

## Navigating the budget cuts in Spain

### ■ Track record so far is good, but expect budget cuts post Nov. elections

Indra has navigated the crisis in Spain quite successfully, the top line has been growing slightly for a few years, backlog has increased, margins have been under soft pressure. Only cash flow has been severely damaged.

### ■ We expect unprecedented budget cuts, will also hurt Indra's clients

We believe a new government after Nov. elections in Spain is likely to proceed with very aggressive budget cuts. Indra still generates c55% of sales in Spain and Indra's corporate customers are likely to be restrictive. We expect poor sales and margins for 2012E, but solid international operations will partially offset local problems.

### ■ We incorporate recent acquisitions. Overall a small cut to our forecasts

Solid backlog growth in the past year will help Indra though at lower margin. We incorporate the acquisitions for 2011E with EPS being stable, but have reduced EPS 2012E by 8% and 2013E by 13%. We reduce our DPS to €70cts (6% yield), a level we see as sustainable despite poor cash flow. Debt levels are likely to remain low (1.1x net debt/EBITDA 2011E). Our EPS/DPS is c5/10% below consensus.

### ■ Valuation: low multiples but earnings risk is high

We retain a Neutral rating on the company. The stock multiples are close to historically lows, but we expect earnings growth to be negligible. Our DCF-based target is reduced to €12.4 from €14.85 driven by earnings cuts (WACC of 8.8%).

Highlights (€m)	12/09	12/10	12/11E	12/12E	12/13E
Revenues	2,513	2,557	2,652	2,648	2,714
EBIT (UBS)	285	252	277	263	263
Net Income (UBS)	195	189	186	175	177
EPS (UBS, €)	1.17	1.13	1.12	1.05	1.06
Net DPS (UBS, €)	0.66	0.70	0.70	0.70	0.70

Profitability & Valuation	5-yr hist av.	12/10	12/11E	12/12E	12/13E
EBIT margin %	11.0	9.9	10.5	10.0	9.7
ROIC (EBIT) %	29.3	18.7	20.0	18.3	17.9
EV/EBITDA (core) x	10.3	8.7	6.4	6.5	7.0
PE (UBS) x	16.4	12.5	10.3	10.9	10.8
Net dividend yield %	4.0	4.9	6.1	6.1	6.1

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptional and other special items. Valuations: based on an average share price that year, (€): based on a share price of €11.46 on 11 Oct 2011 11:06 BST

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## Global Equity Research

Spain

Advanced Industrial Equipment

12-month rating **Neutral**  
**Unchanged**

12m price target €12.40/US\$16.93  
Prior: €14.85/US\$20.27

Price €11.46/US\$15.64

RIC: IDR.MC BBG: IDR SM

12 October 2011

### Trading data (local/US\$)

52-wk range	€15.80-10.04/US\$23.03-13.51
Market cap.	€1.91bn/US\$2.61bn
Shares o/s	167m (BEAR)
Free float	75%
Avg. daily volume ('000)	955
Avg. daily value (m)	€11.4

### Balance sheet data 12/11E

Shareholders' equity	€1.02bn
P/BV (UBS)	1.9x
Net Cash (debt)	(€0.36bn)

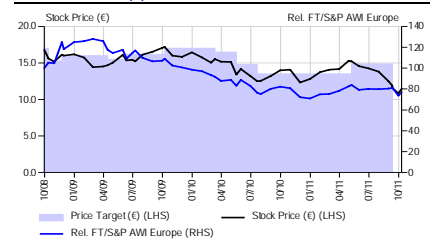
### Forecast returns

Forecast price appreciation	+8.2%
Forecast dividend yield	6.1%
Forecast stock return	+14.3%
Market return assumption	8.4%
Forecast excess return	+5.9%

### EPS (UBS, €)

	12/11E		12/10	
	From	To	Cons.	Actual
Q1E	0.28	0.28	0.30	0.27
Q2E	0.28	0.28	0.34	0.36
Q3E	0.28	0.28	0.26	0.26
Q4E	0.28	0.28	0.30	0.25
12/11E	1.10	1.12	1.19	
12/12E	1.14	1.05	1.23	

