

Company Report

Software & IT Services

Germany

13 January 2011

Indra Sistemas

Cautious on Spain and profitability

We are initiating coverage of Indra with a Sell rating and target price of EUR 10.40.

■ Indra is Spain's leading provider of IT services and solutions to the market verticals of Transport & Traffic, Security & Defense, Financial Services, Energy & Industry, Public Administration & Healthcare and Telecom & Media. In the last years, Indra grew primarily in Latin America while its domestic sales declined. Its focus on Europe and Spain's sluggish economy are Indra's main weak spots, in our view.

■ Our forecast of 2010E total sales of EUR 2,556.8mn (+1.7% yoy) reflects the continuing strength in the Transport & Traffic, Telecom & Media and Financial Services verticals. For 2011, we forecast a similar growth scenario for Indra's verticals as in 2010. The overall price pressure and the relatively strong decline of the high-margin security & defense vertical will impact Indra's 2011E operating margin in our view. We forecast a 2011E EBIT margin of 10.6% (before extraordinary costs), hence below the current consensus estimates of an 11.1% margin.

■ **Valuation:** Indra trades at significant higher multiples (EV/EBIT) than its European peers Atos Origin and Capgemini and is valued at the same level as US-headquartered Accenture. We believe that Indra should be valued at the average multiples of its European peers and Accenture to reflect Accenture's higher margin, profitability and lower exposure to Europe and especially Spain. This view is supported by our DCF analysis, which yields a fair value of EUR 10.40 per share.

	2008	2009	2010E	2011E	2012E
Sales (EUR mn)	2,380	2,513	2,557	2,592	2,632
EBITDA (EUR mn)	308.2	327.4	330.4	317.8	313.4
EBIT (EUR mn)	270.5	285.4	287.6	274.4	270.1
Net income (EUR mn)	182.4	195.6	192.0	200.0	191.6
EPS reported (EUR)	1.14	1.21	1.17	1.22	1.17
DPS (EUR)	0.61	0.66	0.64	0.67	0.64
ROCE (%)	20.8	19.5	19.2	18.2	17.6
P/E (x)	14.9	13.0	12.1	10.7	11.1
P/CF (x)	12.3	10.6	9.9	8.8	9.1
P/BV (x)	4.0	3.1	2.8	2.5	2.3
EV/EBITDA (x)	9.0	7.8	7.0	6.7	6.6
EV/EBIT (x)	10.3	9.0	8.1	7.8	7.7
ROCE/WACC (x)	2.4	2.2	2.2	2.1	2.0
Div. yield (%)	3.6	4.2	4.5	5.2	4.9

Source: Indra Sistemas, UniCredit Research

Sell (Initiation of Coverage)

Price on 12 Jan 2011	EUR 13.00
Target price (prev. –)	EUR 10.40
Upside to TP	-20.0%
Cost of equity	8.9%
High/Low (12M)	16.81/12.32

INVESTMENT HIGHLIGHTS

Stock is overvalued compared to its peers
Margin decline in 2011E projected due to pricing pressure and Spain's austerity programs

STOCK TRIGGERS

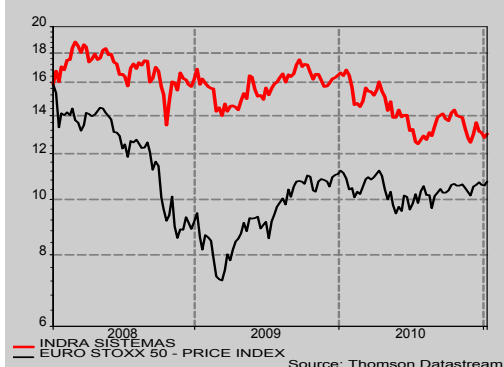
Margin decline in 2011E projected due to pricing pressure and Spain's austerity programs
Declining profitability not yet reflected in consensus
High dependency on Latin America growth

STOCK DATA

Reuters/Bloomberg	IDR.MC/IDR SM
Average daily volume (tds.)	778.5
Free float (%)	80.0
Market capitalization (EUR bn)	2.1
No. of shares issued (mn)	164.1
Shareholders	Gesmadrid 20%, Fidelity 10%, Corporation Financiera 10%

UPCOMING EVENTS

Annual general meeting	Feb 2011
Interim report	Feb 2011
Interim report	May 2011



RELATIVE PERFORMANCE (% CHG.)

