perspective to the existing balance. Among the measures that will be introduced, it is worth pointing out in the area of staff selection the emphasis placed on the definition and fulfilment of the requirements to improve job access. Likewise, in order to contribute to professional promotion in equality terms, development and internal training policies are to be promoted in balance and equality, with the objective of not allowing any attempt at discrimination within the internal culture of the company.

Finally, to these and to other proactive measures, we must add different reactive measures, aimed to amend possible current problems. The Equality Plan will be implemented progressively during 2007 and 2008, with the commitment of the various areas of the organisation, which will meet periodically to suggest, analyse and promote new initiatives.



Disseminating and promoting knowledge exchange

Teamwork and knowledge dissemination within the organisation are two of the main tools to promote learning and, overall, innovation in the company. This is why, during 2006, more work environments were developed based on leading management models and the latest technologies, so as to allow the quick exchange of and immediate access to the company's knowledge.

In 2006, a new knowledge portal for Outsourcing Management was created, Egeo. This new portal joins the one already used by Project Development Management (PDM) and functioning since 2005 to disseminate and promote the exchange of specific knowledge for these subjects.

In addition, in 2006 a new tool on the Indraweb was introduced allowing downloading videos of the technological meetings to make them more well-known and easily accessible to those who could not attend in person. During the year, 6 technological meetings were held, around which rich debates were provoked in the forums. In total, 914 professional topics were brought up in the forums and 6,207 messages published during 2006.

8,428
Students

Indra's personnel

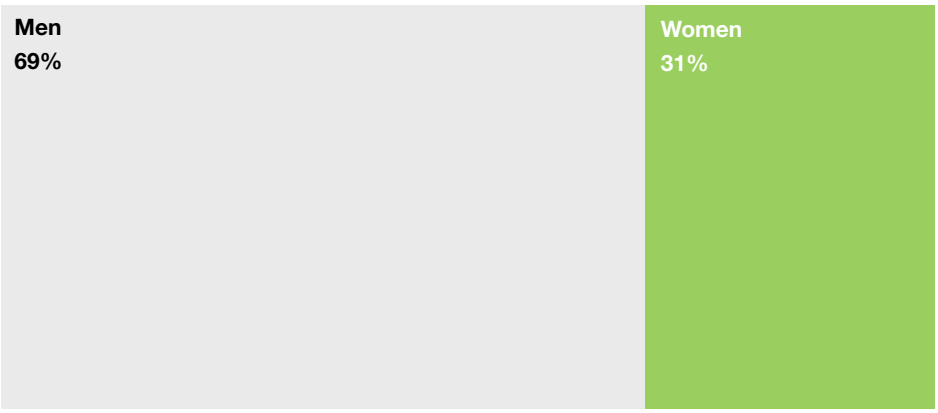
2006
Main indicators

Average employee age
36.7 years

Qualified and highly specialised professionals
81%

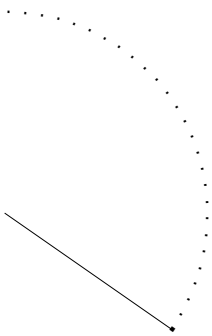
Average length of service
7.6 years

2006
Gender distribution

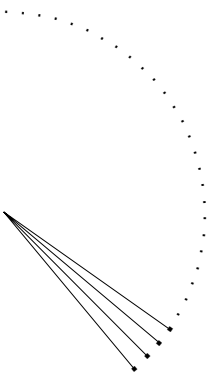


Evolution of final workforce

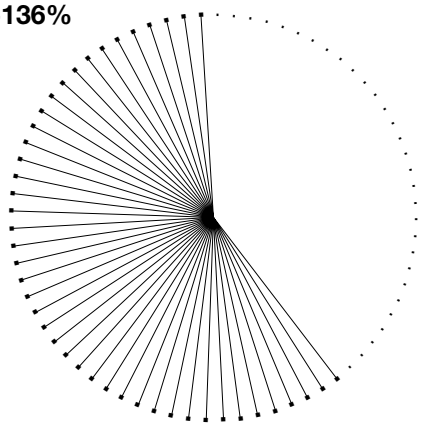
2004
6,619
+4%



2005
8,282
+25%



2006
19,500(*)
+136%



(*) Proforma figures, including Azertia and Soluziona.

Innovation **and quality**

Quality in delivery and innovation become priority commitments for Indra

Innovation is key to international leadership and development. Indra is a company with a spirit of leadership and international development, which is why we require not only a unique offering with high added value, but also a continual improvement in our project and processes management capacities. For this reason, innovation is the basis of Indra's strategy, which has been reflected in the quality of solutions and services developed by the professionals who form part of Indra and the internal progress of its organisation.

The incorporation of Azertia and Soluziona integration, effective since January 2007, reinforces the company's leadership in innovation, as it brings in businesses which closely complement Indra, from the point of view of both vertical and geographical markets and boost its capacity to generate a highly innovative global offering.

Investment in R&D&i forms an essential part of corporate innovation processes. During 2006, Indra has continued to invest in R&D&i at the same rhythm as previous years, devoting 99M€, or 7% of sales. This signifies a 15.4% growth on last year's figure. This investment effort was reflected by Indra's position of third place in Spain in every sector within the European ranking of the 1,000 highest investors in R&D.

Our offering stands out because it is based on innovation

Knowledge and close continual contact with customers is fundamental to the process of product innovation; early identification of their needs in order to act with speed and flexibility and to be able to offer services and solutions to the needs which arise.

During 2006, Indra has continued to work on the development of new solutions and services, identifying new lines which respond to the needs of clients, bringing together the capacity and skills within each of the areas which make up Indra. The new solutions and services offering was designed with an all-embracing vision, starting with an internal analysis of skills and taking into account trends in the technology sector and the needs of potential customers in each target market.

A large part of the innovation activity is linked to specific projects with a clear focus on resolving the emerging technological demands of the market, that is to say, of end users. To do this, the company participates in an important number of projects with institutional initiatives supporting R&D&i in Spain (for instance, the PROFIT programme of the Ministry for Industry, Tourism and Commerce) and also in other countries (mainly the EU Framework Programme for I&D&I). For Indra, the importance of innovation in the development of its activities in a global market makes it necessary to cooperate with a range of companies and institutions. Among them, universities have a very important role.

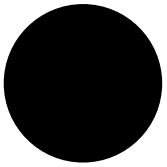
Indra's support for innovation led us to participate, in 2006, in the Neotec Capital Risk initiative, promoted by the Ministry for Industry, Tourism and Commerce, aimed at creating a strong risk capital sector to support technological companies.

ISI publication

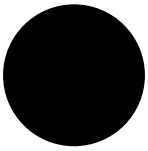
At Indra, we wanted to make innovation the core of our company's work and, consequently, of our corporative responsibility, with the goal of developing knowledge for innovation with each one of our internal and external stakeholders. Among the different activities set up, we have presented, together with International Financial Analysts, the first Innovation Synthetic Indicator (ISI) that measures the innovation of the Europe 15 (EU -15), Japan and USA. The publication of this indicator publication enables us to understand in depth the situation of innovation and its capacity as an economic and social driving force, with the goal of contributing to the analysis of the requirements and activities required to generate a strong general environment of innovation. The publication of this first indicator will be followed regularly by different editions, showing the progress of innovation and suggesting corrective measures to boost its growth.

Data in millions of Euros

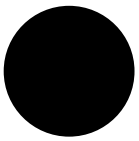
2006
99



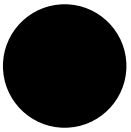
2005
86



2004
77



2003
71



2002
67

During 2006, Indra continued to invest in R&D&i at the same pace as in previous years, having invested 99M€ or 7% of revenues, entailing a rise of 15.4% on the previous year. As a result, Indra is the third-ranked Spanish company in the ranked list of 1,000 European companies that invest heavily in R&D.

11 Technology Development Centres in the world

Ensuring the quality and management of projects

Indra´s Quality Management System has the goal of gaining the highest standards of satisfaction from our clients, giving them continual improvements in quality of service.

Quality management

Indra´s Quality Management System (QMS) is defined taking into account both the generic objectives of the company and its organizational structure. By means of the QMS review, annual review of the General Management is suggested, in order to define and review the Quality policy and its annual objectives.

In 2006, 134 internal Quality audits were carried out in horizontal areas and projects of the company.

Indra develops very technologically complex projects which demand the highest standards of quality in their processes. Working for customers in the aerospace field has required us to adapt to the requirements of regulation EN9100, while the projects in which we collaborated with the Defence sector required us to adapt and certify our Design, Development and Production processes to the NATO requirements of the PECAL 2110 Quality Ensuring regulation, thus adding to the adaptation made several years ago to the software requirements during the life cycle, covered by PECAL 160. In 2006, the certificate of approval was obtained from the European Air Security Agency “EASA Part 145” for maintenance activities in the centre of Aranjuez.

We were also the first company to obtain the FDDP (Final Declaration of Design and Performance) for an avionics team assigned to the second phase of production.

As Indra is mainly a project-oriented business, we seek excellence in project management. The project management office is responsible for ensuring that the latest international regulations are integrated into the methodology employed and are correctly applied.

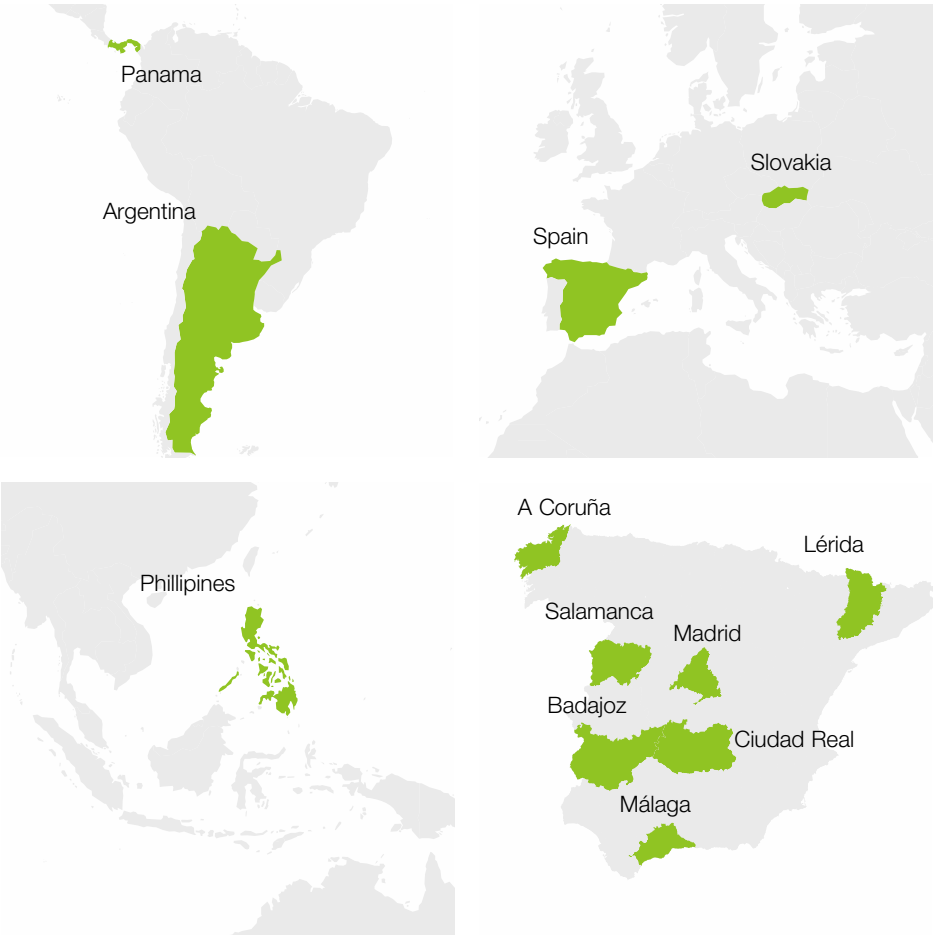
CMMi

In 2006 we have continued to adapt the CMMi (Capability Maturity Model Integration) to the guidelines of the European Air Traffic Management Programmes (ATM) and International ATM of the Transport and Traffic Market which was recognised in July 2006. CMMi is a process improvement methodology which covers the whole life cycle of the management and development of projects, and it is based on the collection and integration of the best existing uses in industry, initially exclusively applied to software and currently extended to all kinds of systems. This methodology is being recommended and/or required by the world’s most important institutions and organisations. In 2006, Indra Sistemas has finished the process of introduction and certification of this model. In addition, we are continuing to coordinate the obtaining of the CMMi certification at its different levels for all the applicable areas of the company. The business of Maintenance Automation Systems and Simulation, the High Performance Centre for Applications Maintenance (CARMA) and its Network of Development Centres already obtained level 3 CMMi recognition in 2005.

During this year, Indra has achieved the "Powered by SAP NetWeaver" Certification for four electronic business environments aimed at adapting the NETplus Payment Gateway to the integration platforms of SAP applications. Indra participates in the National Council and in the governing bodies of the Quality Spain Association (*Asociación Española de la Calidad* - AEC). It also participates in working groups about Quality in other organisations and business associations such as AENOR, EOI and ATECMA. Last April, Indra was honoured by AEC, recognising its commitment to the Governing Bodies of the association.

Technology Development Centres

At Indra, we are aware that innovation means advancing and changing the way we do things by transforming internal processes. With this in mind, we have defined Technology Development Centres and launched experiments in relocating software production to a select network of off shore/near shore sites.



Technology Developments Centres 24/7/365

Indra, through its Developments Centres, which operate as a single virtual centre, provides software development services to over 25 countries, 24 hours a day, 365 days a year, making them one of its largest assets. A local nearshore-offshore development model, continual support for R+D, and commitment to the generation of high quality technology shape a specific vision of Indra.

1,500 professionals

Software Labs, located in Madrid, Badajoz, Málaga, Ciudad Real, Lleida, A Coruña, Salamanca, Bratislava, Panama, Buenos Aires and Manila, are capable of generating personalised global services, developing fixed solutions, their own software and technological outsourcing. Over 1,500 professionals are responsible for creating innovative and specialised products and services for each sector. Cooperation with our technological partners, together with the demand for quality guaranteed by the major certifications of the market, is a guarantee for developments made in Development Centres.

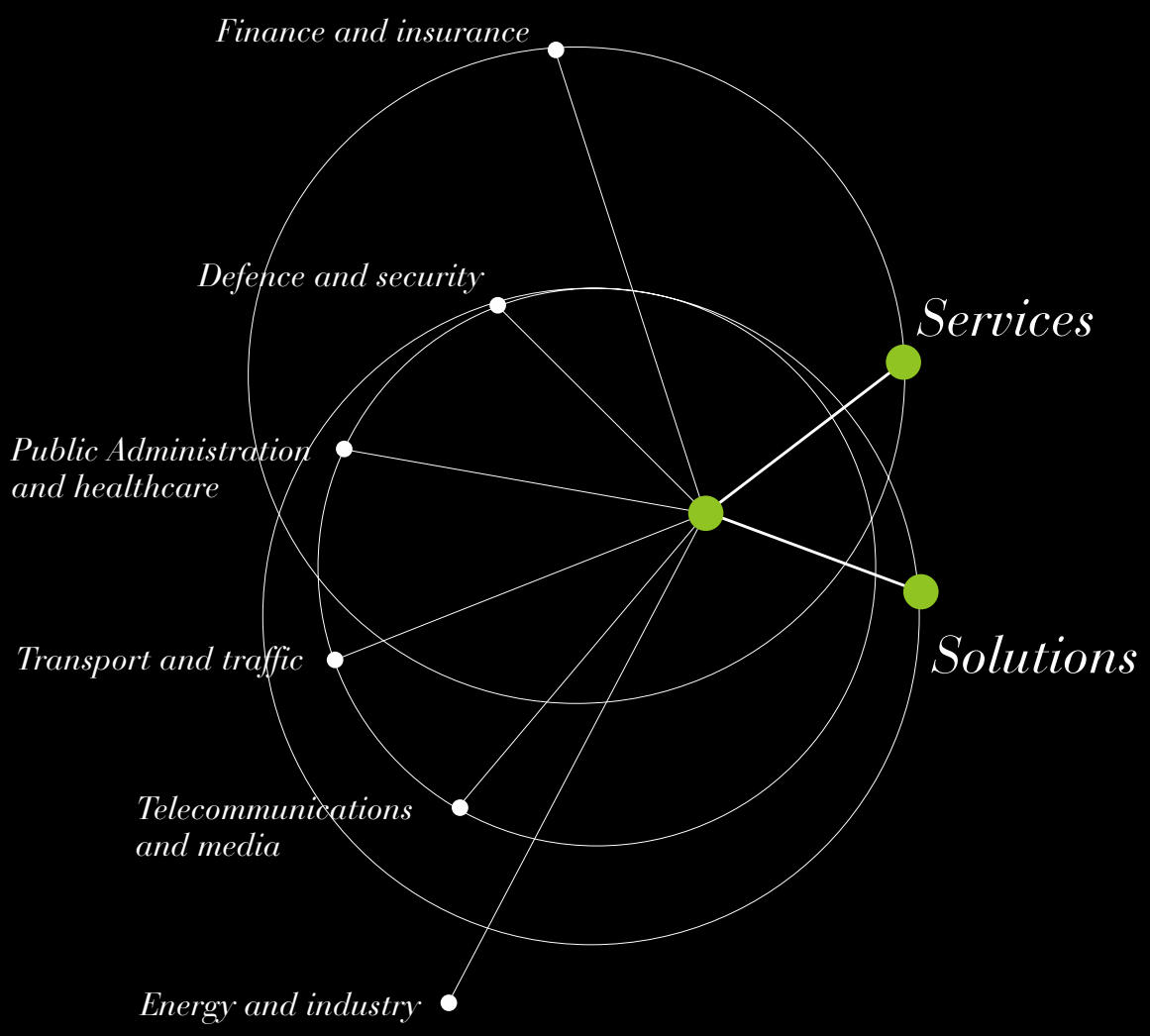
2 Our **businesses**

Increasing the value of our offering

Knowledge also involves synergies. The incorporation of Azertia y 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 products and solutions.