### Performance (€)



Source: UBS

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This report has been prepared by UBS Limited

**ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 8.**

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# Further budget cuts ahead

Revenue profile so far was OK but outlook could be tough

Newsflow about southern European governments and budget cuts are abundant these days. In our view, following November 20<sup>th</sup> elections in Spain the new government is likely to proceed with quite an aggressive cost-cutting plan. Spain still represents c55% of revenues, part of that is done with Spanish corporates which does not make it all that easy either. Up to now the company has been able to meet revenue guidance targets and to grow the backlog and the order intake at high rates.

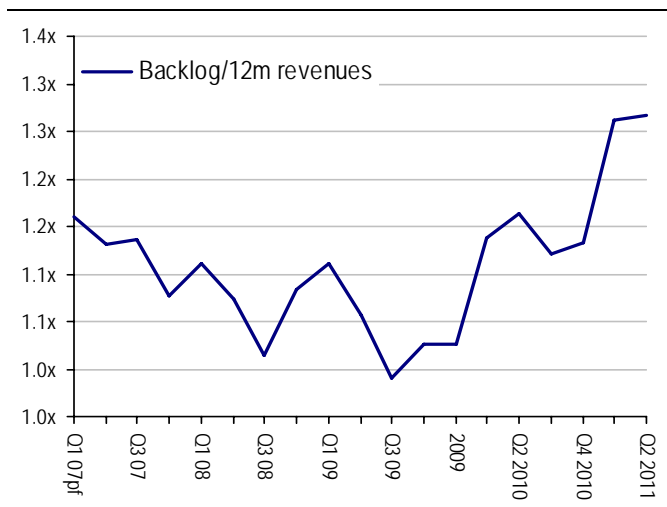
As we reflect below the order intake as a % of revenues was at a very high rate recently and the backlog stands at 1.3x revenues which is a high level. We believe some of the backlog might come at lower margins since its coming from international operations and locally pricing pressure has been strong.

Table 1: Key operating revenue drivers

Eur. M.	2004	2005	2006	2007	2008	2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 11E
Order Intake	1,202	1,417	1,502	2,242	2,428	2,697	954	1,663	2,112	2,882	1,011	1,740	2,176
Order Intake y/y	16%	18%	6%	8%	8%	11%	7%	8%	8%	7%	6%	5%	4%
Revenues	1,085	1,202	1,406	2,168	2,380	634	643	685	551	678	657	696	563
Revenues y/y	10%	11%	17%	--	10%	4%	3%	-3%	1%	7%	2%	2%	2%
Backlog	1,364	1,623	1,788	2,334	2,579	2,579	2,882	2,919	2,818	2,899	3,244	3,273	3,250
Backlog y/y	12%	19%	10%	8%	11%	0%	7%	12%	14%	12%	13%	12%	15%
<b>Ratios</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>Q1 2010</b>	<b>Q2 2010</b>	<b>Q3 2010</b>	<b>Q4 2010</b>	<b>Q1 2011</b>	<b>Q2 2011</b>	<b>Q3 11E</b>
Backlog/12m revenues	1.4x	1.5x	1.3x	1.1x	1.1x	1.0x	1.1x	1.2x	1.1x	1.1x	1.3x	1.3x	1.3x
Order intake/revenues	111%	118%	116%	88%	83%	118%	148%	104%	82%	113%	154%	105%	77%