	1M	3M	6M
IBEX 35	1.2	0.9	3.6
Euro STOXX 50	-0.4	-8.0	-3.2
ES Technology	-5.5	-15.3	-12.4

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Executive Summary

Initiation of coverage with
a **Sell** rating and target price
of EUR 10.40

Indra is Spain's leading provider of IT services and solutions to the Transport & Traffic market (23.9% of Indra's 3Q10 group sales), Security & Defense markets (19.1% of sales), Financial Services (16.2%), Energy & Industry (14.3%), Public Administration & Healthcare (13.3%), and Telecom & Media (13.2%).

- According to Gartner, Indra is Spain's fifth-largest IT services provider (if Indra's solution business is excluded from the ranking). Including the solutions segment (which accounts for almost two-thirds of Indra's group revenues in 3Q10), Indra ranks first among the IT services players in Spain.
- In the last years, Indra grew primarily in Latin America while its domestic sales (Spain) declined. The focus on Spain (61.6% of sales) and Spain's sluggish economy is Indra's main weak spot, in our view. Strong pressure on pricing, especially in the public sector (13.3% of Indra's group revenue in 3Q10) and the telecom sector (3Q10: 13.2%) are likely to melt any improvement in the cost base. Due to rigid labor laws in continental Europe, significant cost improvements are very hard to achieve.
- **Valuation:** Indra trades at significant higher multiples than its European peers Atos Origin and Capgemini and is valued at the same level as US-headquartered Accenture (based on EV/sales, EV/EBITDA and EV/EBIT). While we consider a premium to its European peers as justified due to Indra's higher margin level, higher earnings resilience and high share of solutions business, we do believe that a valuation discount to Accenture is warranted, mainly to reflect Accenture's higher operating margin level, higher growth rate and its lower exposure to Europe and especially Spain. Hence, we believe that Indra should be valued at the average multiples of the European peers and Accenture. This implies an overvaluation of Indra in the range from 6.2% to 21.9%. This view is supported by our DCF analysis, which yields a fair value of EUR 10.40 per share.
- **Forecast:** Our forecast of 2010E total sales of EUR 2,556.8mn (+1.7% yoy) reflects the continuing strength in the transport & traffic vertical (2010E: +10% yoy, 23.9% of 3Q10 sales), Telecom & Media (+9% yoy, 13.2% of sales in 3Q10) and Financial Services (+8% yoy, 16.2% of 3Q10 sales). For 2011, we forecast a similar growth scenario for Indra's verticals as in 2010: Transport & Traffic will be the strongest-growing vertical (+7.0% yoy) followed by Telecom & Media (+4.0% yoy) and Financial Services (+3.0% yoy). The overall price pressure and the relatively strong decline of the high-margin security & defense vertical will impact Indra's 2011E operating margin in our view. We forecast a 2011E EBIT margin of 10.6% (before extraordinary costs), hence below the consensus estimates of an 11.1% margin.
- **We are initiating coverage of Indra with a Sell rating and target price of EUR 10.40.** This corresponds to 20.0% downside to the current share price. Our target price is based on a peer group analysis and DCF model.

Our base case view vs. bull and bear cases for the stock

Little flexibility in the cost base limits margin stability in an economic environment of price pressure

In the last years, Indra grew primarily in Latin America while its domestic sales (Spain) declined. The focus on Spain (61.6% of sales) and Spain's sluggish economy is Indra's main spot of weakness in our view. Strong pressure on pricing, especially in the public sector (13.3% of Indra's group revenue in 3Q10) and the telecom sector (3Q10: 13.2%) are likely to melt any improvement in the cost base. Due to rigid labor laws in continental Europe, significant cost improvements are very hard to achieve.