19,500 professionals in 80 countries

R&D&i leaders


Finance and insurance
Defence and security
Services
Public Administration
and healthcare
Solutions
Transport and traffic
Telecommunications
and media
Energy and industry

Solutions and Services

Indra's solutions and services offering imply a comprehensive model of management of the needs of our clients, starting from the design of a solution, through its development and implementation, right up to its operating management.
The integration of Azertia and Soluziona has reinforced our solution capabilities, especially by means of extending our capacities in segments such as consultancy and business rocess outsourcing (BPO).

Solutions
76%

Defence and security
Transport and traffic
Public Administration and healthcare
Energy and industry
Finance and insurance
Telecommunications and media

Services
24%

Azertia y Soluziona complete our offer of solutions and services Regino Moranchel

Solutions

Indra's solutions combine strategic and business consultancy skills with an in-depth knowledge of the technologies employed in order to respond to the challenges faced by our customers. Due to our long history of cooperation with customers of different sectors and with different needs to be met, we have developed a wide range of solutions.

Consultancy

Indra has a broad supply of consultancy, which includes strategic, operations and technological consultancy. From the strategic and operations consultancy, Indra offers high value added services in the strategic, innovation, territorial development, human resources and organization management fields. The planning and management of information technologies, document and content management, the design of digital markets and technological platforms make up the technological consultancy services.

Networks

The advanced solutions in telecommunications engineering are aimed at large organisations and telecommunications operators. Indra has more than 15 years of experience in this sector.

Own solutions

Indra maintains strong support for the development of our own highly competitive solutions which allows us to make our offer different from the rest. Investments made in the past following this path enable us today to offer an innovative, proven and extensive product in every vertical market in which we operate. This way, we can highlight our own solutions like:

- Electronic intelligence systems
- Air defence systems
- Simulation
- Hospitable management
- Digital ID
- Electric market management
- Banking core
- Ticketing systems
- Traffic management and control
- etc.

Third party solutions

Likewise, Indra has important agreements with the main technological companies of the field, in order to guarantee the highest competitiveness in every solution.

Additionally, Indra's comprehensive solution and product portfolio allows its innovation to be aimed at identifying and developing business solutions for its clients which go beyond merely technical solutions. For this reason, Indra intends to establish long-term alliances and cooperation with our clients, which together with continued market and technology research, puts the company in a good position to identify, develop and consolidate valuable initiatives for business.

Number 1 on services.

Services

Through its Services division, Indra performs all or part of customers' IT functions and certain business processes in which technology is a strategic and distinguishing factor (BPO, business process outsourcing).

Through our services product, Indra takes over all or part of a customer's IT function and certain business processes in which technology is a strategic and distinguishing factor (BPO, Business process outsourcing). At Indra, we approach outsourcing from the perspective of a technological associate, building a close partnership with customers of whom our services tie in with their business progress by sharing objectives, risks and profits. For this reason, Indra's products and solutions encompass the entire value chain from application management to BPO.

Application management and outsourcing

The incorporation of Azertia and Soluziona into Indra has given us a leading position in the Spanish Application Management market (AM) and IT outsourcing, far ahead of the rest of our competitors, with an outstanding position in Latin America and a high growth potential in Europe. Moreover, this merger has not only improved our market position, but also has allowed us to develop our capacities at many levels, which will improve services to our clients.

Our services offer is more comprehensive, due to the incorporation of new services. We have a greater local and international presence, which enables us to access new international customers, to accompany our customers during their processes of internalisation and, in general, to position ourselves as a global partner of any company. Our multiclient network of Production Services Centres (PSC) and User Support Centres (USC) has grown, whilst our offshore and nearshore services capacity has increased due to the incorporation of development centres in the Philippines, Panama, Slovakia and several Spanish cities.

In addition, the comprehensive outsourcing contract with the Union Fenosa has become the principal benchmark for this type of services in Spain. This deal represents the operation of higher volume outsourcing in Spain and shows the comprehensive nature of our solutions, by incorporating business consultancy, systems development and integration and outsourcing services.

BPO

Likewise, our positioning as BPO services supplier has been reinforced as a consequence of the incorporation of Azertia and Soluziona. We have become the main Spanish BPO Company in the Life Cycle of the Document (digital and on paper) especially in the financial, utilities and telecom services sectors. Our position in financial BPO services has been reinforced, where we were already an outstanding benchmark in mortgage processing and banking back-office services through our BMB subsidiary.

With regards to BPO services for other sectors, we have a wide range of process management services, especially for the processes most related with the end client, such as complaint services, customer service, etc. Some major examples of this type of services are Gas Natural customer service and its back-office operations or the Murcia Health System's service for advance appointments.

Looking to the future

Solutions

Indra's main challenge and growth opportunity is the internationalisation of our solutions. The development of our international presence, boosted by the incorporation of Azertia and Soluziona, allows us to improve sales of our solutions, especially in Latin America, Western Europe and Eastern Europe.

At the same time, we will continue with our strategy of developing specific solutions for each vertical segment of demand, as this greater focus on solutions and greater capacity to differentiate our offer is what has allowed us a faster and more efficient access to international markets. Furthermore, leadership in our offering should allow us to maintain higher growth levels than our competitors and to generate higher profits.

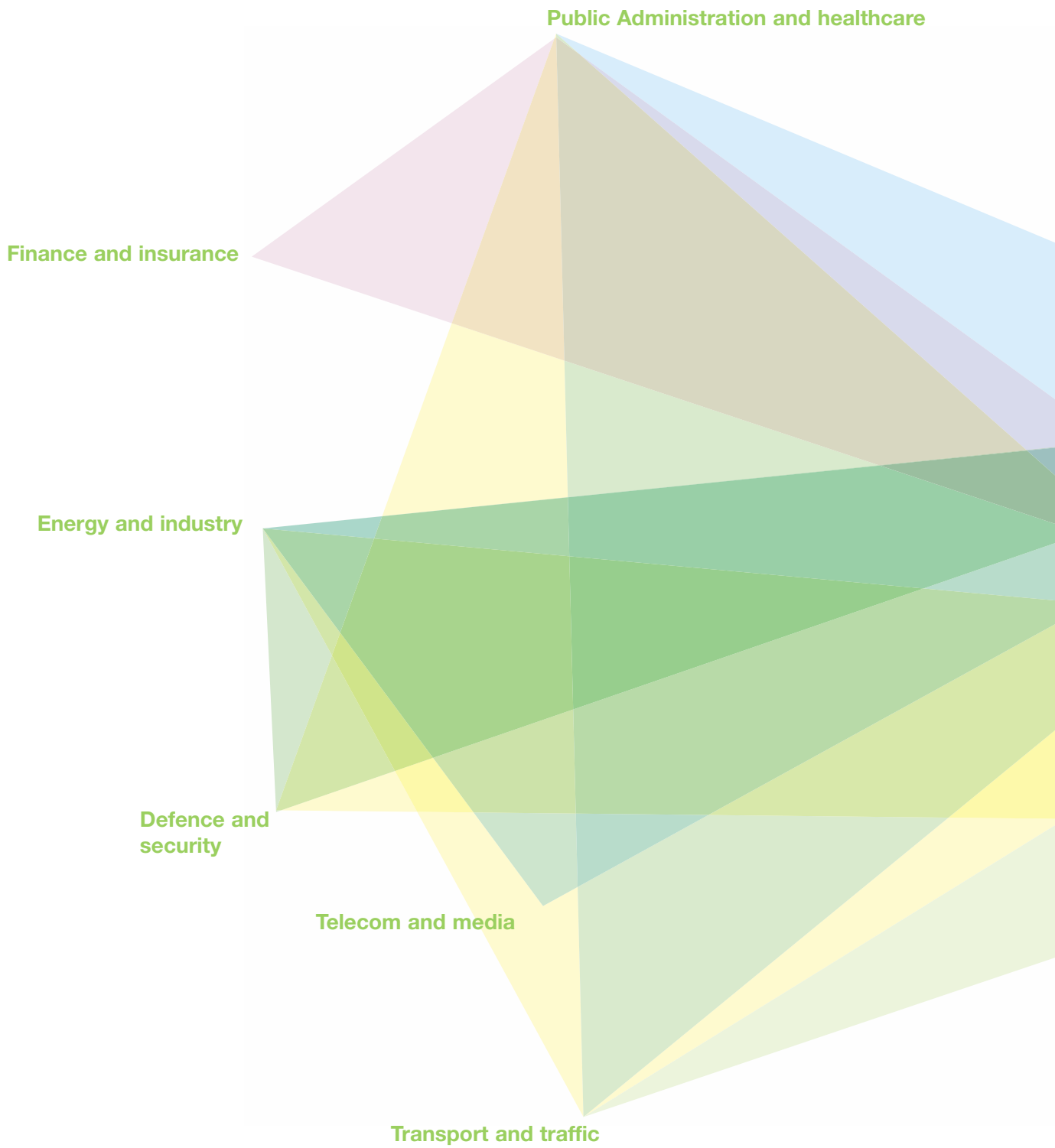
Services

Today, we have the capacities required, in our product and international presence, to become a global partner of any company. In this way, supporting our customers through their internationalisation processes represents an extremely important opportunity for us.

Within the BPO segment, we are attempting to build a vertical product for each of the sectors of demand in which we operate, taking advantage of the success we have already achieved. Within the financial sector, where we are stronger, we intend to continue to consolidate our leadership in Spain, especially, through the development of our offering.

Additionally, our position and capacities put us in an excellent position to make the most of the growth of the market. Outsourcing, and more particularly BPO, are still the segments with highest growth in the IT services market.

Markets


Public Administration and healthcare
Finance and insurance
Energy and industry
Defence and security
Telecom and media
Transport and traffic

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 statios 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)

Markets

Indra has an excellent understanding of the business of its clients, establishing a strong relationship with them in each market. Due to the complementarity of Azertia and Soluziona with Indra, since January 2007 we have had a more diversified market structure, which provides us with a higher balance through the combination of businesses which providing long-term stability with others which have high growth potential. This highlights the strengthening of our position in the telecommunications, energy and financial sector markets.

Revenues by markets

9% Telecom and media

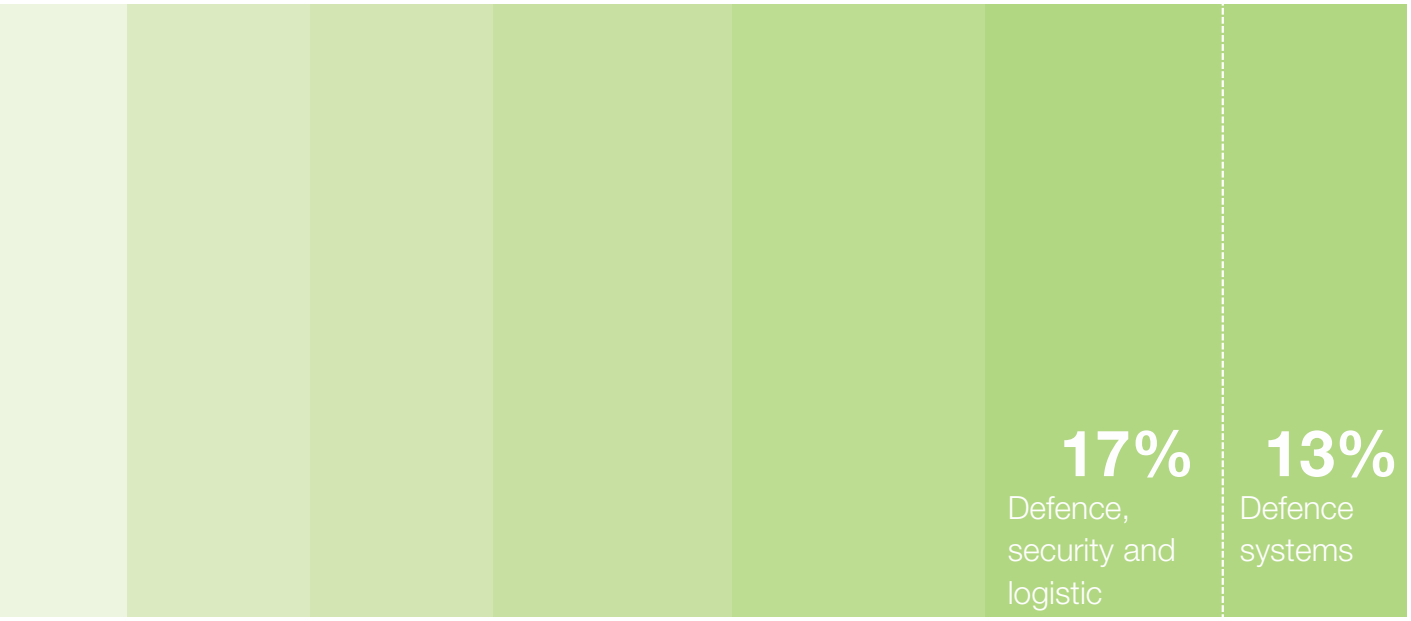
13% Finance and insurance

13% Public Administrat. and health

17% Energy and industry

18% Transport and traffic

30% Defence and security



Telecom **and media**

Cutting Edge Solutions and Services for operators and media

Indra's leading position has increased since January 2007, as the incorporation of Azertia and Soluziona has allowed us to improve the range of our solutions and services and our position in new geographical areas.

Solutions and Services Portfolio

Business Support Systems (BSS) and Operations Support Systems (OSS)

Satellite GSM network infrastructures

Television Channel Management Services

Services

Market characteristics

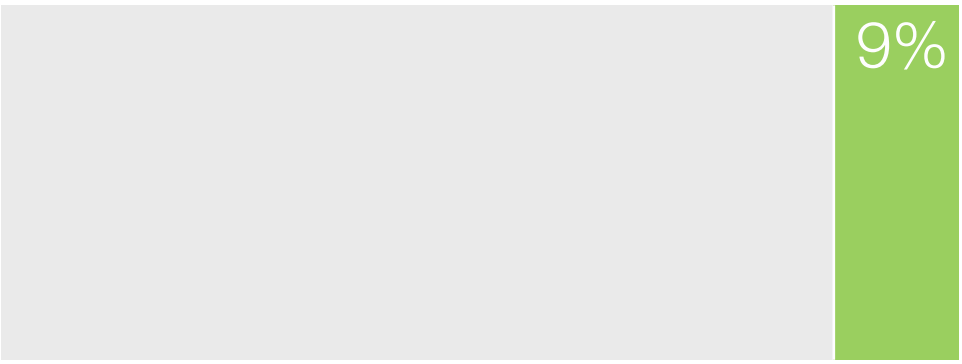
High level of investment, as a result of the development of broadband

Optimisation of operational efficiency

Landline-mobile convergence

Digital Technology expansion in the television sector

Proforma 2006
Revenues
184 M€



New challenges
Companies in this sector are going through a process of integration and, at the same time, internationalisation of their business models. Throughout 2006, Indra has continued to adapt to the new challenges of the sector, improving its offering with solutions which allow a better integration of management and operation systems, and an improvement in the average levels of service, being present in those geographical areas where our clients need us to be.

Promoting technological partnerships with the main telecommunications operators
For yet another year Indra has developed major activities for Telefónica, a global leader in supplying communications, information and entertainment solutions, present in Europe, Africa and Latin America. This activity not only took place in Spain, but also internationally.

Spain
On the domestic level, we can highlight Indra's involvement in projects such as the new invoice format, the development of systems orientated to the contracting of broadband, the renovation of the repair management system and the advancement of applications aimed at developing the CRM (Customer Relationship Management) platform.

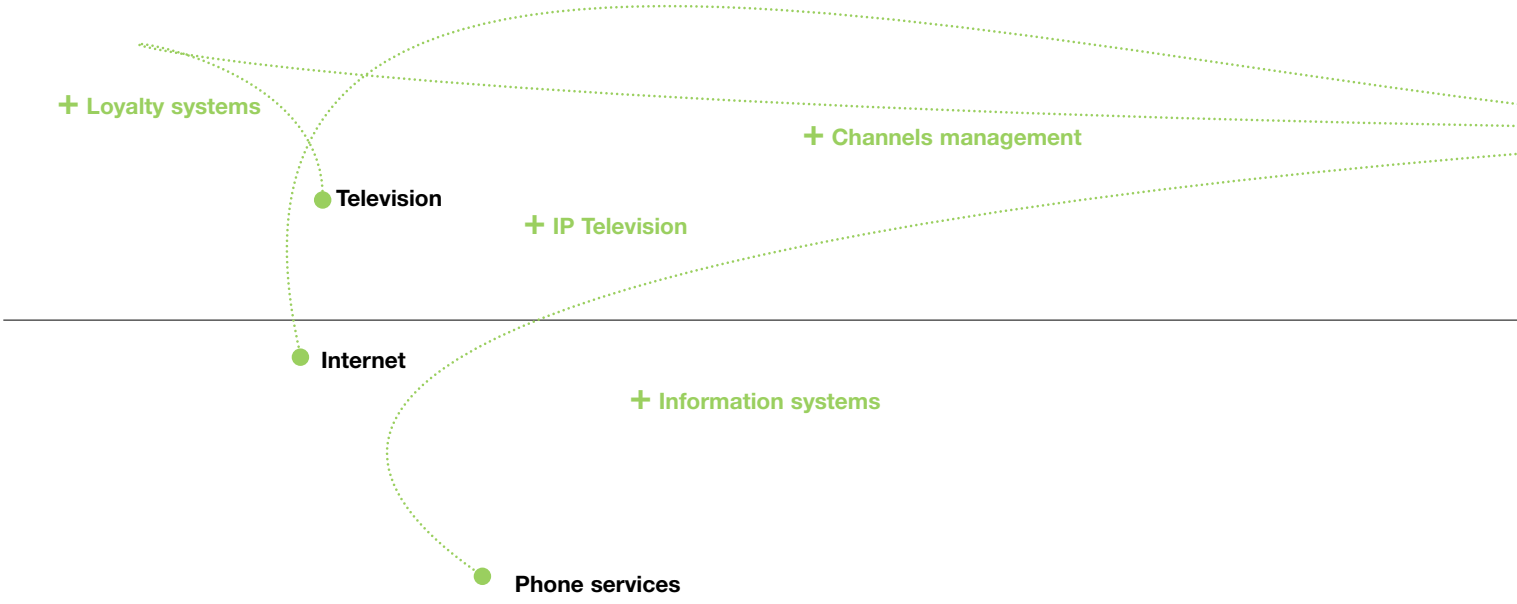
For Telefónica Móviles, we have supported their information systems throughout the year, and, amongst other projects already started, we should emphasise our collaboration in the design and development of the new payslip system for the operator.