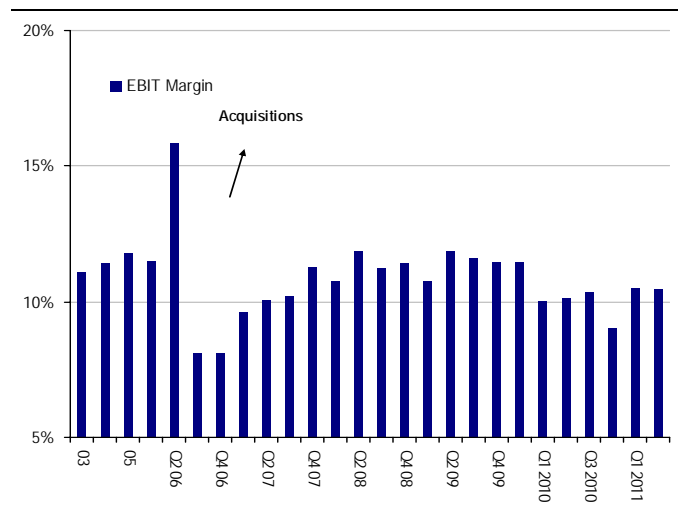
Source: UBS

Chart 2: Backlog has been good



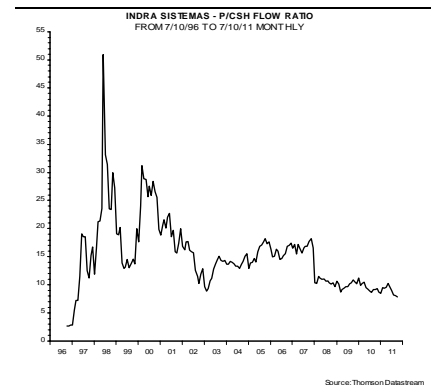
Source: Indra/UBS estimates

Chart 3: EBIT margin pressure could be more evident



Source: Indra/UBS estimates

Chart 1: Indra's P/CF ratio...its low



Source: Thomson Datastream

## Issues on cash flow conversion

As we reflect on the table below both capex and working capital have taken most of the free cash flow generation at Indra. In fact, group net debt has moved up from €133m in 2009 to €344m in H1 2011 reflecting a large part of the dividend was paid with access to debt.

The fact that working capital is suffering is well explained by Spanish public administrations constraints and delays in payments, which are happening across all sectors. This is likely to persist for a few years in our view and could even get worse. The good news is that average payment period has extended so much (c100 days, guidance for 2010 is 105 days) that in principle financing consumption for Indra is likely to be reduced. We forecast €70m working capital outflows in 2011 for Indra which is still a very high figure indeed but below the €145m in 2010. The explanation with capex is not that straight forward since high capex growth could lead investors to think that Indra is exceeding normalised capitalised expenses. The company claims that the new areas of international expansion require heavier tech investments and will provide good returns. Time will tell. If this trend were to persist it would sooner or later have an impact on depreciation and EBIT margins. Anyway, we assume the company will retain a dividend of €70cts.

Table 2: Cash flow performance at Indra

	2006	2007	2008	2009	2010	2011E	2012E	2013E
EBITDA	184	257	308	327	294	321	309	310
Capex	-38	-70	-65	-80	-89	-100	-70	-65
Working capital	-34	-84	-78	-66	-145	-70	-40	-25
Financial exp/income	-1	-12	-23	-25	-18	-27	-21	-18
Taxes	-44	-57	-65	-63	-46	-63	-66	-66
<b>Organic Free Cash flow</b>	<b>67</b>	<b>34</b>	<b>77</b>	<b>94</b>	<b>-4</b>	<b>62</b>	<b>113</b>	<b>136</b>
Dividend (Eur. M.)	55	128	100	108	115	115	115	115
Dividend (Eur./share)	0.78	0.50	0.61	0.66	0.70	0.70	0.70	0.70
Dividend yield	7%	4%	5%	6%	6%	6%	6%	6%
EFCF Yield	4%	2%	4%	5%	0%	3%	6%	7%
EFCF Yield (ex-work. capital)	5%	6%	8%	8%	7%	7%	8%	9%
Dividend as a % of FCF	83%	378%	129%	116%	--	186%	102%	85%
Dividend as a % of FCEx WCR	55%	109%	64%	68%	82%	87%	75%	72%