Restructuring and shifting work offshore is the dominant strategy for Europe-based IT services players to increase profitability...

It is difficult for IT services players to increase prices in the current environment at group level because their clients are primarily focused on cost savings and would rather renegotiate existing outsourcing contracts than accept higher price levels. In order to increase profitability, IT services providers will need to cut costs by transferring work to offshore locations and restructuring onshore to increase their margins.

...however, offshoring seems not to be an strategic objective for Indra

The majority of IT service players are trying to reduce their cost base by increasing the ratio of workforce located offshore or near shore. Indian IT service providers enjoy a natural cost advantage, followed by US-based service players that ramped up their offshore workforce early on (IBM Global Services: 63%, Accenture: 39%). The European IT service players lag behind their Indian and US-based peers, but the major Europeans (Atos Origin: 13% and Capgemini: 37%) are at least actively pursuing an offshoring strategy – something we miss at Indra. We estimate that Indra has 5% to 11% of its total workforce offshore, significantly less than its competitors.

Bull case

We currently see the following bullish triggers that are not factored into our current valuation model and could trigger a re-rating of the stock:

- Stronger Emerging Markets growth than currently projected: Latin America, Indra's most important region in the Emerging Markets, accounts for 15.9% of Indra's 3Q10 total sales and 40% of Indra's international sales. Latin American sales grew by 16.2% yoy in 2008, by 15.1% in 2009, and by 31.2% in the 9M10 period. In our base case, we forecast an average growth of 15% in the Emerging Markets.
- Lower impact of Spain's austerity programs on Indra's domestic sales than anticipated: We estimate a decline in the public administration & health vertical of 1% in 2011E and 1% in 2012E in our current scenario.
- Indra pursuing a more offshore-oriented sourcing strategy: Indra could lift its margins and/or compensate for pricing pressure by increasing its headcount offshore. As mentioned above, Indra's headcount in lower wage locations is relatively limited compared to its peers.

Bear case

The main triggers for a bear case in our view:

A decline in sales of Indra's most vulnerable verticals could result in operating margins below its historical lows and a valuation of EUR 9.09 per share

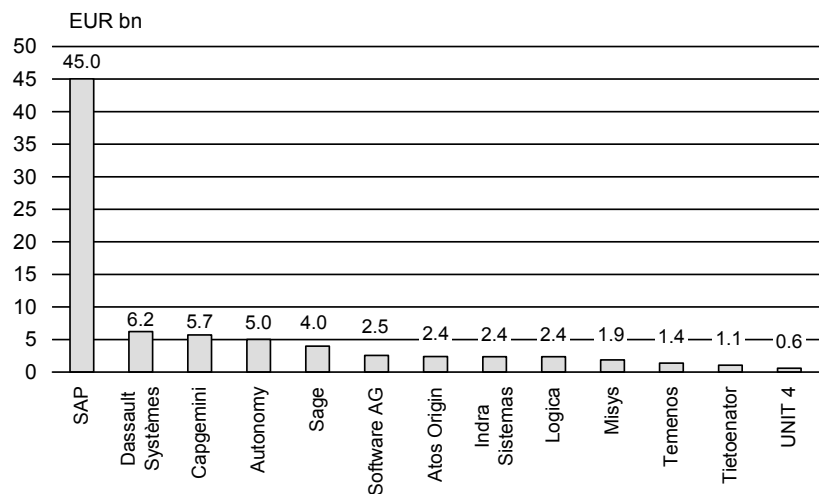
- Stronger than expected price pressure and volume decline from strong competition and a deteriorating economic environment could depress operating margins below the 2007 level of 10.3%. If we model in sales declines in 2011E and 2012E of 20% in the most vulnerable verticals (Public Administration & Health: 13.3% of sales in 3Q10, Energy & Industry: 14.3% of sales and Security & Defense: 19.1%), and assume margin declines in the solutions segment from 19% (2010E) to 17% in 2011E and 16% in 2012E, and in the services segment from 14.6% (2010E) to 12% in 2011E and 2012E, the resulting operating profit of EUR 170.8mn represents an EBIT margin of 8.4% (2012E).
- This scenario could lead to a decline in Indra's valuation towards its five-year trough level (from which we have eliminated the Lehman crisis valuation levels) of 7.7x EV/EBIT. The resulting share price of EUR 9.09 per share represents a downside risk of 30%.