Latin America
In Latin America, Indra maintained a strong presence, and began new commercial relationships with Grupo Telefónica companies. Amongst the projects, we should note the collaboration in the construction of the "*Modelo Único ERP*" for landline and mobile telephone operators in Latin America. This initiative for convergence between Grupo Telefónica's operators has allowed Indra to access Argentina and Colombia's landline telephone operators.

Specific solutions
Indra has a wide range of specific solutions for this sector, and among the most recent ones we can highlight CRM4Telco software, fulfilling the operators' needs in managing their relationship with customers (invoice managing, supply, customer loyalty, etc.) This solution, based on market standards, is noteworthy for of its rapid introduction and for offering highly competitive prices.

The experience shown by Indra in solutions for itself or third parties has been a key factor in strengthening collaboration with a variety of national operators. Along these lines, examples of successful collaboration are the upgrading of the involving system of NeoSky, a telecommunications company in the Iberdrola Group, and the continued presence in the area of Euskaltel's network systems.

After the first entries to the Key Clients division with Auna, following the BPO modality, and Carrefour Telecom, the operator of the Carrefour Group, dedicated to telecommunications sales for the residential sector, the operator Jazztel took out a license for this solution to cover all areas of customer service, transactions, web channels and



integration with other corporate systems. Also working with Jazztel, Indra was responsible for the launching of an ADSL TV platform, which is already operating commercially.

We must also note the activities carried out for France Telecom, an operator with whom Indra has a unique relationship, or Top Sourcer in various countries. For the French operator, a vast number of consultancy and systems integration projects were carried out, activations system support service, maintenance of the CRM (Customer Relationship Management) platform, and the consultancy and maintenance for the operator's Internet/Intranet applications. 2006 was a year of growing collaboration with Ya.com, Deutsche Telecom's operator in Spain, for which Indra provides services in operating and the technical side of systems, amongst other services.

We also began working with France Telecom in France, where Indra has started to participate in development and maintenance activities for customer loyalty systems. Indra France's opening in Paris was a key factor for our collaboration with the European operator.

Starting up innovative projects in technological alliances with the media

In the media sector, the arrival of digital TV, and the proliferation of specialist channels are leading to a new scenario where media are directed at a more homogenous audience.

In this context, Indra agreed with Antena 3 to become a shareholder and to manage I3 Televisión, a company that focus its activities in the commercialisation of computer applications, and the provision of services related to technology and information systems for the press, television, films and events.

As a result of the creation of the new Company, I3 Televisión allows Indra to provide innovative services related to the management of television channels. The first result was the formalisation of the contract with the City Council of Madrid, through the *Empresa Municipal de Promoción Madrid* (Madrid Municipal Promotion Company), for the installation and operation for two years of the broadcasting centre for ¡esMadrid!TV, the city's promotional channel. The platform designed by Indra, with the collaboration of I3 Televisión, will support the broadcasting, both with analog technology and with terrestrial digital, Internet, mobile technologies, etc.

In addition, in 2006, Indra developed the implementation in UTE with Telindus and Nagra, of the management platform for the new television channel, Jazztelia, on the Jazztel IP. The platform developed, which took only three months to finish – a great achievement - is one of the bases of the interactivity which characterises ADSL television.

Convergence

Looking to the future

In the telecommunications market, the main areas of growth in coming years result from the new broadband-based business models (TV and mobile services and content, triple/quadruple play, etc.); solutions that permit unique customer loyalty and service initiatives; and outsourcing of services and processes (BPO).

The process of landline-mobile convergence will generate new opportunities through the technology investments resulting from adaptation of systems.
Likewise, new opportunities will also be generated by increasing our presence in global customers operating in Spain, through solutions that allow greater integration of their management and operating systems, areas in which Indra has considerable experience.

In the Media market, Indra's capacities with regards to the development of television channels are especially relevant in supporting new local public television channels, contributing both a full service model and partial solutions or precise support.

Supporting Telefónica's international expansion

In 2006, Indra was awarded two projects linked with the initiative for convergence of the management systems of Telefónica's subsidiary's in Latin America.

This collaboration, which has allowed Indra to access landline operators in Argentina and Colombia, is focused on participation in the construction of the so-called "*Modelo Único ERP*", for existing landline and mobile telephony operators in Latin America.

The completion of this project will allow the operators to implement better and more efficient work processes and to reduce the maintenance costs of their management system, amongst other advantages.

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

Information applications in prime time

Reinforcing our products in the Media sector, with I3 Televisión

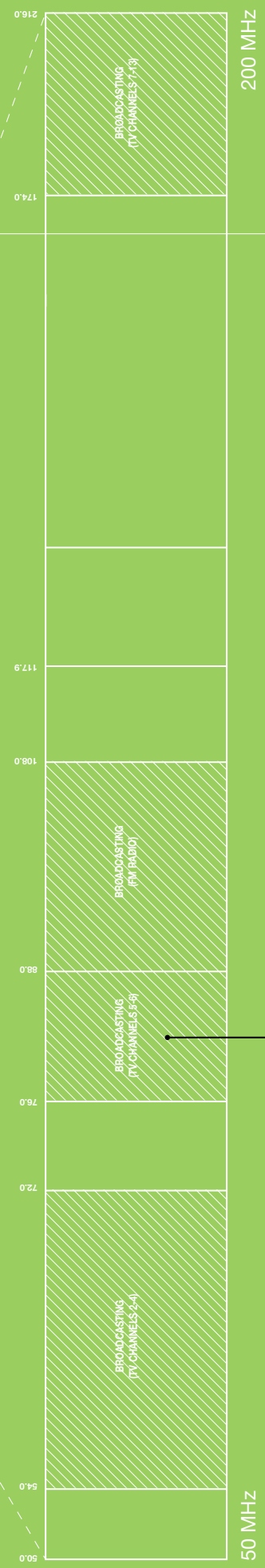
In 2006, Indra, in association with Antena 3 Televisión, created I3 Televisión. Indra will manage this company, which was formed with capital contributed 50% by each company. I3 Televisión's activity will be focused on the marketing of computer applications, the provision of services and the development of projects related to technology and to information systems in this sector (the press, radio, television, films and events).

Faced with this new era of the television sector, marked by the development and expansion of digital technology (both in broadcasting and in production and other additional services), the incorporation of new operators, and the adaptation and modification of existing ones, I3 Televisión offers comprehensive and specific support, in fixed areas of technical management services. This model offers the client a vast number of advantages. Among them, the noticeable decrease of investments required for set-up and the reduction of time-to-market; and we must not forget about the minimization of risks that comes as a direct result of having a highly qualified professional team, and a strong platform, tested and technologically advanced.

The company offers projects related to the sale of advertising space, management of contents and audiovisual production (own and third-parties'), broadcasting, continuity and management of webs of programmes.

With its entry to I3 Televisión, Indra reinforces its services product in the media sector, and strengthens its strategy of having sector-based solutions which, along with other standards, allow the company to create a comprehensive product for its clients.

WAVELENGTH
BAND
ACTIVITIES
FREQUENCY
VERY LOW FREQUENCY (VLF)
LF
MF
HF
VHF
UHF
SHF
EHF
INFRARED
VISIBLE
ULTRAVIOLET
X-RAY
GAMMA-RAY
COSMIC-RAY
Audible Range
Sonics
Infra-sonics
Ultra-sonics
AM Broadcast
FM Broadcast
Microwaves
Radar
Sub-Millimete


50.0
54.0
72.0
76.0
88.0
108.0
117.9
174.0
216.0
BROADCASTING (TV CHANNELS 2-4)
BROADCASTING (TV CHANNELS 5-6)
BROADCASTING (FM RADIO)
BROADCASTING (TV CHANNELS 7-13)
50 MHz
200 MHz
13

Finance **and insurance**

The knowledge of business and technology for the creation of value

Indra has managed to strengthen itself as a technological and operative partner to financial companies and insurance companies, becoming a reference when carrying out processes of technological changes.

Furthermore, the acquisition of Azertia, with a highly complementary business to Indra's, significantly reinforces Indra's position within the Spanish and Latin American markets.

Solutions and services portfolio

Core banking architecture
Clearance, means of payment and financing
Financial terminal and multi-channel solutions
Investment, private and personal banking management
Fund management
Foreign trade solutions
Operational risk
Para-banking financial solutions
Integral insurance management (New Insurance Platform)
Electronic claims processing
Advanced electronic signature services
Integrated safety management
Integrated management of Banking operations (Outsourcing, Application Management (AM), Business Processes Outsourcing (BPO))

Market characteristics

Changes driven by the new risk and solvency supervision regulations, the law on insurance brokerage and the new international accounting standards

Market in the concentration process

Focus on customers and on loyalty

Specialised solutions with the emergence of new products

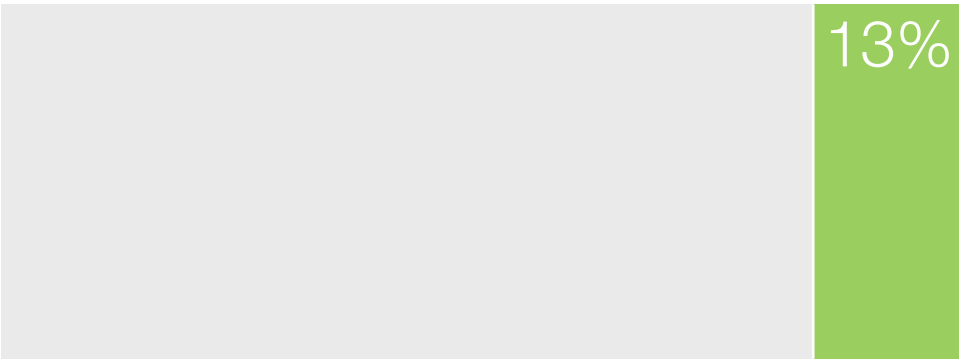
New distribution channels

Outsourcing of back-office business processes

Proforma 2006

Revenues

246 M€



Throughout 2006, Indra has made a reality out of new solutions and services specifically designed to satisfy the demands of financial companies and insurance companies. The development of new solutions has positively reinforced Indra's role as technological ally to major companies achieved in the last few years.

An integral offering for the sector

The changes that the financial sector is going through, the mergers and acquisitions, the transnational concentration and the high competitiveness, give an outstanding role to technology. It becomes an essential tool to minimize costs, to be more effective in management, to surmount geographic dispersion, to improve the relationship with the customer and to achieve agile and efficient integrations between companies.

Indra has a comprehensive offering of solutions and services to the financial industry that combine business and technological consultancy capabilities, together with the development and integration of systems and technological and business process outsourcing (BPO). This allows financial companies to successfully face changes in their business model and the introduction of customised technology.

This offering has been reinforced throughout 2006 with the launch of the ITECBAN project, the bank platform for the future and the methodologies that serve as a base for the new integral management information system of the bank sector. Indra is the company promoting this consortium, framed in the CENIT program within the 'Ingenio 2010' initiative. Caja Madrid, Sun Microsystems and over 200 professionals from different companies and research centres are also collaborating in this project.

Multi-company Service Centres

In 2006, another ambitious project was developed with the implementation of the Multi-company Service Centres. These centres provide technological solutions, technological outsourcing services and BPO to our customers. When the company connects to these centres, the company is favoured from the very beginning, with a high quality service and contrasted efficiency as well as highly competitive prices. Throughout 2006, the first companies started connecting to the Bill of Exchange Portfolio Processing Centres and Payment Methods Incidence Management Centres, and throughout 2007 new centres will be opened for other management areas, such as Foreign Trade and Compensation.

We also continued, during 2006, with the design of e-learning training tools for several financial companies such as Citibank, as well as consolidating services like the one given to BBVA through the Indra eCampus solution operating on BPO.

Azertia's integration has strengthened remarkably the range of Indra's offering to the financial sector. To the technological outsourcing, application management, e-learning, mortgage procedures and bank back-office services, where we were already an outstanding reference, we have added Azertia's leadership in the life cycle management of bank documents.

e-learning ●

● training

mortgages processing ●

application management ●

Global Offering

Financial companies and institutions' main partner

Indra is still moving forward in order to become the main partner of financial institutions. As an example of this activity, Indra developed in 2006 several agreements with the Payment Methods Association of Spain - SESP (Sociedad Española de Sistemas de Pago), like the three-year Cooperative Master Agreement, which positions Indra as a stable technological partner to this association.

As in previous years, this last business period kept an intense relationship with important companies such as Banco Santander, BBVA and Caja Madrid with whom several agreements were signed, among them the Applications Development and Maintenance Integral Service provided to Banesto and Caja Madrid.

Other important projects were the double introduction, in Banco Sabadell and in Banco Pastor, of a new solution which covers the business needs of the International Area. These projects are framed within the 2004 agreement between Indra and Bancaja to market some of its bank solutions.

The intimate relationship with Banco Sabadell, fourth bank group in Spain, became solid with new projects and services: Indra was selected by the Catalonian bank as an outsourcing service supplier for central services transactions related to Mortgage Loans, which trusted Indra, once again, with the promotion and implementation of Electronic Invoicing solutions to companies, under the protection of its BS Factura (Banco Sabadell Invoicing Service). It also granted EuroPraxis, Indra's consultancy company, the coordination of the integration of Banco Urquijo within the structure of the financial company.

Responding to Insurance Industry needs

In accordance with the development of solutions and services for the integrated management of an insurance company, the New Insurance Platform - NPA (Nueva Plataforma Aseguradora) was developed by Indra upon the knowledge accumulated throughout 12 years and over 20 users of the Rector solution. This new platform is now a reality with its first implementations within the ASEVAL insurance company.

Other important projects were the ones performed for ASISA, such as the development of an application for appointing health, accident and life products, and the Monitoring and Control System for the insurance activity.

Interesting activities were developed on an international basis, such as that granted by Uruguay's State Insurance Bank – BSE (Banco de Seguros del Estado de Uruguay), the first insurance company of the country - for the development and implementation of a web solution for the companies operating with this company, to maintain its corporate policies for work related incidents easier through Internet. The agreement included training and transfer of technology.

- technological transfer
- outsourcing
- banking back-office
- document services

Looking to the future

Indra has gained, in the last few years, a reference position within the finance and insurance sector of Spain, through the development of solutions - at times together with the market leaders - and with the widening of its services offer (AM and BPO).

Nevertheless, what makes the exercise unique is, without a doubt, the materialization of the agreements reached with Azertia and Soluziona, which make Indra a reference company in Information Technologies in the Finance and Insurance sector in Spain, and one of the main suppliers in Europe.

This new reality is an excellent and solid base to approach the main technological challenges of the coming years as an ally to the companies, and to contribute from a leading position to the future creation of the technological platforms needed in Europe.

In addition, we will make the most of the new synergies to promote and accelerate the development of sectorial solutions and services, such as the Multi-company Service Centres.

Reinforcing the International Area of Banco Sabadell

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

Included are tasks related to securities and import/export consignment, funding of transactions, exchange risk insurance, foreign currency cheques and transfers, purchase/sale of foreign exchange notes, managing of cash collection and payments, support of assignment and administration agreements for the transactions of the currency exchange market, and more.

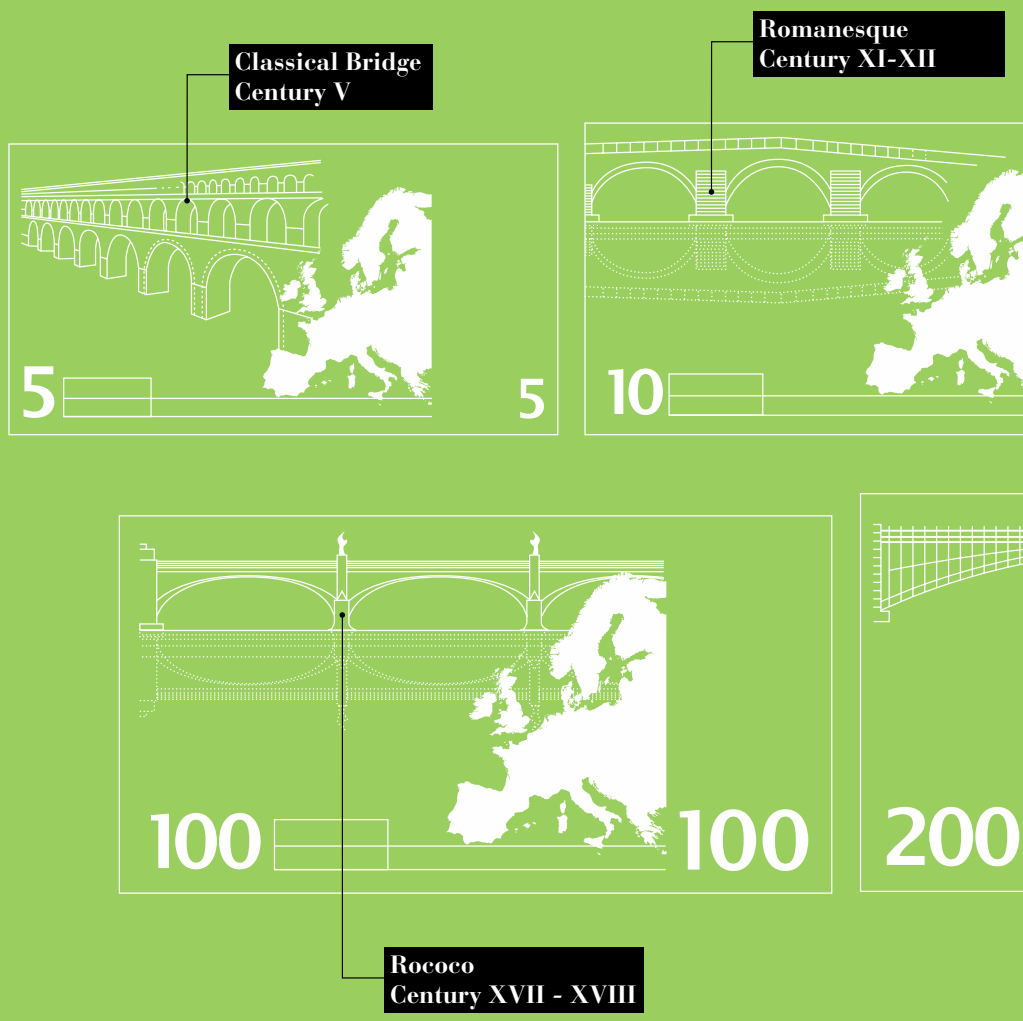
The prestige of Banco Sabadell, in regards to international operations management, reinforces and strengthens Indra's image as an alliance company and at the same time tightens the bonds of cooperation between Indra and Bancaja, the latter being the company where this solution was originated.