Source: UBS estimates

## Q3 preview: out on Nov. 10th

Release Q3 on Nov<sup>th</sup>. We expect numbers in line

- **Slowdown as seen in H1, 2011 to be as expected:** Indra will release Q3 2011 results on Nov. 10<sup>th</sup>. We think results will come in as expected driven by low top line growth. The slowdown was already evident all over 2011, and in our view will not get better. Indra is too heavily exposed to governments and Spanish corporates, which we believe will continue to reduce IT expenditure.
- **We expect this quarter revenues of €63m, up 2% y/y, in line with guidance growth for full year (at least 2%).** The backlog has been growing nicely in the past 12m but in areas of long-term contracts and price pressure should bring lower margins. We expect EBITDA of €69m, and EBIT of €8m, a 10.3% EBIT margin. We forecast net income of €42m, flat y/y.
- **Cash flow details will be important:** in our view investors are likely to focus on cash flow details since in the past working capital and higher capex has absorbed the bulk of cash flow generation.
- **Indra is a quality company but environment is very tough:** Delivering on the sales target in 2010 was quite an achievement, the company is gaining business out of Spain at a good pace. In our view Spain will continue to weigh on expectations.

Indra will report on Nov. 10<sup>th</sup> (at mkt closing), we expect numbers in line with consensus

We look forward for detail on the new contracts and working capital situation which has been an issue in the recent past

Table 3: Quarterly earnings

	1Q09	2Q09	3Q09	4Q09	Q1 10	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011E
Sales	624.2	709.2	545.5	634	643	685	551	678	658	696	563
Sales growth	7.3%	6.6%	4.5%	3.5%	3.0%	-3.4%	0.9%	6.9%	2.2%	1.6%	2.3%
EBITDA	75.7	98.1	73.1	80	74	80	66	74	79	73	69
EBIT	67.3	84.2	63.3	71	65	69	57	61	69	67	58
EBIT Margin	10.8%	11.9%	11.6%	11.1%	10.0%	10.1%	10.3%	9.0%	10.5%	10.5%	10.3%
Net income	46.5	61.4	44.4	49	47	54	43	45	50	55	42
y/y	10%	6%	10%	28%	1%	-12%	-5%	-8%	6%	1%	-1%

Source: UBS

### New earnings estimates

We reflect below our new estimates, we have reduced EPS 2012E by 8% and 2013E by 13%. Our numbers incorporate recent acquisitions.

Table 4: Earnings estimates revision

Item	New 2011 (% Change)	New 2012 (% Change)	New 2013 (% Change)	New 2014 (% Change)	New 2015 (% Change)
EPS (UBS adjusted - pre-abnormal & goodwill, basic)	1.12 (1.3%)	1.05 (-8%)	1.06 (-13.2%)	1.20 (-8.4%)	1.27 (-8.4%)
Revenues	2,652.3 (2.2%)	2,647.8 (-2.4%)	2,714.1 (-5.2%)	2,898.5 (-5.3%)	3,056.5 (-5.3%)
Operating income (EBIT, adjusted)	277.2 (2.2%)	263.5 (-7.1%)	263.3 (-12%)	295.6 (-7.5%)	311.8 (-7.5%)
EBITDA (adjusted)	321.2 (1.8%)	308.8 (-6.2%)	309.9 (-10.5%)	343.2 (-6.7%)	360.8 (-6.7%)
Dividend per share (common, incl. tax credit)	0.7 (-3.4%)	0.7 (-7.2%)	0.7 (-13.2%)	0.8 (-8.4%)	0.8 (-8.4%)

