1. INTRODUCTION

- Once again, Indra **confirms** the **achievement** of its **targets for 2013**.
- **Sales** were €2,914m, increasing by +2% in local currency vs. 2012. In reported terms (euros), and once adjusted by the disposal of the Services business made in 2013 (1), sales were at a similar level than previous year, achieving the target of the company for the period.
- **Revenues** performance by **geographic area** was the following:
    - Spain (39% of total): -11% reported
    - Latam (28% of total): +22% in local currency (+11% reported)
    - Europe & North America (20% of total): +12% in local currency (+10% reported)
    - AMEA (13% of total): -7% in local currency (-8% reported)

    The decline in Spain (-11%) is significantly lower than the one registered in 2012 (-18%). The declining in the activity in AMEA is the consequence of the great relevance of a punctual project executed in 2012.
- **Solutions** (65% of total) revenues have increased by **+3% in local currency** (flat in reported figures). **Services** (35% of total) revenues have increased by **+2% in local currency** (-3% reported), growth which would have been 3 p.p. higher excluding the impact from the disposal mentioned previously.
- All the **verticals**, excluding Transport & Traffic (which is still negatively affected by weakness in the Spanish market), show a positive growth evolution in local currency (flat in the case of Public Administrations & Health Care), with Energy & Industry (+8%), Security & Defence (+7%), and Financial Services (+6%) showing the strongest performance.
- **Order Intake** is **4% above revenues**, but declines by **-2% in local currency** compared with the previous year (-5% reported). Isolating the impact from the contract for high speed train systems in Saudi Arabia (€205m) signed in 2012, order intake would have been up by +4% in local currency.
    - Order Intake in Latam has increased by +28% in local currency
    - Order Intake in Spain has declined by -12% in the period, but this rate of decline shows a significant improvement versus the figures achieved in 2012 (-26%)
- **Backlog** reached **€3,493m** (+1%) and represents 1.2 times sales for the year.
- **Recurrent EBIT** totals €226m and recurrent EBIT margin reaches **7.8%.**
- The plan to adequate costs and increase the efficiency of Indra's resources for 2013 has implied **€28m** of **extraordinary costs**, in line with the indications made in previous quarter.

(1) The advanced management business of digital documentation in Spain and Mexico. Revenues in 2013 of this activity reached €19m and were of €49m in 2012. Order Intake totals €19m in 2013 and €28m in 2012

- **Net working capital** stood at **109 days** of equivalent sales (DoS), within the target range communicated to the market for 2013 (100-110 days). Net working capital has been negatively affected by the delays in payments to suppliers by Spanish Regional Governments. The initial plan to normalise those payments has been postponed to 1Q14 (Indra has started to receive payments on February).
- **Capex** (tangible and intangible) amounts to €64m, slightly lower than the €70m initially expected.
- **Net financial investments** in the period (€14m) includes payments of earn-outs for acquisitions made by Indra in the last few years (mainly an acquisition in Peru in 2009), the payment of contingencies to be deducted from the final price to be paid for Politec in Brasil (€24m), and the disposal of Indra's 12,77% stake in Inversis Bank (€29m).
- **Free cash flow** (FCF) during the period has reached €52m after the positive impact (€25m) of the divestment of activities mentioned above.
- **Net debt** at the end of the period reached **€622m** (€634m in 2012), meeting the target of not increasing debt for the year ends. This Net Debt represents a leverage level of 2.2x recurrent EBITDA in the period. In October the company issued for the first time a convertible bond for €250m with 5 years maturity. Such bond diversifies the company's financial structure and extends its average debt maturity.

2014 TARGET AND EXPECTED PERFORMANCE

In 2013, as it has been the case for previous years –particularly since 2010-, Indra has undertaken actions to compensate the impact of the severe decline in activity of the Spanish market.

This evolution of what used to be the company's largest market has affected both operating margin and balance sheet. The former mainly due to price pressure and mix impact (with a larger drop in Solutions and in higher added value institutional markets), and the latter due to the lengthening of collection periods from clients and the company's decision to continue developing new product offering internally financed.

Amongst the actions undertaken it is worth mentioning the ones related to the improvement of resources' efficiency (that have required extraordinary expenses in three of the last four years) and the increased positioning in high growth markets such as Latam and AMEA. To achieve it, the company has allocated the required resources to adequate its Solutions' portfolio, completed selective acquisitions and execute relevant projects that required initial investments.

The company has taken, and publicly communicated, decisions to keep financial parameters, specially its net debt, in reasonable levels.

All the above mentioned actions are already bearing fruit, and thus Indra should maintain its free cash flow growth trend, progressively recovering the levels similar to the ones achieved before the current macroeconomic crisis (in 2008 and 2009 free cash flow conversion reached 5% of revenues) in the next years.