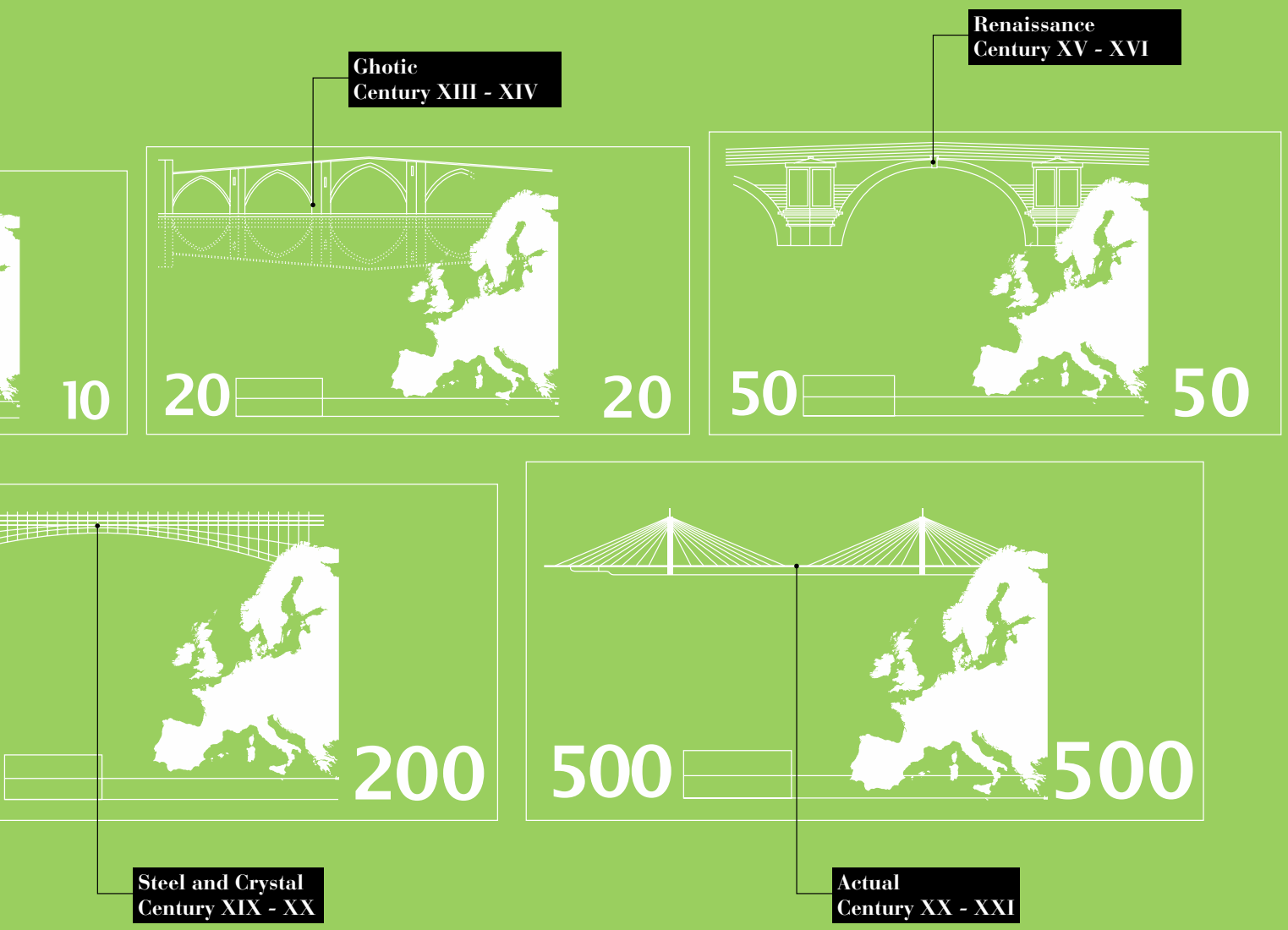
OpVision

OpVision's launch, the new Operational Risk Management solution
Indra's capacity to provide an answer to the new needs of its clients in regards to the management of operational risks was specified in the development of an alliance with Madrid's Universidad Autonoma (Risklab Centre). The outcome has been a leading solution to the assessment of capital for operational risks, OpVision, which takes into account the requirements of the Basilea Bank Supervision Committee (Basilea II).

OpVision is an advanced answer to the modern management of the capital not only within financial companies, but also for other companies where the operational risk's exposition is noteworthy. BBVA, one of the most advanced companies in risk management, has selected this product for the assessment and management of capital for this type of concept.

This new solution offers Indra the opportunity to become a leader in this sector.




Ghotic
Century XIII - XIV
Renaissance
Century XV - XVI
10
20
20
50
50
200
500
500
Steel and Crystal
Century XIX - XX
Actual
Century XX - XXI

Public Administration **and healthcare**

Creating value for citizens

Indra has successfully responded to the objectives set by the Public Administrations, establishing technological solutions that will allow us to provide a better service to the citizen, confronting its main challenges in regards to e-government, public safety, health, justice, education and communication.

Solutions and services portfolio

Electronic administration
Identification systems
Integrated tax management
Citizen attention
Digital health service
Administrative procedure simplification
Electronic management of documents
Solutions for procedural management, Justice and Property
Registry
Election counting systems
Services

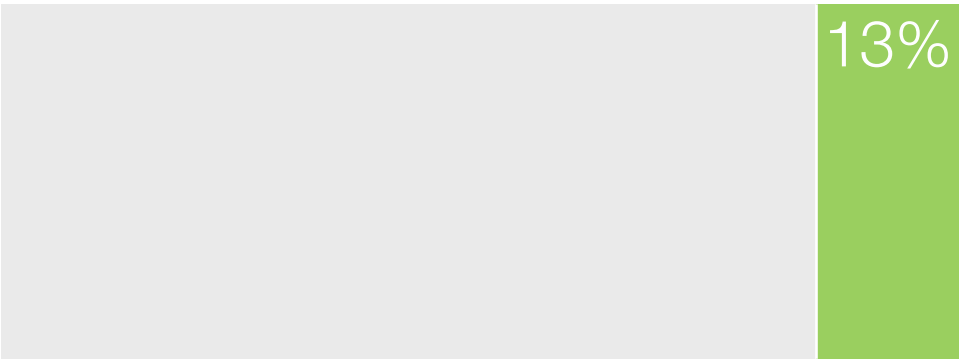
Characteristics of the market

New public plans in connection with the i2010 e-Government Action Plan that will promote the convergence with Europe in the use of Information and Communication Technologies - ICTs.

Highly competitive market, with tight margins in services and low value-added solutions.

In the next few years, e-Health will be supported by driving forces such as demographic conditions, the different health systems' integration and by the development of telemedicine as a key factor to the success of the digital health system.

Proforma 2006
Revenues
253 M€



Making electronic administration a reality
Indra participates in the design and development of the main e-administration projects within the three levels of Public Administration. Currently, one of the most strategic projects already in its introductory phase is, without a doubt, the electronic ID, a project in which Indra has been actively involved since the very beginning and for which it has developed the integrated systems for biometric capture.

Another important activity for this year was the development of a new educational platform with digital educational contents for red.es together with Santillana Group.

Due to its singularity within Europe, we must point out the introduction and running of CISEM (Centro Integrado de Seguridad y Emergencias de Madrid) - the Integrated Safety and Emergency Centre for Madrid - which liaises with the Fire Brigade, Police Dpt., Transport and Samur (Ambulance service)units. CISEM will be a forerunner in Europe, with the most up-to-date technological base, answering to the needs of the Safety and Services Area in Madrid, coordinating over 10,000 public servants, and shortening response time in the case of catastrophes and emergencies.

Other relevant national projects included: maintenance service for the Post Office's business-logistics solutions, digitalization of the Spanish Patent and Trademark Office archives (Oficina Española de Patentes y Marcas), the setting up of a new model of Housing Office for the Community of Castile and Leon (Oficina de la Vivienda), the development of electronic administration systems for the Balearic Government, the establishment of an integrated system for the management of human resources in the Congress of Malaga (Diputación de Málaga), the Electronic Signature system for the Industry, Tourism and Trade Ministry, the intrinsic tax management for the Government of the Canary Islands, and finally, the Environmental Ministry's Geographic Information System.

Within the international context we must point out the trust invested in the company by Portugal's Internal Administration Ministry, for the renovation of the information systems of the Foreigners and Borders' Service – SEF (Servicio de Extranjeros y Fronteras). The award offers a wide approach and includes different projects, of which we can highlight the renewal of the Schengen information system; the creation of a national system for capturing, treating and storing the fingerprints of expatriated citizens and refugees; the establishment of a system focused on managing the issue of residence permits for non-Community foreigners; and the renewal of the integrated system for SEF information.

Finally, as a rather unique project, we must highlight the contract for the upgrading and automation of the Panama Maritime Authority's - AMP (Autoridad Marítima de Panamá) - information management system, which will digitalize and create a network to manage all information on the world's largest maritime fleet and its almost 400,000 employees.

3M The new information systems Diraya integrates the medical records of more than 3 million andalusians.

e-Health pillars

The Diraya system, designed and established by the Andalusian Health System - SAS (Servicio Andaluz de Salud) - in collaboration with Indra, integrates all of a citizen's medical information under one single registration, which allows professionals to consult and add information anywhere in the world and to follow up on the care the patient receives. This system has been stated in different national and international congresses to be an international reference and also as one of the best welfare management systems around the world.

This year new collaboration lines were opened, such as the corporate information systems provider for Andalusian health centres and emergency services for the next two years. Through this contract, we extend Indra's service provided for the implementation, maintenance and management of corporate information systems and the support to those professionals who use it, offering aid to development and consultancy processes. Indra will also provide training in the use of different Diraya tools to over 5,000 SAS professionals.

Collaboration with SAS has also enabled the option to request appointments online using Inters@s, and over the telephone - Salud Responde - which last summer allocated over 222,000 consultations in Malaga alone. Another significant performance was the Digital Medical Image project for the Cantabrian Health Service – CSC (Servicio Cántabro de Salud) - which will allow local hospitals to access a diagnostic image storage system (TAC, MRI, ultrasound, PET, X-ray, etc.). The project will facilitate the access to new ways of assistance, such as telediagnosis and teleassistance, and to approach latest generation clinical and surgical techniques.

Within this field, new projects were set up for the Government of Aragon and for the Ministry of Defence. These experiences together with the Ykonos project which began in 2003 for the Castile-La Mancha Government, and awarded in the XXII International Edition for the Medical Imaging System (PACS), make Indra the leading European company in the implementation of projects for the managing of diagnostics through images.

Within the international market, Indra was granted, in a public tender, the design, development, implementation and maintenance of the Digital Health Information System for the Azores – SISARD.

Electoral processes

After a long trajectory of experiences with different technologies, Indra's solutions (Electronic Ballot, SMS vote, EPB electronic poll book, Point&Vote, Paper Vote, etc.), apart from guaranteeing the electoral process' quality and reliability, encourage an intervening impact, transferring to the different participating groups within the process - citizens, media, institutions and communities involved - an image of excellence and modernity in the public management through technological innovations.

Thus, in the surveys carried out in Catalonia, Elections to the Catalonian Parliament and Referendum, extraordinary media support was confirmed with over 200 references of the technological innovations used in the Catalonian elections.

Other remarkable actions were the first electronic vote experience with vote reading machines and electoral roll control for the elections of Madrid's District tables in the town hall, the electronic vote experience for the process carried out for the Civil Guard Advisory Council's elections, and the supply of over 200 electronic poll boxes fitted with tactile screens for the Marie de Reims.

Looking to the future

The Government's new law initiatives open up important investment expectations in ICT for the years to come. The Citizens Electronic Access to the Public Administrations Law, regulation that encourages the interoperability between Administrations, and establishes every citizen's right to electronically link with Administrations, the 2006-2010 Avanza Plan, or the Dependency Law itself.

Health Care will continue to be a top-level priority specified in the new Health Services plans with an intensive use of technologies. According to different surveys, the health sector's investment on ICT will mean 5% of the total health budget for 2010, against the 1% invested in the year 2000.

Within the context of technologies aimed at the management of electoral processes, Indra develops a constant significant effort in I&D (Investigation and Development) resulting in a widening of new technologic opportunities such as the tactile screen ballot box, the electronic vote, the PDA's integration, etc., and will shortly conclude with the design of a solution that will consider the whole of the process, beyond the census' identification of elements and the scrutinising of votes, by incorporating organisational and logistics processes.

Improving service to citizens

Indra has designed and developed the new Internet site for the Community of Madrid. The objective of madrid.org is to make it easier for citizens and corporates to access the Community's information and services.

The new site has been planned as a multichannel support (Internet, mobile telephone, and digital television) and it allows the presentation of the contents depending on two large profiles, citizen and corporate, so that each of them may access and view information and services useful to them and directly related to their particular interests.

The new site also enables citizens to customize access to more particular contents through a space called "mimadrid.org", where they can choose the site contents most useful to them and request mobile SMS and e-mail alerts.

Within the new web's novelties, the so called intuitive navigation stands out; it enables access to the searched item in only three steps, without the need for citizens or corporates to know the exact location, that is, which Board or Public Office it depends on.

This project is being lead by ICM, a self-governed organization on Information Technology and Communications for the Community of Madrid, with the support of Indra as its technological partner.

According to the last study performed by the OJD - Publications' Information and Control Office (Oficina de Justificación de la Difusión) - madrid.org is among the top 25 sites most visited in Spain.

One person, one vote

Supporting the upgrading of the Congreso de los Diputados (Spanish Deputies Congress)
Indra and Telefonica are developing the Modernisation Plan for the Congreso de los Diputados. This plan includes 37 projects that will allow the modernisation of the Chamber's working methods and its relationship with other Administrative bodies, as well as the creation of customized services to the Deputies and other staff. The aim 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.

The so-called internal users (deputies, parliamentary groups, parliamentary administrative bodies and congress staff) shall be able to develop their activities in a telematic way, to register initiatives and amendments, and even bestow texts and enquiries through their computers.
In the case of deputies, the Plan will help to develop the so-called "mobile office", which will allow each deputy to be permanently connected to the Lower Chamber and those attending, and will be able to sign documents without the need to actually be there, since it allows the introduction of the electronic signature.

Institutions and administrations related to the Congress will also have access to a set of services aimed at simplifying, speeding up and ensuring the management of common procedures such as presenting documents and initiatives or checking on the processing status.

Access will be allowed through the Congress' web to the historical archive (Constitutions, Common Laws, etc.) and also to the audiovisual contents generated by the Cortes Constituyentes of 1978.

Energy **and industry**

Solutions and leading services in the international market

Our activity in energy and industry has been favoured by the incorporation of Azertia and Soluziona to Indra. The merger of these three companies makes us the leading provider in Spain for this market, and makes of us a main reference in regards to solutions and guarantee of success. So this not only improves our position in the market, but it also gives us a higher growth potential, especially in international markets.

Solutions and Services Portfolio

Open utilities
Generation power statios systems (OCEN)
Systems of environmental monitoringOpen utilities
Integrated management of energy market agents
Network distribution management systems
Energy trading systems
Services

Market characteristics

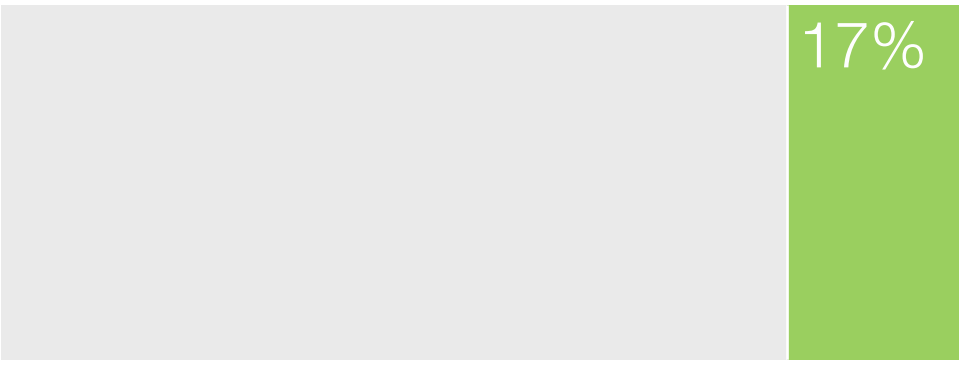
Utilities companies' concentration process

Strong growth of solar and wind energy

Industry and consumption market enters investment stage

Progressive adoption of RFID technology

Proforma 2006
Revenues
332 M€



Leading the technological market in the Energy and Utilities sectors

Indra enjoys a firm and consolidated position in the Spanish utilities market: electricity, water and gas. Furthermore, the incorporation of Soluziona and Azertia, the former in particular, strengthen Indra's position as leader in this market.

This situation is a result of extended collaboration with the main electricity market agents, such as OMEL, responsible for the economic management of the system, and Red Eléctrica (REE), focused on the management of the transport network and on the operation of the Spanish electricity system. For the latter, the establishment and running of the e-learning services, and the safety management systems in electric substations were incorporated to the Global Outsourcing throughout 2006.

Alliances

On the other hand, Indra has strong alliances with the main producers and suppliers of the electrical market; most of these alliances are based on stable support services, such as Outsourcing, Applications Maintenance (AM), or BPO (Business Process Outsourcing). The dimension and technological capacity for said services are key factors in the choice of technological suppliers. Such is the case of Unión Fenosa, Endesa, ENEL-Viesgo, Iberdrola, or the Nuclear Association Ascó-Vandellós, amongst others. Important projects were also developed for Endesa, such as the implementation of safety management systems in the Thermal Power Station of Tarragona, and the support of generation systems applications.

With Soluziona's incorporation, as of January 2007, our solutions and services offering has been strengthened, highlighting the incorporation of the Open Utilities solution, a modular tool for the improvement of business processes in utilities and energy corporation. Open Utilities offers all the information needed for decision making and the management of business activities on every level of the organization. Over 120 companies around the world have already implemented this solution with success.