Source: UBS estimates

Income statement (€m)	12/08	12/09	12/10	12/11E	% ch	12/12E	% ch	12/13E	% ch
Revenues	2,380	2,513	2,557	2,652	3.7	2,648	-0.2	2,714	2.5
Operating expenses (ex deprn)	(2,071)	(2,186)	(2,263)	(2,331)	3.0	(2,339)	0.3	(2,404)	2.8
EBITDA (UBS)	308	327	294	321	9.2	309	-3.9	310	0.4
Depreciation	(38)	(42)	(42)	(44)	4.5	(45)	3.0	(47)	3.0
Operating income (EBIT, UBS)	271	285	252	277	10.0	263	-4.9	263	-0.1
Other income & associates	0	0	0	0	-	0	-	0	-
Net interest	(23)	(25)	(18)	(27)	45.6	(21)	-22.6	(18)	-12.2
Abnormal items (pre-tax)	0	0	0	0	-	0	-	0	-
Profit before tax	248	261	234	251	7.3	243	-3.1	245	1.0
Tax	(65)	(63)	(46)	(63)	37.2	(66)	4.7	(66)	0.9
Profit after tax	183	198	188	188	0.0	177	-5.7	179	1.0
Abnormal items (post-tax)	0	0	0	0	-	0	-	0	-
Minorities / pref dividends	(4)	(2)	1	(2)	-	(2)	3.0	(2)	10.0
Net income (local GAAP)	179	195	189	186	-1.4	175	-5.8	177	0.8
Net Income (UBS)	179	195	189	186	-1.4	175	-5.8	177	0.8
Tax rate (%)	26	24	20	25	27.9	27	8.0	27	0.0
Pre-abnormal tax rate (%)	26	24	20	25	27.9	27	8.0	27	0.0
Per share (€)	12/08	12/09	12/10	12/11E	% ch	12/12E	% ch	12/13E	% ch
EPS (local GAAP)	1.09	1.17	1.13	1.12	-1.4	1.05	-5.8	1.06	0.8
EPS (UBS)	1.09	1.17	1.13	1.12	-1.4	1.05	-5.8	1.06	0.8
Net DPS	0.61	0.66	0.70	0.70	0.2	0.70	-0.3	0.70	-0.1
Cash EPS	1.32	1.43	1.39	1.38	-0.3	1.32	-4.1	1.34	1.3
BVPS	4.75	5.59	5.95	6.15	3.3	6.48	5.4	6.82	5.3
Balance sheet (€m)	12/08	12/09	12/10	12/11E	% ch	12/12E	% ch	12/13E	% ch
Net tangible fixed assets	139	140	148	154	4.1	154	-0.2	147	-4.3
Net intangible fixed assets	552	605	727	727	0.0	727	0.0	727	0.0
Net working capital (incl. other assets)	304	621	492	562	14.2	602	7.1	627	4.2
Other liabilities	(3)	(17)	(20)	(20)	0.0	(20)	0.0	(20)	0.0
Operating invested capital	992	1,350	1,347	1,423	5.6	1,463	2.8	1,481	1.3
Investments	43	41	51	101	99.0	126	24.9	151	19.9
Total capital employed	1,035	1,391	1,397	1,523	9.0	1,588	4.2	1,631	2.7
Shareholders' equity	780	932	991	1,024	3.3	1,080	5.4	1,136	5.3
Minority interests	42	45	23	25	8.7	27	8.2	29	8.4
Total equity	822	977	1,014	1,049	3.5	1,107	5.5	1,166	5.3
Net debt / (cash)	149	133	274	364	33.2	372	2.0	356	-4.3
Other debt-deemed items	64	281	110	110	0.0	110	0.0	110	0.0
Total capital employed	1,035	1,391	1,397	1,523	9.0	1,588	4.2	1,631	2.7
Cash flow (€m)	12/08	12/09	12/10	12/11E	% ch	12/12E	% ch	12/13E	% ch
Operating income (EBIT, UBS)	271	285	252	277	10.0	263	-4.9	263	-0.1
Depreciation	38	42	42	44	4.5	45	3.0	47	3.0
Net change in working capital	(78)	(66)	(145)	(70)	-51.6	(40)	-42.9	(25)	-37.5
Other (operating)	(4)	(2)	1	(2)	-	(2)	3.0	(2)	10.0
Operating cash flow (pre tax/interest)	226	259	150	249	66.2	267	7.0	283	6.0
Net interest received / (paid)	(23)	(25)	(18)	(27)	45.6	(21)	-22.6	(18)	-12.2
Dividends paid	(100)	(108)	(115)	(115)	0.21	(115)	-0.28	(115)	-0.08
Tax paid	(65)	(63)	(46)	(63)	37.2	(66)	4.7	(66)	0.9
Capital expenditure	(65)	(80)	(89)	(100)	12.4	(70)	-30.0	(65)	-7.1
Net (acquisitions) / disposals	(5)	(5)	(5)	(5)	0.0	(5)	0.0	(5)	0.0
Other	0	0	0	0	-	0	-	0	295.7
Share issues	0	0	0	0	-	0	-	0	-
Cash flow (inc)/dec in net debt	(31)	(22)	(123)	(60)	-50.9	(10)	-84.2	13	-
FX / non cash items	29	38	(17)	(30)	77.3	2	-	2	9.1
Balance sheet (inc)/dec in net debt	(2)	15	(140)	(91)	-35.3	(7)	-92.0	16	-
Core EBITDA	308	327	294	321	9.2	309	-3.9	310	0.4
Maintenance capital expenditure	(71)	(75)	(77)	(80)	3.7	(79)	-0.2	(81)	2.5
Maintenance net working capital	(59)	(63)	(64)	(66)	3.7	(66)	-0.2	(68)	2.5
Operating free cash flow, pre-tax (OpFCF)	177	189	153	175	14.3	163	-6.9	161	-1.5