Classification of Indra in the software and IT services stock universe

European software & IT services stocks, ranked by market cap

The European software & IT services stock universe is dominated by SAP, which has by far the highest market cap. Among the stocks we listed, SAP accounts for more than 56% of the total market cap, followed by Dassault Systèmes (8%), Capgemini (7%), Autonomy (5%) and Sage (5%). Indra (2.2%) is from this perspective the ninth-largest company in the European software & IT services universe.

EUROPEAN SOFTWARE & IT SERVICES STOCKS RANKED BY MARKET CAP



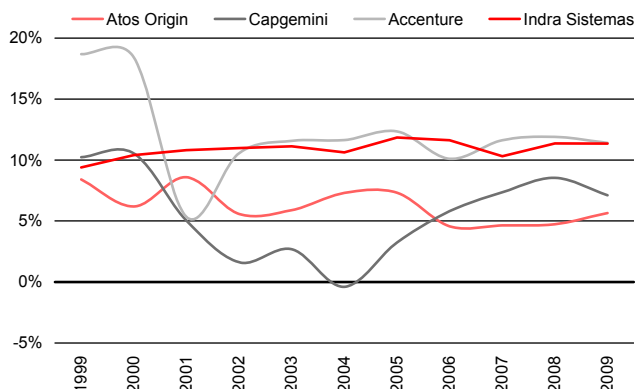
Source: Thomson Datastream, UniCredit Research

Profitability as key driver for the multiple

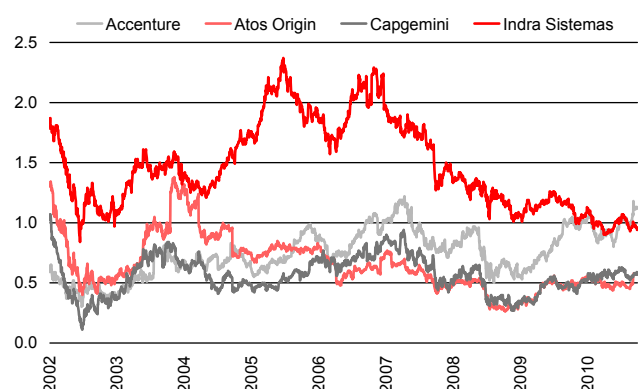
There is a strong correlation between profitability and applied multiples in the IT services sector. Hence, the key metric for our valuation approach in the industry is the expected margin trend. The following two graphs highlight our hypothesis. It can be seen that companies with a high profitability level (e.g. Indra) historically enjoyed a higher multiple than companies with a lower operating profitability level (e.g. Atos Origin).

MARGIN TREND AND MULTIPLES OF SELECTED IT SERVICES STOCKS

Operating margin trend (pro forma)



...and trailing EV/sales multiples



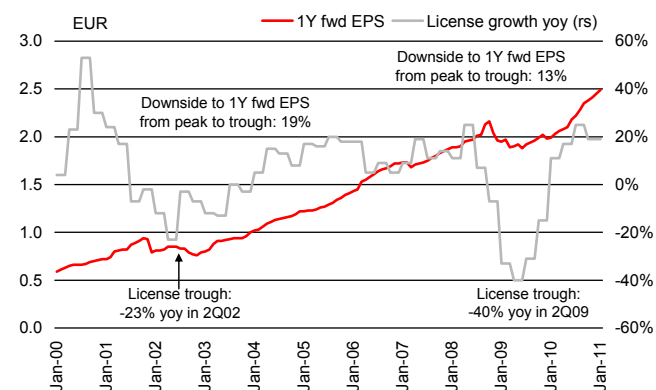
Source: Company data, Thomson Datastream, UniCredit Research