Wind Energy

In the Wind Energy sector, Indra enjoys an excellent position, thanks to major clients, such as Preneal, a company specialised in wind farms, for whom we developed the wind power generation control system. The Project expects to supply control systems to ten plants, and it will design, develop and implement a new control centre, from which the assignment may be dispatched before the system operator (REE). A second supervision and control system was agreed with EYRA, ACS's subsidiary for Wind Farms.

Other interesting activities outside the electricity sector were the tasks performed for Gas Natural, such as the development of the commercial data warehouse, the maintenance of corporate systems and the solution for the suppliers' quality measures, the call centre developed for Agua de Bronchales and the Control Centre for the Canal de Isabel II on the SAP platform.

Open UTILITIES

More than 130 companies in 45

Developing a valuable solution for every industrial area

Throughout 2006, the recovery of IT investments has continued, although it has mainly been directed at productivity improvement. However, the companies in this sector are demanding technological solutions that will allow them to access the new opportunities offered by the market and respond competitively.

There are many companies whose activities require specific and completely integrated management solutions. Accordingly, Indra's strategy is focused on generating a unique and value-added solution. One of the key factors of our offering is to have a vast knowledge of the different sectors that comprise the industry and consumption market.

Turism

In this field Indra has developed, within the hotel industry in particular, an open solution for integration with mediators, based on the sector's standard protocols, and on open technologies that will allow the clients, with adequate integrated management systems, to achieve an on-line connectivity with a variety of mediators, which can be translated as major improvements on effectiveness, efficiency and management capacity in critical business processes.

Consumer goods and logistics

In the consumer goods and logistics area, 2006 has been characterized by the strengthening of our position as reference suppliers to consumer goods companies, and the introduction in key logistic operators, such as Seur, Azkar or Boyaca.

Real Estate

For both construction and real estate sectors, Indra's solution is comprehensive, covering all business processes in the technological scope, with management software solutions, such as Microsoft, Navision and Axapta.

Among the 2006 projects, we must highlight the establishment of SAP's Site Manager, and the integration of digital signature and PKI for the authentication of transactions using the SAP management system in Metrovacesa, or the modernisation of management systems in Vertix, with the implementation of Axapta Real State, a solution developed by Indra.

Distribution

The distribution sector has continued to reaffirm the transformation trend as experimented in the last few years: the corporate concentration of groups and chains of establishments, and the decision to diversify the business based on new opportunities in different areas of the market, where the potential of attraction over consumers of sales points could generate cross sales and economies of scale effects.

As an example of client orientation and of diversification, Indra is working for Carrefour on the development and support of client-focused systems, such as the fidelity cards or gift cards, and the support of tele-charging of mobile phones (this is a challenge to retailers due to the rising business generated through these distribution channels).

countries have integrated our Open utilities solutions

Looking to the future

The social demand for greater control over climatic changes along with the government grants supporting renewable energies will lead to new technological investments in the energy sector. Wind Farms, which shall be secured as the fourth technology in electricity generation in the years to come, offer a great opportunity to Indra, who already has a very active presence thanks to our solutions for operating centres and other needs.

Likewise, Azertia and Soluziona's incorporation to Indra will allow us to maximise our internationalization strategy, taking advantage of the larger international presence, and its references of success in the utilities sector.

Within the Industry market, our strategy will remain based on the development of our own high value added solution for each segment of demand. This strategy is designed for an in-depth analysis of sector knowledge and for the development of solutions that help our clients achieve their goals.

We identified an enormous market potential for ERP applications and for vertical solutions, standard and open, substituting non-integrated applications, local solutions and 'tailored' developments that currently rule the area. Therefore, Indra is strongly leaning towards solutions linked to ERP, based on SAP, Oracle and Microsoft.

A strong development is expected in different sectors such as Leisure and Tourism, Consumption Goods, Services, or Building and Retail, clearly distinguishing two groups: large companies where our services will be focused on such as application maintenance or outsourcing, and medium companies who are in a changing phase and shall require the implementation of negotiation solutions.

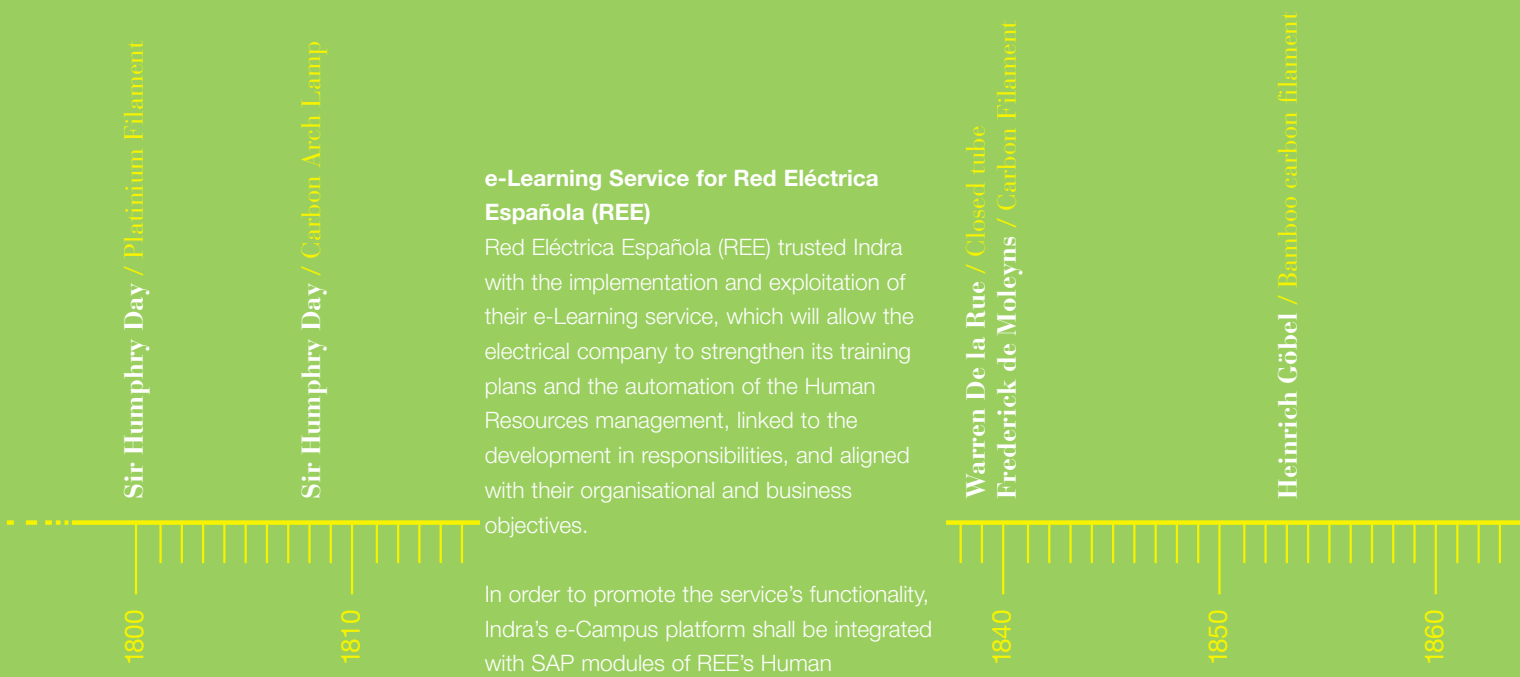
Top-level Customer Service for Grupo Ferrovial users

Grupo Ferrovial selected Indra to be in charge of the design, configuration and implementation of its customer service for users of their corporate information systems, at a domestic and international level.

This service was designed to achieve its permanent adaptation to Grupo Ferrovial's new requirements, not only because of the permanent development of corporate systems, but also because of the changes to the organization, as a result of the group's expansion.

Amongst the advantages of this service, we must highlight the improvement on Internal Users' Customer Service quality, which offers real-time responses to problems that may arise, and the notification to the Systems Direction, so that they may take on the most suitable decisions. This means more usability for corporate information systems, whereas, on the other hand, it allows the company to introduce anticipation measures in order to limit the number of incidents and problems reported.

eCampus

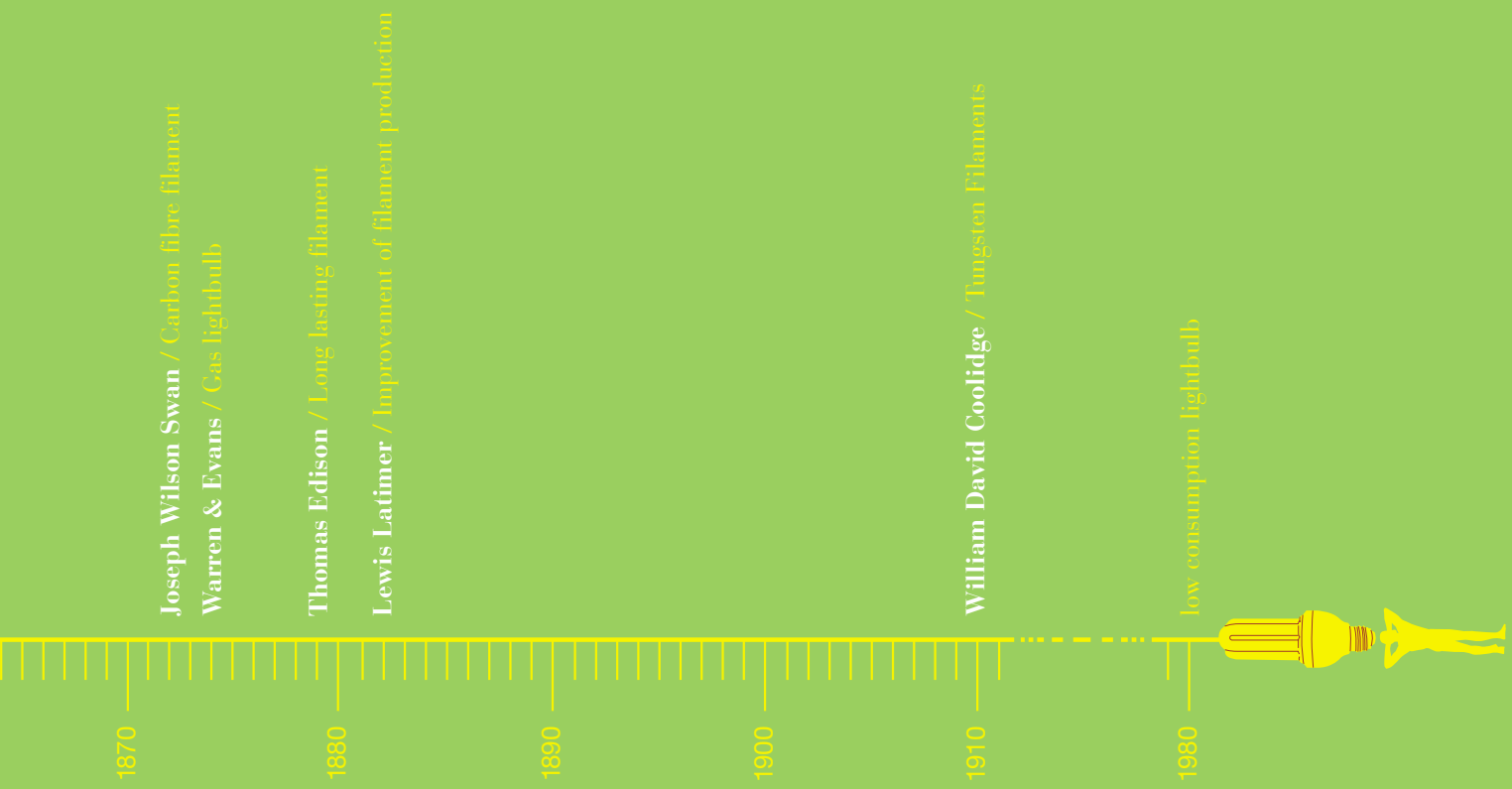


e-Learning Service for Red Eléctrica Española (REE)

Red Eléctrica Española (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 organisational and business objectives.

In order to promote the service's functionality, Indra's e-Campus platform shall be integrated with SAP modules of REE's Human Resources. This way, the company will be able to take care of the global and integrated management of each employee's learning process curriculum, the catalogue of courses, the personalised learning plans and the formative actions of each and everyone.

With this service REE will be able to minimize technological risks, guarantee more flexibility in the use and development of the e-learning platform and obtain an economic saving as a direct result of the conversion of fixed costs into variable costs, and of the reduction of operative costs through the shared use of the platform.



200 years have been necessary to perfect an idea like the lightbulb.
200 years to achieve that a brillant idea
is also economical and ecological.

Transport **and traffic**

Solutions that add values to transport networks and infrastructures

Indra holds a leading position in this market, and in 2006, maintained the positive direction it has experienced in the last few years. The sales growth rate, at 10%, depends on the good behaviour of activities such as the Air Traffic Management in the international market. This market has a demand that is still showing signs of strength, shown by the deals we signed in Germany, Libya, Uganda and Central America, and in the Railway Traffic Management System on the domestic market, for which outstanding operations were concluded.

Portfolio of solutions and services

Air Traffic Management (ATM) and Airports
Infrastructure Management and Transport Operators Systems
Satellite Navigation Systems Services

Market Characteristics

Collaboration between the different Air Control Services in Europe

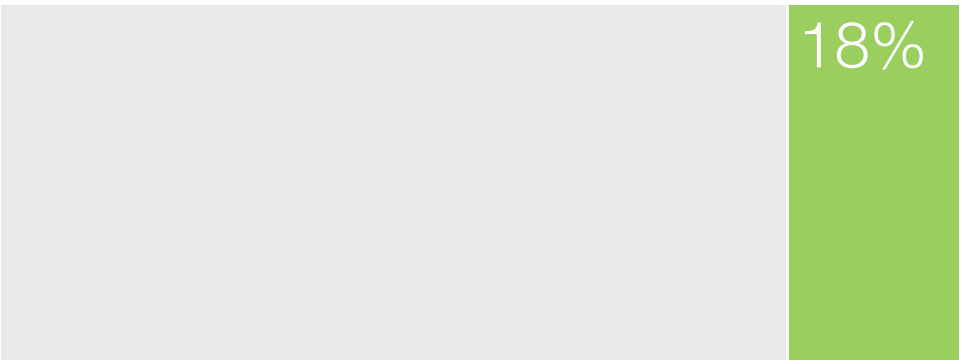
Demand for technological solutions, linked to the investments in infrastructure in the new member states of the EU

Development of large-scale supra-national programmes, such as the Galileo and the SESAR programme for a single European sky.

Proforma 2006

Revenues

348 M€



Reaffirming our position internationally in Air Traffic Management (ATM) and Airports

In the area of airport systems, 2006 has been very significant, due to events which took place which were important for the consolidation of Indra's offering. Thus, we can highlight the opening of the T-4 Terminal in Barajas Airport, for which Indra developed various state-of-the-art systems, including the integrated control system of the three airport control towers, the land platforms control system, and the airport operations management system. Also in this field, Indra has closed important deals for the enlargement of Barcelona airport, including the video surveillance systems, which include intelligent video management, and many other systems for the management of airport facilities. All of these features, along with the Geographical Information System (GIS), developed by Indra in association with Aena, and the Collaborative Decision Making (CDM) and the Customer Relationship Management (CRM) systems in airports, has allowed Indra to create a complete and integrated offer, in order to confront this segment of the market.

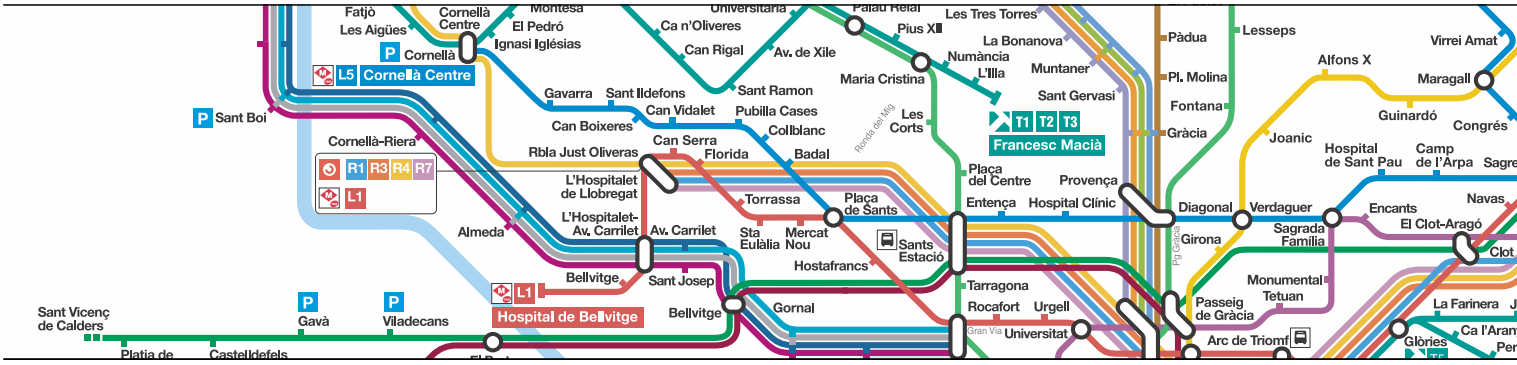
In the Air Traffic Management (ATM) systems market, 2006 has opened new international markets, especially in Africa, where we have made major national agreements with Libya and Uganda. In Latin America, Indra has reinforced its position, achieving a major agreement to supply new-generation radars for the air surveillance network system of the Central American Air Navigation Operator (COCESNA).

To these agreements we must add the ongoing development of the air traffic control systems of DFS in Germany, and Aena in Spain, and the cooperation agreement signed with NATS in the United Kingdom to handle their future systems, which continues to reinforce Indra's position in Europe.

Satellite solutions at the forefront of technology

Indra developed an innovative solution for the European Space Agency (ESA), in order to supply the users of high-speed trains interactive broadband services using satellite communications. Among the services mentioned, we should highlight Internet access, e-mail and audiovisual services. In addition, this system allows railway operators to have access to communication in remote areas for ticketing control or for remote access to maintenance services on-board, to name a few.

With respect to the development of the Galileo Satellite System, Indra is already in the first place for domestic suppliers and is the fourth largest European company by volume of transactions. In the last year we were awarded a large part of the ground segment for the Galileo validation in orbit phase.