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

12-month rating

**Neutral**

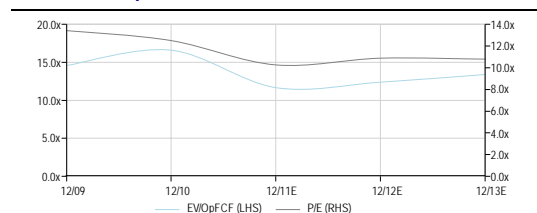
12m price target

**€12.40**

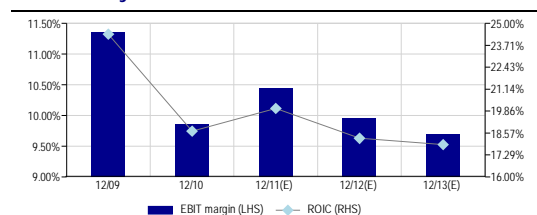
## Company profile

Indra is Spain's leading IT services provider and has exposure to Latin America. Formerly a government-owned company, it has exposure to defense and public administration contracts. The company is also a leading IT services provider to Spanish multinationals and its foreign subsidiaries. The group serves a number of verticals, including some niche market areas (e.g., air traffic control), and some more 'standard' systems integration work in verticals such as telecom, finance, and the public sector.

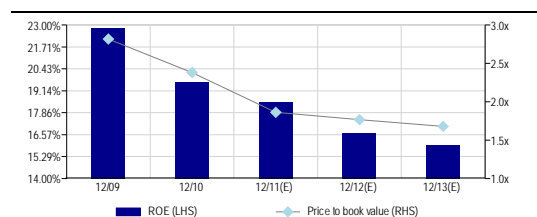
## Value (EV/OpFCF & P/E)



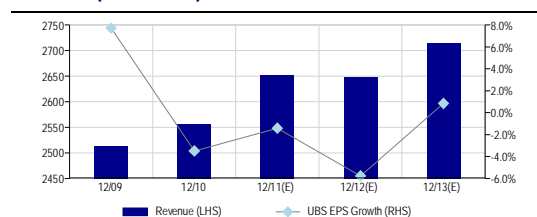
## Profitability



## ROE v Price to book value



## Growth (UBS EPS)



Valuation (x)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
P/E (local GAAP)	16.6	13.4	12.5	10.3	10.9	10.8
P/E (UBS)	16.4	13.4	12.5	10.3	10.9	10.8
P/CEPS	13.6	11.1	10.2	8.3	8.7	8.5
Net dividend yield (%)	4.0	4.2	4.9	6.1	6.1	6.1
P/BV	4.1	2.8	2.4	1.9	1.8	1.7
EV/revenue (core)	1.3	1.1	1.0	0.8	0.8	0.8
EV/EBITDA (core)	10.3	8.4	8.7	6.4	6.5	7.0
EV/EBIT (core)	11.8	9.7	10.1	7.4	7.7	8.2
EV/OpFCF (core)	18.4	14.6	16.6	11.7	12.4	13.4
EV/op. invested capital	3.5	2.4	1.9	1.5	1.4	1.5