Thus, the company's **2014 main** and **priority target** is to **generate free cash flow (1) above 100 M€,** laying down the base for progressive growth in the following years.

This target might allow Indra to combine the reduction in net debt with maintenance of adequate shareholders' remuneration.

The free cash flow target is based in the following considerations:

- Positive organic revenue growth in local currency in 2014, with order intake similar to revenues, in a context of:
    - Mild economic recovery in the Spanish market, with revenue decline significantly below the one of the last two years (-18% in 2012 and -11% in 2013), foreseen just a small decline. This performance is supported by the change in the trend expected for institutional markets, which have suffered the most during the crisis.

      In these markets, the company expects to grow in Security & Defense (double digit), a market specially affected by the crisis in the last 5 years (-20% CAGR); mild growth in PPAA & Healthcare and a sharp reduction in the rate of revenue decline in Transport & Traffic (down 35% in 2013).
    - The macroeconomic developments will affect the rate of development of the company in Latam, although a sharp deceleration it is not expected. The positioning achieved in the region should allow Indra to compensate the performance of each local economy, and to reach double digit local currency growth, supported by solid performance in countries such as Brasil, Mexico, Peru and Colombia (although growth rates will be penalized by currency depreciation).
    - Double digit growth in AMEA, where the company is making important commercial efforts and where important Solutions projects are being developed, mainly in Transport & Traffic, Security & Defense and PPPAA & Healthcare.
    - Mild recovery in Europe, where stable revenue performance is expected.
- Maintaining operating profitability in a level similar to 2013. Although price pressure will continue impairing profitability in the Spanish market (and will not be completely absorbed by the productivity improvement measures implemented), it should be compensated by an increase in profitability in Latam. In that area the company is improving efficiency and increasing the weight of Solutions (with higher profitability) versus Services. Extraordinary expenses, dedicated to optimize management processes, are expected to be reduced significantly versus previous year.

- During 2014 the company expects to continue its policy of developing Solutions, allocating resources mainly in the Utilities (inCMS), Defense (surveillance and UAV's), rail transportation (control centers) and airlines (revenue accounting). Intangible capex will amount to 40 M€ (of which c.30% will be financed with soft loans and R&D subsidies from Spanish and European administrations) which, together with tangible capex, will imply total capex below 2013 levels (65 M€).
- Finally, Net Working Capital (measured in equivalent days of sales) is expected to decrease during 2014. This decline will be based on one hand in actions undertaken by Spanish Public Administration to pay overdue debts and to gradually reduce payment periods to suppliers, and, on the other, in the company's management of its projects with a priority focus on cash flow generation.

(1) Free cash flow is defined as cash generated before dividend payment, net financial investments and similar payments, and investment in treasury stock

2. MAIN FIGURES

INDRA	2013 (€m)	2012 (€m)	Variation (% Reported/Local Currency
Order Intake	3,028.8	3,193.2	(5) / (2)
Revenues	2,914.1	2,941.0	(1) / 2
Backlog	3,493.3	3,470.3	1
Recurrent Operating Profit (EBIT) (1)	226.2	248.8	(9)
Recurrent EBIT margin (1)	7.8%	8.5%	(0.7) pp
Extraordinary Cost	(27.9)	(31.6)	(12)
Net Operating Profit (EBIT)	198.3	217.2	(9)
EBIT margin	6.8%	7.4%	(0.6) pp
Recurrent Net Profit (1)	138.0	157.3	(12)
Net Profit	115.8	132.7	(13)
Net Debt Position	622.5	633.3	(2)

(1) Before extraordinary costs

Earnings per Share (according to IFRS)	2013 (€)	2012 (€)	Variation (%)
Basic EPS	0.7061	0.8156	(13)
Diluted EPS	0.6981	0.8156	(14)
Recurrent diluted EPS (1)	0.8303	0.9673	(14)

Basic EPS is calculated by dividing net profit by the average number of outstanding shares during the period less the average treasury shares of the period.

Diluted EPS is calculated by dividing net profit, (adjusted by the impact of the €250m convertible bond issued last October, with a conversion price of 14.29 €) by the average number of outstanding shares during the period less the average treasury shares of the period, and adding the theoretical new shares to be issued once assuming full conversion of the bond.

The average number of shares used in the calculation of the EPS and dilutive EPS, in terms of treasury shares, total number of shares, and theoretical shares to be issued related to the convertible bond, are calculated using daily balances.

At the close of December 2013, the company held 103,358 treasury shares representing 0.06% of total shares of the company.

	2013	2012
Total number of shares	164,132,539	164,132,539
Weighted treasury stock	93,096	1,491,128
Total shares considered	164,039,443	162,641,411
Total diluted shares considered	167,682,186	162,641,411