Internationalising infrastructure management and transport operator systems

2006 has been crucial for the consolidation of railway command and control systems, due to the introduction by ADIF of two new high-speed lines, operated with systems developed by Indra. Based on the experience already gained, new versions of the system developed by Indra are being created, in order to cover both new international markets and to meet the needs of other railway operators.

In addition, we should highlight our entry to a new market with great potential, Mexico, where we are supplying a ticketing system for the suburban railway system in Mexico City, and also providing security solutions based on video intelligence systems for railway operators.

In the area of road traffic systems, we can note the boost given during the past financial year to systems for control and security in tunnels, developed by Indra. These have been seen the port tunnel in Dublin, the longest urban tunnel in Europe, and the work on the Guadarrama tunnels in Madrid.

Throughout this year, Indra has been continued the deployment of traffic radars for the Traffic Department and for the Catalonia Traffic Service. In addition, new toll facilities have been introduced to various motorways, not only in Spain, but also mainly in Mexico and in Chile. With regards to new markets, we must highlight the entry to the US market, through signing of the contract to supply toll systems on the Indiana toll road.

Finally, and in relation to ticketing systems, Indra has successfully carried out the projects that it was hired to do for the main Spanish operators, such as the Metro of Madrid or Metro of Barcelona.

Looking to the future

Indra has achieved a position as world leader in Air Traffic Management, and recognition as an excellent supplier in European systems. Due to this, new opportunities in the future, especially in airport management, and a high growth rate in Asia/Pacific area are expected.

In the field of Road and Railway Transport, new international markets are being opened (US, Mexico, etc.) due to the solutions supported by wide experience, such as toll systems, the ticketing access to metro systems, simulators, on-board systems for buses and trams, access control equipment, high-speed train line control, security and control systems for tunnels, amongst others.

Ticketing in Mexico City

Ticketing systems for the Mexican market

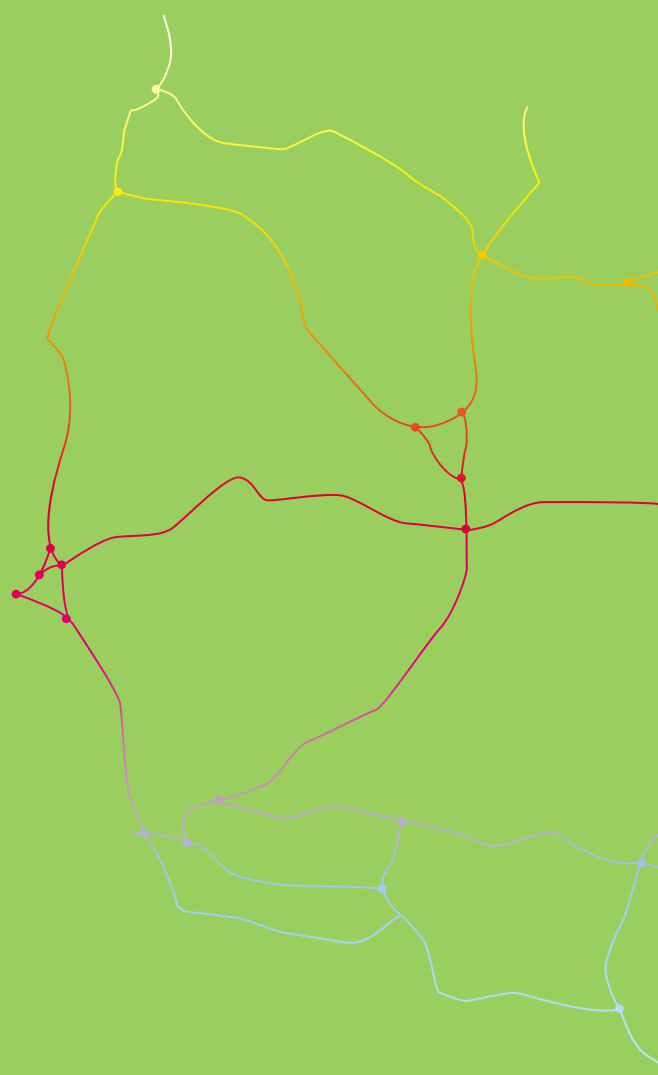
In 2006, Indra was awarded a project to design, supply, install and set up the ticketing system for a suburban railway line in Mexico City. This line will be operational in early 2008, and will have seven stations over the 27 kilometres of its route.

The system will have a control centre from where all the information gathered by the various sub-systems of the stations will be managed. In this way, all the information regarding transactions made, number of passengers, or incidents with equipment will be available, and the data may be analysed through the statistics and reports generated by the software system, optimising the use of resources, and improving the service for users.

This control centre will interact, through a station focus system, with all the sub-systems which Indra will install in every station, such as the pass-through control system, the automatic ticketing system, those installed in ticket sales points, those for recharging ticket sales, and the portable inspection and validation systems, for the inspectors to use on the trains.

Mexico, United States, Ireland, England, Lybia, Uganda, Spain, Germany, Chile...

Indiana Toll Road

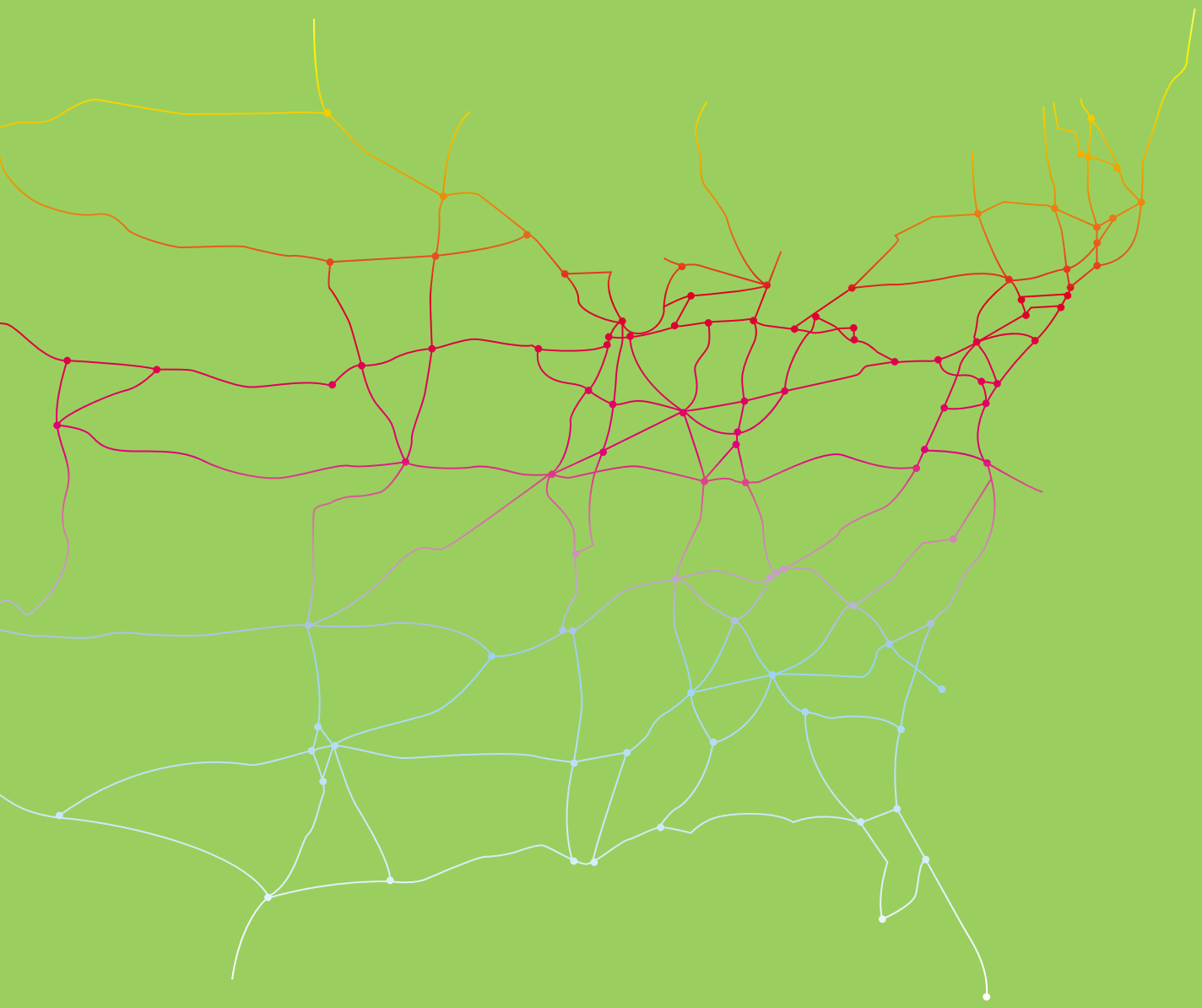


Indra enters the toll system market in the United States

Indra's entry to the toll system market in the United States, through being granted the project to install a system on the Indiana Toll Road motorway is very significant, due to the great potential of this market. The first project acquired is a motorway which connects Illinois state with Ohio state, and the rest of the Indiana motorway network.

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.

The US motorway toll system market is expected to experience rapid development over the coming years.



Defence **and security**

High Technology for the improvement of Security

During 2006, the Security and Defence market has maintained the solid evolution of previous years, specially, international projects, on the smooth running of simulation activity in the United States and in the security market.

Solutions and services portfolio

Intelligence, surveillance, detection, command and control systems
Sensors and Electronic Defence
Simulators
Automatic Test Systems
Integrated Logistics Systems
Satellite communications and control
Security
Services

Market characteristics

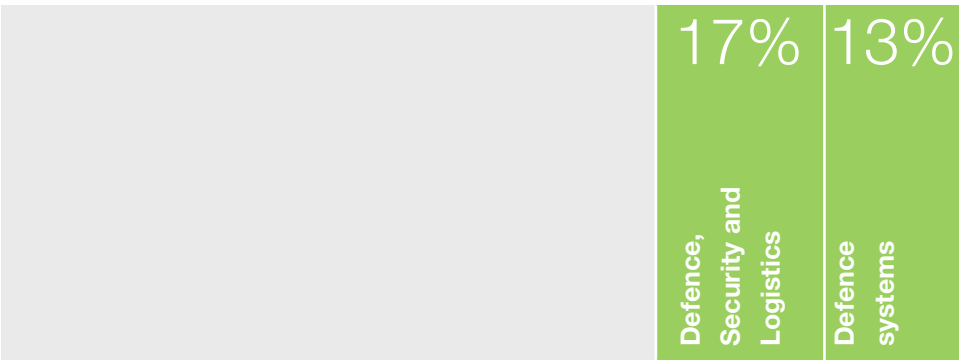
Growing importance of information systems, intelligence and communication in the defence and security fields.

New framework of Pan-European cooperation boosted by the European Defence Agency (EDA)

Growing use of training simulators

High concern about threats to national security threats

Proforma 2006
Revenues
587 M€



Entering new markets

Internationally, Indra has continued to penetrate new areas, following its strategy of international expansion and opening of new markets. A remarkable example is the deal closed with the Swedish Armed Forces for the training of its Super Puma helicopter pilots.

At the same time, there was reinforcement of our position within markets where we were already present, such as the American or German markets, where the high degree of satisfaction achieved by the electronic defence systems installed in the German Navy K-130 corvettes during the last two years, allowed us to obtain a new contract to supply electronic defence systems to two new U212A submarines.

In the US, Indra has closed important contracts, such as the development of extension radars for the Standard Automatic Maintenance System (SAMS) and the test programmes (TPS) for the F-18 planes' radar for the US Navy. Likewise, the US Navy awarded us the upgrading of its H-60 Seahawk helicopter simulators. In addition, and acting on behalf of the Italian Navy, they awarded Indra with a new contract for the updating of two mission and flight simulators for the Harrier AV-8B+ plane.

Active involvement in multinational programmes

Indra participates in NATO's highest-priority, highest-cost programmes as a member of the main multinational consortia and as a key player in European and transatlantic industrial collaboration strategies.

Within the technology of on-board radars, where Indra is one of the European leaders due to its implication and active presence in the multinational European or NATO programmes, the Sostar-X system passed the final inspection and received the airworthiness certification. This has allowed operative flights of this ground surveillance radar prototype to start, which is designed to comply with most of the defined requirements for the AGS (Alliance Ground Surveillance).

Reaffirming the leading position in the Spanish Defence market

The high number of projects being developed for the Spanish Armed Forces represents a clear example of the scope of Indra's supply to the defence sector. During 2006, Indra's leadership within the Spanish market has continued to be strengthened, and we can highlight, for the Army, contracts such as the supply of identification of friend or foe (IFF) systems, Ceuta observation posts armed with sensors and radar; self-protection systems for the Cougar helicopters for the FAMET (Air Force of the Spanish Army); the renovation of electronic defence systems for the EF-18 Air Force fleet and radars and identification systems for four S-80 submarines and for the Replenishment Oiler (AOR).

It is worth pointing out the introduction of the JTRS programme, which will make Indra a world leader in the field of communication and data links. This programme is being developed in coordination with the US industry and its aim is to develop a new generation of communication terminals based on radio software architecture.

Growth in the Security market

Last year's growth and the securing of flagship projects, like the Spanish electronic ID card, the External Surveillance Integrated System (SIVE - Sistema Integrado de Vigilancia Exterior) or the Integrated Security and Emergencies Centre of Madrid's City Hall (CISEM - Centro Integrado de Seguridad y Emergencias del Ayuntamiento de

Indra is the only non-American company selected as a prime contractor for the US Navy.

Madrid), places Indra as national leader in the sectors of protection and border surveillance, safe documents and crisis management.

In 2006, two new deals were closed to extend the External Surveillance Integrated System (SIVE) to the shores of Huelva and Gran Canaria. This system enables authorities to fight illegal immigration, drug trafficking and other illegal trafficking. Thus, 575 km of coast is under the control of the border surveillance system of Indra. Among the major Spanish projects we can highlight are the installation of the video surveillance and protection system of the new terminal at Barcelona Airport and the protection and access control system for the various industrial facilities of Navantia.

National leadership and the scope and quality of our offer give us a high potential for international growth. During 2006, an important contract for the modernisation and automation of the information management system for the Panama Maritime Authority (Autoridad Marítima de Panamá - AMP) was obtained. AMP controls over 6,000 ships, the largest fleet in the world, and nearly 400,000 sailors. Indra also took responsibility for an identity document equipped with a biometric identification system, which includes digital photography, electronic signature and digitalised fingerprints which will make the self-management of the marine staff automatic.

Improving in the service sector

During the year, Indra has improved its position within the three Armed Forces in the logistics support services sector, where it still counts on customer confidence for maintenance of their systems. It is worth pointing out the Moscardón and Albatros programmes for the Navy, the maintenance of the NASAM, TOW and COAAAS systems for the Army, and the maintenance of the Alert Net for the Air Force.

Likewise, Indra is actively collaborating in knowledge management with important programmes such as PITEA.

Quality supply for the space defence sector

In the international field, we should make special mention of Indra's participation in the military communications satellite programme, CISCOMIS of the Brazilian Ministry for Defence and the Navy. With this project, a big step has been made in moving to Latin America, with precise specifications, the experience gained with the Spanish Military Communications Satellite Programme, SECOMSAT, and with other European programmes.

Also, Indra has begun to participate in the European GMES (Global Military of Environment and Security) programme through the GSE-Land project with the objective of developing a group of applications to include the creation of maps of urban areas, water quality, agriculture and land use.

Finally, Indra was awarded a large portion of the land sector for the in-orbit validation phase of the Galileo Programme, funded by the European Space Agency (ESA) together with the European Commission (EC).

Looking to the future

Emergency management for Defence Department

Within the Defence and Security market, Indra continues working hard in R&D+i and supply development, aiming to stay at the forefront of technology and to preserve and ensure the top level of competitiveness on an international scale. This should allow not only entry to new markets and acquisition of new customers and reinforcement of its international position, but also to take advantage of the growing importance of information technologies within the defence and security fields.

For example, Indra is working on the development of a new offer based on laser technology sensors, designed to comply with the new operating needs of the Armed Forces. Likewise, Indra has continued to make progress in the development of detection equipment and the processing of signals which cover the whole electromagnetic spectrum. This equipment is used to form electronic defence, detection and counter-defence solutions for all kinds of air, naval or ground platforms.

With regards to the security market, the capacity shown in the development of major references, as well the wide-ranging and varied offering of information systems, border protection, ID management, infrastructure protection and crisis management systems, provide an exceptional new opportunity for Indra to become a leader within a still undeveloped market.

The UME, run by the Defence Department, has the goal of working in every national territory in order to contribute to the safety and well-being of the citizens in cases of high risk, catastrophe, calamity or any other public need, such as forest fires, heavy snowfalls, floods, earthquakes, pollution clean-up, etc.

The system developed by Indra has been designed to support all UME 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.

We have included the knowledge gained from successful experiences in some of the main Spanish projects for emergency centres and command and control systems in the solution's design and conceptualisation. So, by means of a proper balance between business solutions (GIS, integration platform, electronic signature platform, etc.) and custom-designed developments, Indra has created a solid, extendible and open system adapted to the needs of the UME.

This project reinforces Indra's experience in the introduction of Emergency Centres, a field where Indra has already successfully established the Integrated Security and Emergency Centre of Madrid's City Hall (CESIM), or the Emergency Management System (EMS) of the Civil Protection and Emergency General Management.