Enterprise value (€m)	12/09	12/10	12/11E	12/12E	12/13E
Average market cap	2,625	2,360	1,909	1,909	1,909
+ minority interests	34	34	34	34	34
+ average net debt (cash)	141	203	203	203	364
+ pension obligations and other	0	0	0	0	0
- non-core asset value	(41)	(51)	(101)	(126)	(151)
Core enterprise value	2,758	2,547	2,046	2,021	2,156

Growth (%)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
Revenue	17.8	5.6	1.7	3.7	-0.2	2.5
EBITDA (UBS)	12.4	6.2	-10.2	9.2	-3.9	0.4
EBIT (UBS)	11.4	5.5	-11.7	10.0	-4.9	-0.1
EPS (UBS)	9.1	7.7	-3.5	-1.4	-5.8	0.8
Cash EPS	10.2	8.1	-2.8	-0.3	-4.1	1.3
Net DPS	-2.6	8.2	6.2	0.2	-0.3	-0.1
BVPS	26.4	17.8	6.4	3.3	5.4	5.3

Margins (%)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
EBITDA / revenue	12.6	13.0	11.5	12.1	11.7	11.4
EBIT / revenue	11.0	11.4	9.9	10.5	10.0	9.7
Net profit (UBS) / revenue	7.7	7.8	7.4	7.0	6.6	6.5

Return on capital (%)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
EBIT ROIC (UBS)	29.3	24.4	18.7	20.0	18.3	17.9
ROIC post tax	-	18.5	15.0	15.0	13.3	13.1
Net ROE	26.8	22.8	19.6	18.5	16.7	16.0

Coverage ratios (x)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
EBIT / net interest	NM	11.5	13.8	10.5	12.9	14.6
Dividend cover (UBS EPS)	1.6	1.8	1.6	1.6	1.5	1.5
Div. payout ratio (% UBS EPS)	65.0	56.3	61.9	62.9	66.6	66.0
Net debt / EBITDA	0.6	0.4	0.9	1.1	1.2	1.1

Efficiency ratios (x)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
Revenue / op. invested capital	2.7	2.1	1.9	1.9	1.8	1.8
Revenue / fixed assets	4.1	3.5	3.2	3.0	3.0	3.1
Revenue / net working capital	6.2	5.4	4.6	5.0	4.5	4.4

Investment ratios (x)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
OpFCF / EBIT	0.6	0.7	0.6	0.6	0.6	0.6
Capex / revenue (%)	3.1	3.2	3.5	3.8	2.6	2.4
Capex / depreciation	1.9	1.9	2.1	2.3	1.5	1.4

Capital structure (%)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
Net debt / total equity	20.5	14.3	27.6	35.6	34.4	31.3
Net debt / (net debt + equity)	17.0	12.5	21.6	26.2	25.6	23.8
Net debt (core) / EV	4.9	5.1	8.0	9.9	10.1	16.9

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items.

Valuations: based on an average share price that year, (E): based on a share price of €11.46 on 11 Oct 2011 11:06 BST Market cap(E) may include forecast share issues/buybacks.

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## ■ Indra

Indra is Spain's leading IT services provider and has exposure to Latin America. Formerly a government-owned company, it has exposure to defense and public administration contracts. The company is also a leading IT services provider to Spanish multinationals and its foreign subsidiaries. The group serves a number of verticals, including some niche market areas (e.g., air traffic control), and some more 'standard' systems integration work in verticals such as telecom, finance, and the public sector.

## ■ Statement of Risk

In our view, main risks in Indra include large exposure to single contracts with large administration, risks of potential competitors cannibalising margins or global IT trends affecting off-shore activities with lower margins. In addition, Indra has high emerging market exposure.

## ■ Analyst Certification

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### UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage <sup>1</sup>	IB Services <sup>2</sup>
Buy	Buy	59%	35%
Neutral	Hold/Neutral	35%	33%
Sell	Sell	6%	14%
UBS Short-Term Rating	Rating Category	Coverage <sup>3</sup>	IB Services <sup>4</sup>
Buy	Buy	less than 1%	0%
Sell	Sell	less than 1%	20%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 30 September 2011.

### UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

**KEY DEFINITIONS**

**Forecast Stock Return (FSR)** is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

**Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

**Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

**Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

**Equity Price Targets** have an investment horizon of 12 months.

**EXCEPTIONS AND SPECIAL CASES**

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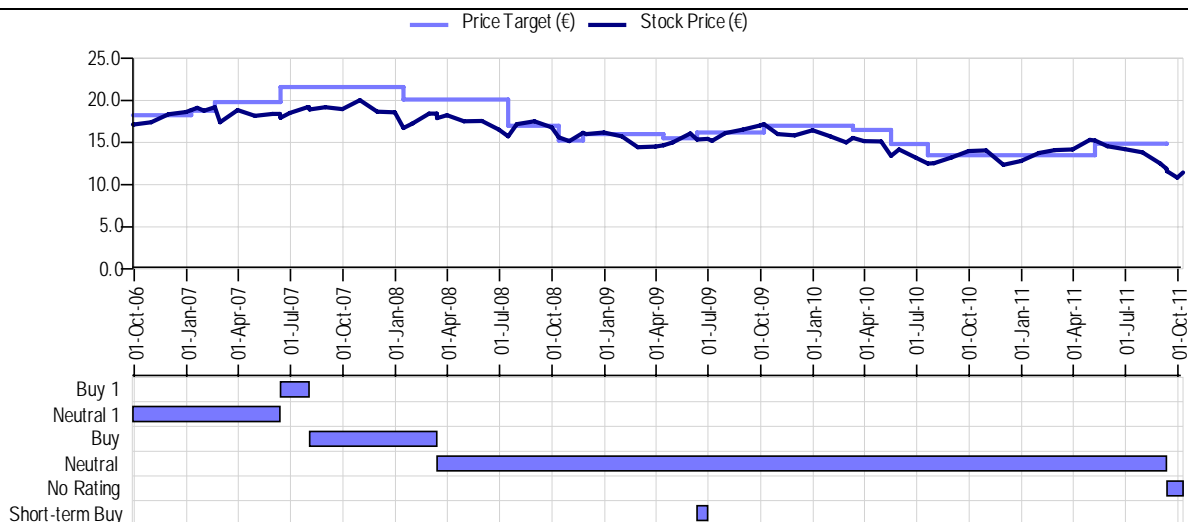
<b>Company Name</b>	<b>Reuters</b>	<b>12-mo rating</b>	<b>Short-term rating</b>	<b>Price</b>	<b>Price date</b>
<b>Indra</b>	IDR.MC	Suspended	N/A	€11.46	10 Oct 2011

Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Indra (€)



Source: UBS; as of 10 Oct 2011

Note: On August 4, 2007 UBS revised its rating system. (See 'UBS Investment Research: Global Equity Rating Definitions' table for details). From September 9, 2006 through August 3, 2007 the UBS ratings and their definitions were: Buy 1 = FSR is > 6% above the MRA, higher degree of predictability; Buy 2 = FSR is > 6% above the MRA, lower degree of predictability; Neutral 1 = FSR is between -6% and 6% of the MRA, higher degree of predictability; Neutral 2 = FSR is between -6% and 6% of the MRA, lower degree of predictability; Reduce 1 = FSR is > 6% below the MRA, higher degree of predictability; Reduce 2 = FSR is > 6% below the MRA, lower degree of predictability. The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities. From October 13, 2003 through September 8, 2006 the percentage band criteria used in the rating system was 10%.

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