H-60 Seahawk

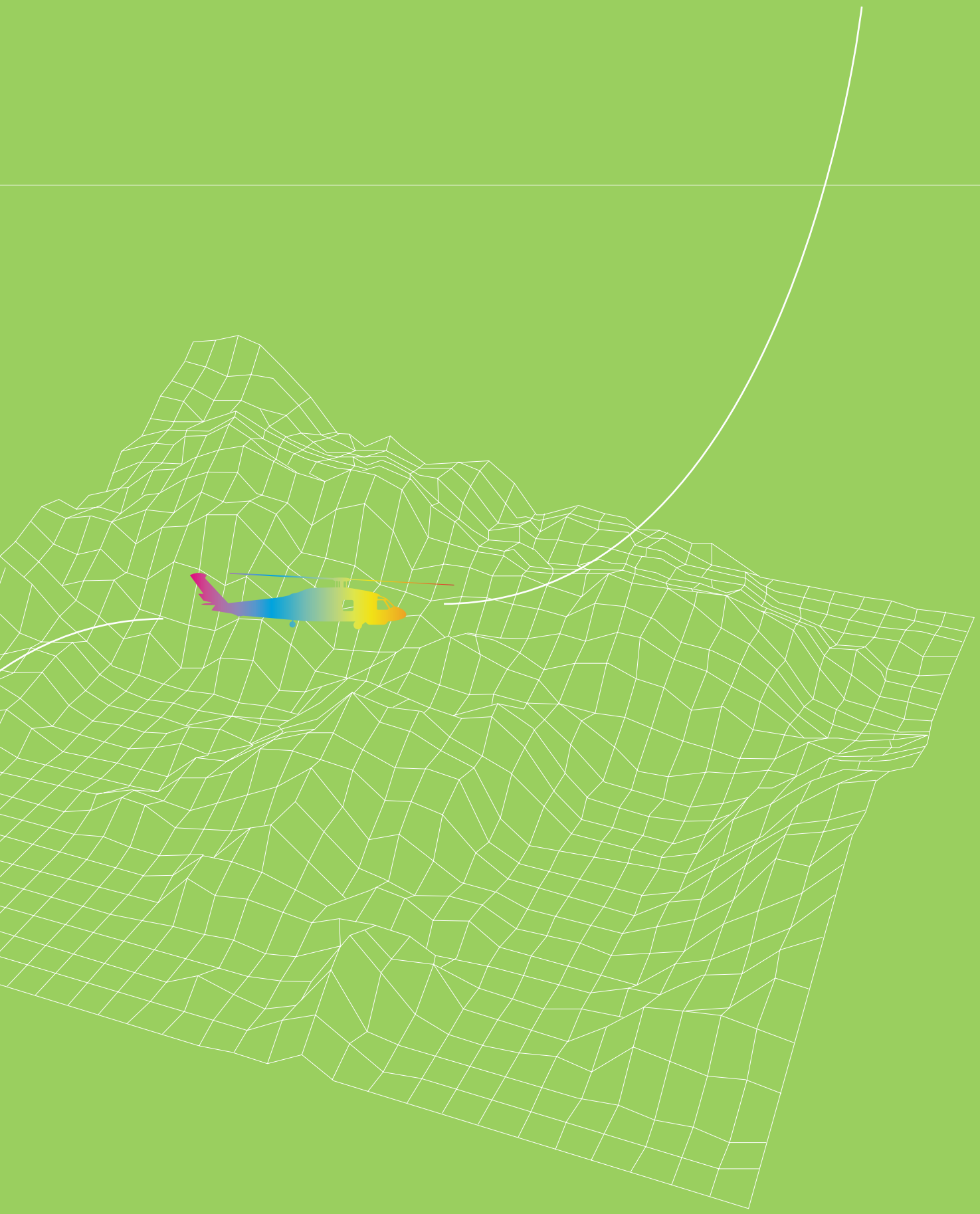
H-60 Seahawk helicopter simulators upgrade

The US Navy entrusted to Indra Systems, the US Indra subsidiary, the upgrading of eight H-60 Seahawk helicopter simulators, located in North Island (California), Mayport and Jacksonville (Florida).

Through this project Indra forms part of one of the flagship US Navy platforms. H-60 is the military helicopter most commonly used in the Western world and it is used for the transport of troops and materials, SAR (search and rescue) missions, submarine defence, and the detection and neutralisation of mines.

The simulator will be modernized both at Indra's simulation development centre in Orlando (Florida), and at the operative bases of North Island, Mayport and Jacksonville. The presented updating is very wide-ranging, since it covers, among the eight simulators, three different versions of the helicopter and applies not only to the instruction post position but also to the simulators' central computer and visual system. It also includes improvements in the helicopter models, sonar and acoustics simulation, simulators' tactical environment and interconnection/interoperability, and logistics support after set up.

Indra Systems' offer was selected in a public tender where the best US simulation companies competed, and it is in line with the bidding procedure known as Training Systems Contract II (TSC II). Within this program, the company was already awarded, last year, the contract for the MH53 helicopter simulator upgrading located at the Norfolk base (Florida).



Indra **worldwide**

We continue to strengthen our global presence

A growing international presence, together with an extensive knowledge of this sector, allows us to offer solutions adapted to the needs of each of our clients. Over 4,000 professionals work outside Spain, in the 34 countries where Indra is present.

The 2006 financial year was positive for our international operations

We continued entering big markets, such as the American and Chinese, where we have experienced a double digit growth.

Spain

Since the incorporation of Azertia and Soluziona in January 2007, we have become the leading IT services supplier in the Spanish market, far above the rest of competitors, with a clear lead in all vertical markets and service segments where we operate. Thus the consolidation of our leadership in Spain has reaffirmed our challenge of the last few years and implies an opportunity for medium term growth: to transfer this leadership to international markets and to become a global actor within the principal worldwide markets. This not only means being a supplier to specific projects, but also being a player who will continually compete in the major international markets.

Latin America

We already have achieved a leading position in Latin America, where we are one of the top five IT service suppliers as per sales volume, and where we have subsidiaries operating in practically every country. This market already represents 8%[1] of our total sales. Throughout the year, we have continued to record relevant milestones in this area, especially in the Traffic and Transport market, where we have undertaken important projects.

Europe

Europe, due to its importance and proximity, must become our "domestic market" within a short time. This market already represents 17% of our total sales. During the year, we have gained new clients and new positions, both of which reinforce our presence in this area.

The European IT market shows a better trend in demand as proved by the start up of new projects and the moderation of pressure on costs. At Indra, we expect to take advantage of this improved market situation, with a good position in some European countries. In the last few years we have continued to follow a strategy of developing specific solutions for vertical markets that has been reinforced by the incorporation of Azerta and Soluziona´s offering. This places us in an excellent position to seize growth opportunities presented by the European market, especially in banking, insurance, telecommunications, utilities and, most of all, in public administrations (healthcare, justice, safety...).

USA

Throughout 2006 in the United States, we have improved our rhythm of growth over the previous years, due to the positive progression of simulation activity and also because of the various projects undertaken in the Traffic and Transport market. Indra has a strong commitment to look for new business opportunities in the USA, as shown in the contract for the tolling system Indiana Toll Road. We will also search for new possibilities in the areas of homeland security, electronic defence and space.

Rest of the markets

In the rest of the international markets, our excellent portfolio allows us to gain new clients and positions in new geographical areas. In the next few years, we foresee important opportunities in different areas such as air traffic control, border surveillance, tolling systems, simulation or electronic defence.

[1] Proforma Data, including Azertia and Soluziona.

Some international projects in 2006

Belgium and the United Kingdom
ERP for the Hesperia Group

France
Maintenance and development of the loyalty systems for the France Telecom

USA
Toll systems for the Indiana Roll

Portugal
Digital Health Information System

Mexico
Cablevisión's account statements

Nicaragua
Improvement in the courts of justice management

Morocco
Traffic Managemen
improvement of the
control centre.

Panama
Merchant Marine Passport

Colombia
Monitoring systems and train traffic management for the Metro of Medellin

Brazil
Surveillance systems to control the Amazone and maritims zones

Chile
Technological modernisation of the Valparaiso's Port enlargement

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

Sweden
Training Centre for Super Puma helicopter

Germany
Electronic defence systems for submarines

Turkey
Simulation systems of radar signs scenery and disruptions generation

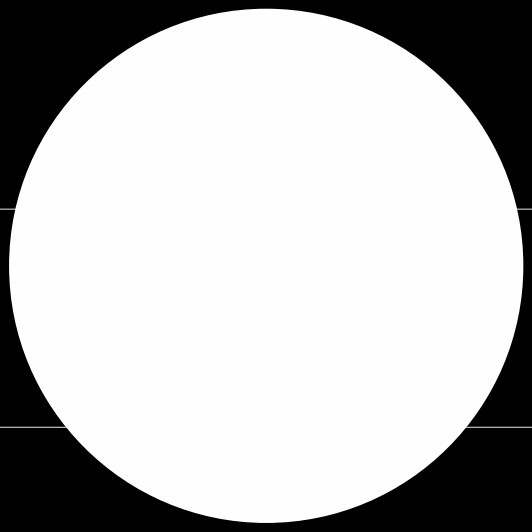
China
Traffic control systems and toll gates in three highways chinese

nt Systems and
e systems

Afghanistan
Solution Radar D10 to detect intruders and the protection of open spaces

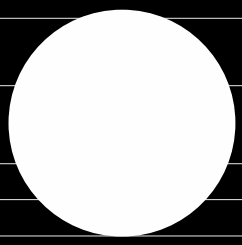
Zambia
Modernization of the Government's financial management

Revenues by geographical markets (*)



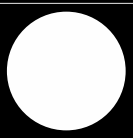
Europe
56%

Indra has the opportunity to keep on growing not only because of the development of new services and solutions, but also due to new clients, mainly on an international basis. Additionally, European, American, Latin-American and Asian markets are experiencing more favourable periods that may allow Indra to maintain the high growth rates.



LatAm
25%

USA
6%



Others
13%

(*) 2006 Proforma Data with Azertia and Soluziona

1993
20 countries

Argentina
Bolivia
Bostwana
Ecuador
European Union
French Guyana
Honduras
India
Indonesia
Jordan
Malaysia
Morocco
Nicaragua
Norway
Oman
Peru
Russia
Slovakia
Uruguay
USA

2000
43 countries

Argentina
Australia
Belgium
Bolivia
Botswana
Brazil
Colombia
Croatia
Chile
China
Ecuador
France
French Guyana
Germany
Guatemala
Honduras
Hong Kong
India
Indonesia
Israel
Italy
Jordan
Kuwait
Lebanon
Malaysia
Morocco
Mongolia
Netherlands
Nicaragua
Norway
Oman
Palestine
Panama
Peru
Poland
Portugal
Russia
Slovakia
Spain
United Kingdom
Uruguay
USA
Venezuela

2006
83 countries

Andorra
Angola
Argentina
Australia
Austria
Bahrain
Bangladesh
Belgium
Belize
Bolivia
Bosnia Herzegovina
Botswana
Brazil
Bulgaria
Canada
Cape Verde
Chile
China
Colombia
Costa Rica
Croatia
Czech Republic
Dominican Republic
Ecuador
Egypt
El Salvador
Ethiopia
France
Germany
Greece
Guatemala
Honduras
Hungary
India
Indonesia
Iraq
Ireland
Israel
Italy
Jordan
Kenya
Kuwait
Laos
Libya
Macedonia
Madagascar
Malaysia
Mexico
Moldova
Morocco
Netherlands
New Zealand
Nicaragua
Nigeria
Norway
Oman
Palestine
Panamá
Paraguay
Perú
Philippines
Poland
Portugal
Puerto Rico
Romania
Russia
Saudi Arabia
Serbia
Slovakia
South Korea
Spain
Syria
Thailand
Tunisia
Turkey
Ukraine
United Kingdom
Uruguay
USA
Venezuela
Vietnam
Zambia
Zimbabwe

Indra on the **Stock Exchange**

0,78
euros gross dividend

+13%
increase in value in 2006

Key Information

At 29 December 2006, the company's share capital amounted to €29,237,585, consisting of 146,187,926 fully subscribed and paid up shares with a par value of €0.20 each. The total share capital is divided into 145,831,486 Series-A ordinary shares, 181,570 Series-C redeemable shares and 174,870 series-D redeemable shares, all of which are listed on the four Spanish stock exchanges.

The series-A ordinary shares are listed on the Continuous Market since 23 March 1999, in the Electronics and Software sub-sector of the Communications and Information Services sector. On 1 July 1999, Indra was included in the selective IBEX 35 index, which is formed by the 35 most representative companies listed on the Spanish stock exchanges, in terms of market capitalisation and liquidity. At 29 December 2006, Indra had a weighting of 0.53% in the IBEX 35 index.

The redeemable shares (series C and D) are traded under a fixing system. These shares were issued in February 2003 and July 2003, respectively, and were fully subscribed and paid up by a bank, their sole purpose being to provide coverage for Options Plan 2002. The Options Plan 2002 covers 108 executives and other group employees, including the members of the Board of Directors, and the options may be exercised from 1 April 2005 to 31 March 2007.

In view of their purpose, the redeemable shares may not be sold by the subscribing bank, save delivery to plan beneficiaries who exercise the options. The issue price of the redeemable shares was €7.27 and €6.59 per share (class-C and class-D shares, respectively) for each of the two Plan 2002 tranches. All the options were granted at market prices and the exercise price coincides with the share issue and redemption prices in all cases. Should the options not be exercised, the shares will be redeemed and written off by the company without affecting the profit and loss account..

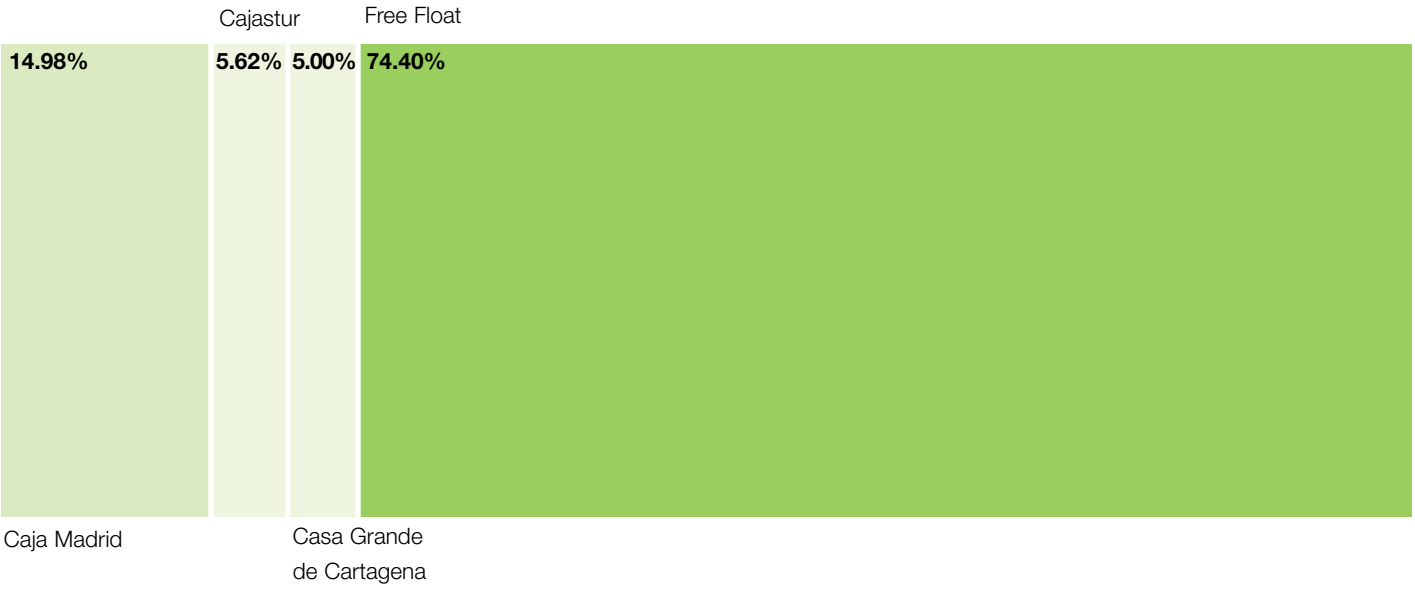
On 14 April 2000 the 'MEFF Renta Variable' market commenced trading in call and put option contracts on the company's ordinary shares.

Finally, Indra is included in major international indices such as the European MSCI IT Services index (since July 2003), which is monitored closely by institutional investors, the FTSE eTX, formed by the principal European technological stocks, and the Dow Jones STOXX Broad, which includes Europe's major listed companies. From 18 September 2006, Indra shares are listed on the Dow Jones Sustainability World Index (DSJWI) and the Dow Jones STOXX Sustainability Index (DJSI STOXX). These selective indexes track the leading sustainability-driven companies worldwide and on the European continent, respectively.

Shareholder Structure

(at 29th December 2006)

Shareholder	Shares	% of share capital
Caja Madrid	21,901,361	14.98%
Cajastur	8,212,805	5.62%
Casa Grande de Cartagena	7,309,396	5.00%
Free Float	108,407,924	74.40%
Total ordinary shares	145,831,486	99.76%
Redeemable shares	356,440	0.24%
Total shares	**146,187,926**	**100.00%**



The company has no shareholders' register and information on its shareholder structure may only be obtained directly from the shareholders or from the public data disclosed by them in compliance with applicable regulations on significant shareholdings (in general, holdings in excess of 5% must be disclosed). In addition, shareholder data are compiled by Indra for its annual general meetings from the information provided by the company Iberclear.

Accordingly, at 29 December 2006 Caja Madrid remains the company's main shareholder with a 14.98% stake, whereas Cajastur gave notice of a 5.62% holding. The registers kept by the National Securities Market Commission (CNMV) indicate that the companies Barclays Bank, Fidelity International Ltd y Casa Grande de Cartagena, S.L gave notice of 5.15%, 5.66% and 5.00% stakes on 21 November 2005, 28 November 2006 and 22 November 2006, respectively. Chase Nominees Ltd. declared on 20 January 2006 a holding of 9.88% in the share capital of Indra for the account of third parties, none of which own more than 5% of the company.

Distribution of capital

Set out below is an analysis of share capital by size of shareholdings, according to data provided at the Extraordinary General Meeting of Shareholders held in December 2006:

No. Ordinary Shares Held	Shareholders	Total shares	% share capital
Up to 500	71,887	10,297,814	7.04%
501 to 2,000	8,175	8,286,413	5.67%
2,001 to 5,000	1,718	5,441,234	3.72%
5,001 to 10,000	566	4,090,448	2.80%
10,001 to 20,000	301	4,455,747	3.05%
20,001 to 30,000	117	2,936,691	2.01%
30,001 to 50,000	99	3,844,833	2.63%
50,001 to 100,000	98	7,200,910	4.93%
100,001 to 500,000	80	18,420,814	12.60%
500,001 to 2,000,000	20	19,242,299	13.16%
More than 2,000,000	10	61,614,283	42.15%
Total	83,071	145,831,486	99.76%
Redeemable shares	--	356,440	0.24%
Total shares	**83,071**	**146,187,926**	**100%**

At 29th December, treasury stock stands at 2,357,697 shares, accounting for 1.61% of the company's total shares. From this number, 2,281,000 shares provide coverage for the Stock Option Plan 2005 for which financial coverage is provided through an Equity-Swap contracted with a financial institution.

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

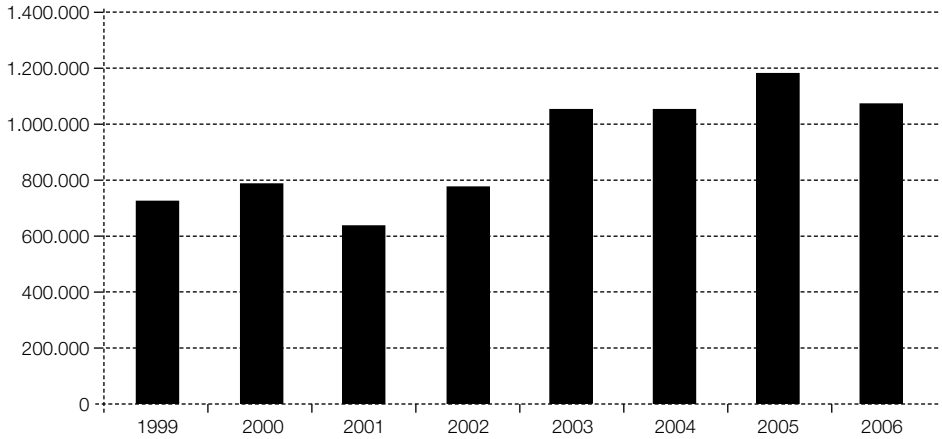
(2) Book value does not include €2.4M from the capital increase (redeemable shares) carried out to provide coverage for the Options Plan 2002 and corresponding to options outstanding at 31-21-2006.

(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€).

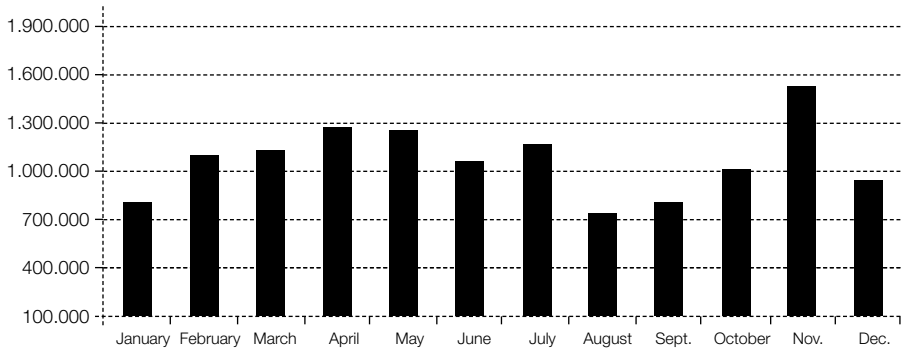
Trading volume

Average Daily Trading Volume (number of shares)



The figure for 1999 relates to the period April to December, excluding the exceptionally high volume traded in the week following the IPO (23-30 March 1999), which distorts ordinary volumes.

Average Daily Trading Volume (number of shares) - Year 2006



During 2006, 271.5 million shares were traded, which is equivalent to 1.86 times the number of ordinary shares and 2.5 times the company's free-float. Actual trading amounted to €4,490M, 0.8% up from the previous year. Average daily trading volume and monthly evolution in 2006 are illustrated beside.

As regards the volume of options on Indra stock traded on the 'MEFF Rental Variable' market, in 2006, 157,524 contracts were traded for 100 options each, of which 130,936 were Call options and 26,588 were Put options.

Indra and the sector

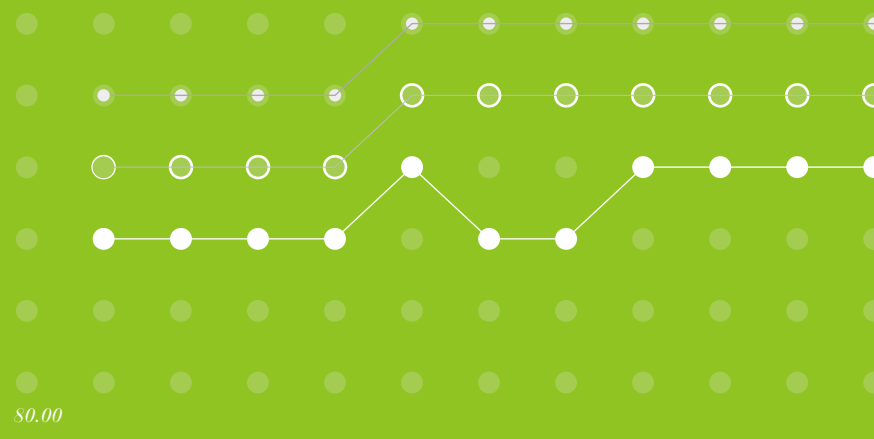
Indra shares continued to register a positive performance and gained 13% in 2006, outperforming not only the companies in the sector but also the sector indexes on which the company is listed: FTSEeTX (6%) and MSCI Europe IT Services (4%).

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)

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.

Comparative progress of Indra 2006 (base 100)



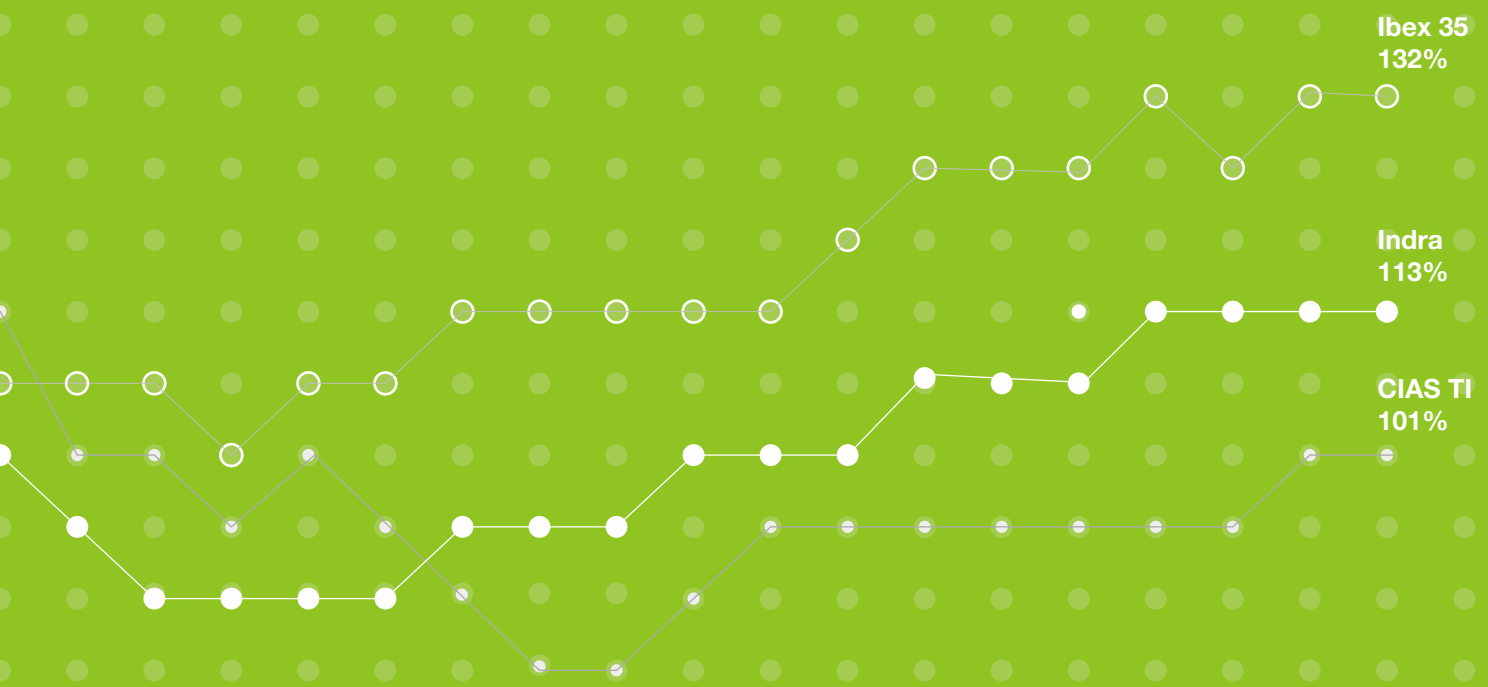
The Indra Share

Indra: Evolution of Monthly Closing Prices

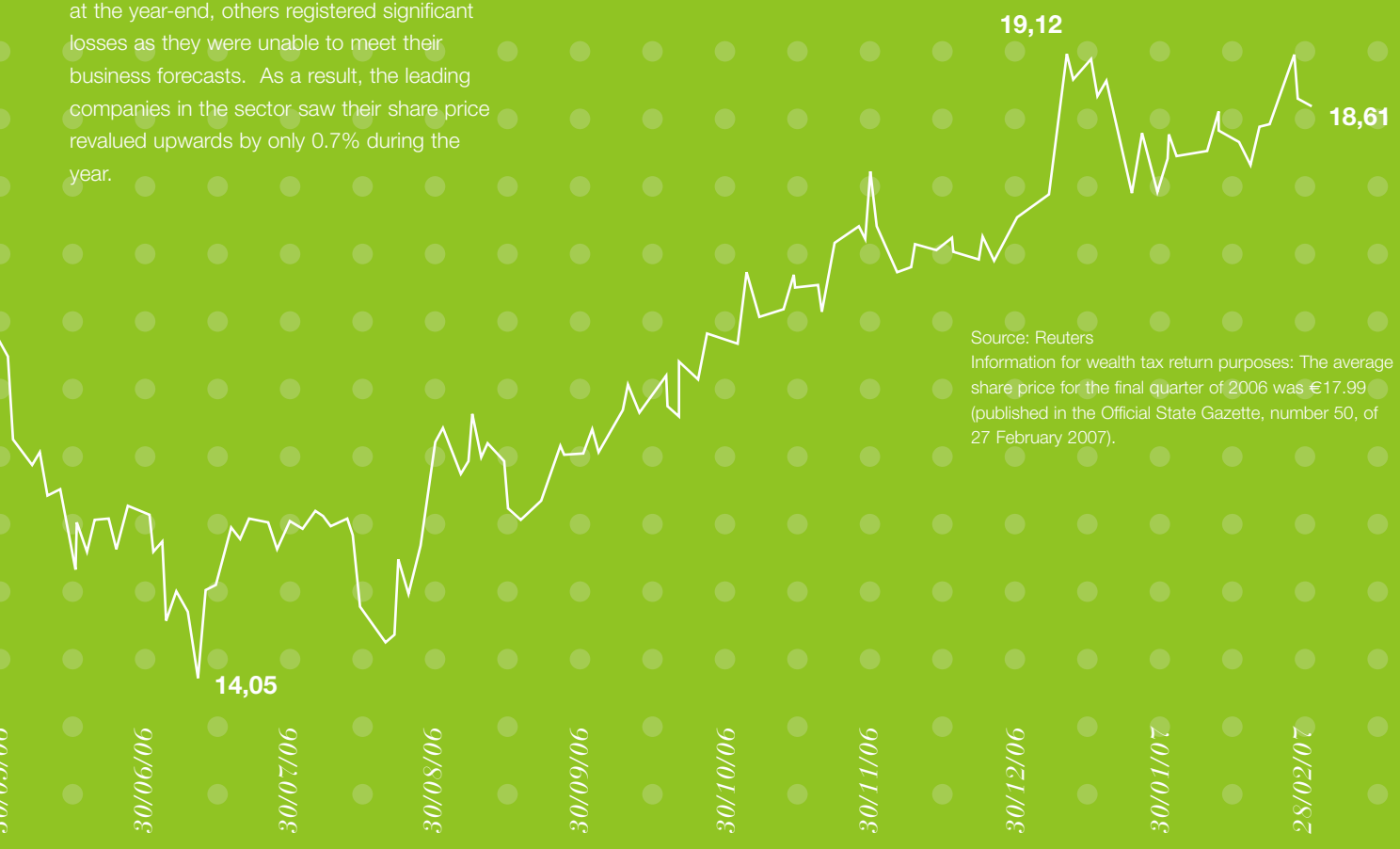
	Mín.	Max.	Average	Monthly close
January	15.31	17.00	16.25	15.91
February	15.57	16.89	16.23	16.70
March	15.63	16.78	16.20	16.78
Q1	**15.31**	**17.00**	**16.23**	
April	16.32	17.38	16.73	16.32
May	14.94	16.83	15.86	15.24
June	14.05	15.46	15.05	15.35
Q2	**14.05**	**17.38**	**15.88**	
July	14.36	16.05	15.22	15.70
August	15.32	16.43	15.87	16.23
September	16.20	17.33	16.76	17.16
Q3	**14.36**	**17.33**	**15.95**	
October	16.97	18.07	17.45	17.40
November	17.38	19.12	18.20	18.37
December	17.88	19.06	18.38	18.61
Q4	**16.97**	**19.12**	**18.01**	

Intraday prices not included

Value progress of Indra 2006



In 2006 the stock market generally continued on an upward trend. However this trend was not clearly reflected in the Information Technology Services Sector, in which Indra carries on most of its business. While some companies in the sector saw important gains at the year-end, others registered significant losses as they were unable to meet their business forecasts. As a result, the leading companies in the sector saw their share price revalued upwards by only 0.7% during the year.



Source: Reuters
Information for wealth tax return purposes: The average share price for the final quarter of 2006 was €17.99 (published in the Official State Gazette, number 50, of 27 February 2007).

Dividend charged to 2006 profit

The dividend proposed by the Board of Directors for approval by the Shareholders Annual General Meeting is an increase of 100% compared to the dividend paid in the previous year, as shown in the following table:

0.78
euros gross dividend per share

0.43 + **0.35**
euros ordinary dividend euros extraordinary dividend

100%
Increase of Gross Dividend per Share

100%
Payout ratio

+4.2%
Dividend yield 2006 (1)

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

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.

At 29 December 2006, a total of 31 analyst firms were actively engaged in preparing regular company reports covering Indra, including 20 international firms and 3 firms whose coverage commenced in 2006.

Indra has a specific department serving its shareholders, the Shareholders' Office (tel.: +34 91 480 98 00, accionistas@indra.es), which responds to all shareholders' queries and information needs. In 2006 a total of 2,183 telephone queries were received on a variety of issues relating to the company's business, growth prospects, dividends, Annual General Meeting, share price, etc. In addition, this year a new Shareholders' Magazine has been launched, specifically orientated towards minority shareholders. This printed publication is published upon the announcement of the company's quarterly results and is sent by post to all the shareholders wishing to receive the magazine. The magazine is also available at our web site (www.indra.es).

In addition to the content required by CNMV Circular 1/2004 (17 March), which develops the Transparency Act, the "Shareholders and Investors" section of the web site contains other useful information for shareholders and investors, such as the opportunity to form part of an e-mail distribution list. Subscribers are kept informed by the Shareholders' Office on all the information the company discloses to the public, such as press releases, announcements, regulatory news, financial results or the annual report.

The section "Shareholders and Investors" on our web site furnishes shareholders with 24-hour, up-to-date, comprehensive and detailed information on the company, including:

- Financial highlights, financial and share price information
- Corporate Governance
- Quarterly reports in PDF and Excel format, enabling users to handle and manage information with ease
- Information on dividends
- Recent presentations to analysts and investors
- Investor's Calendar, including an annual calendar of analysts and investors events and planned releases of quarterly results
- Analyst recommendations on Indra, including their latest research reports
- Information on past and future Shareholders' Meetings and the possibility of following the General Annual Meeting online
- Annual Report in PDF and interactive formats for easy use of the information

Indra is also a member of the Spanish Association for Investor Relations (AERI) in order to ensure that best practices are applied to communication with shareholders and the financial community at large.

Work **centers**

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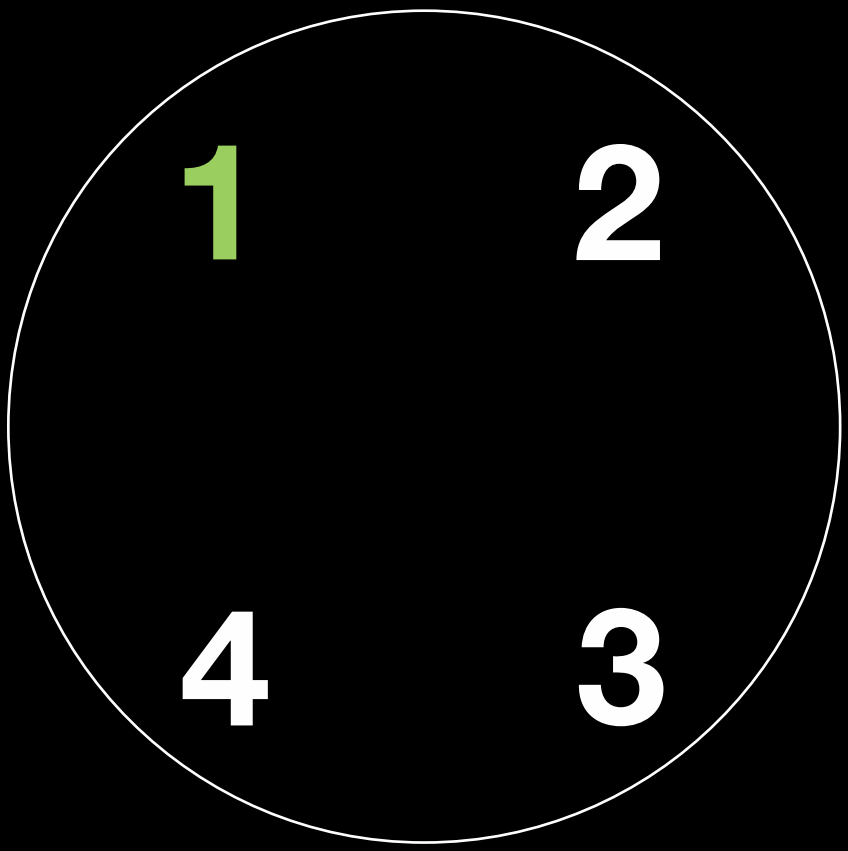
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