Relative attractiveness of software stocks compared to European IT services stocks

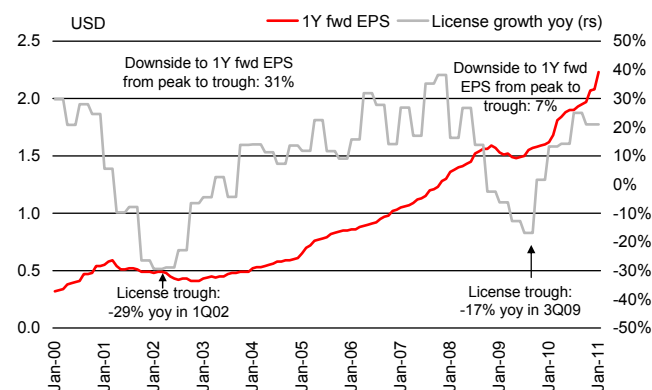
Given the ongoing uncertainty regarding the economic outlook, we continue to favor software stocks in general versus IT services stocks due to their higher earnings stability and, in our view, more reliable margin expansion story in 2011, given their late-cycle maintenance revenues, which should benefit from the license recovery in 2010.

EARNINGS DOWNWARD REVISIONS IN THE LAST TWO CYCLES FOR SELECTED SOFTWARE AND IT SERVICES STOCKS

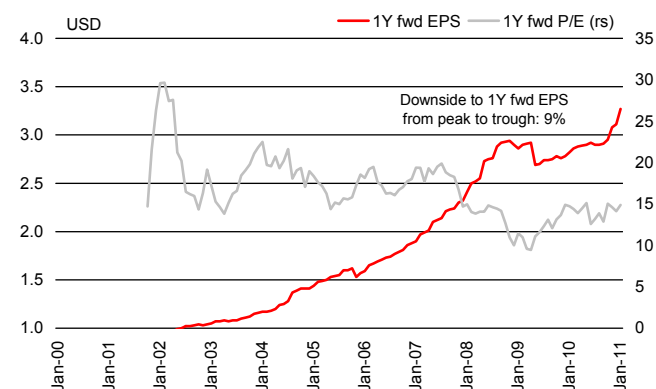
SAP



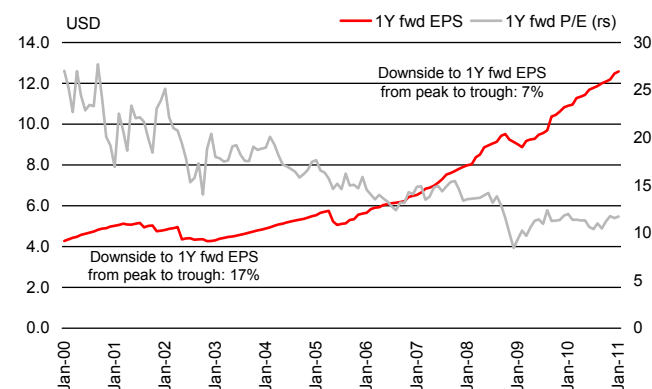
Oracle



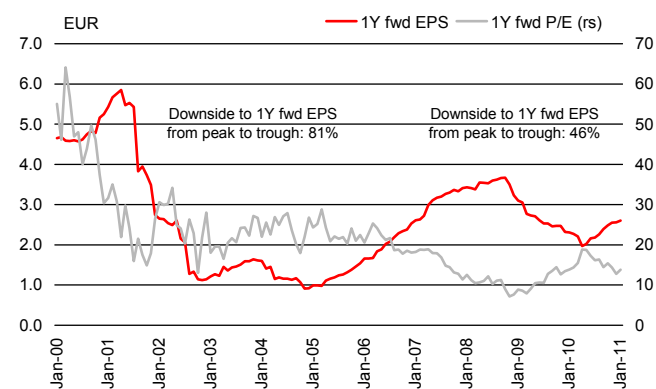
Accenture



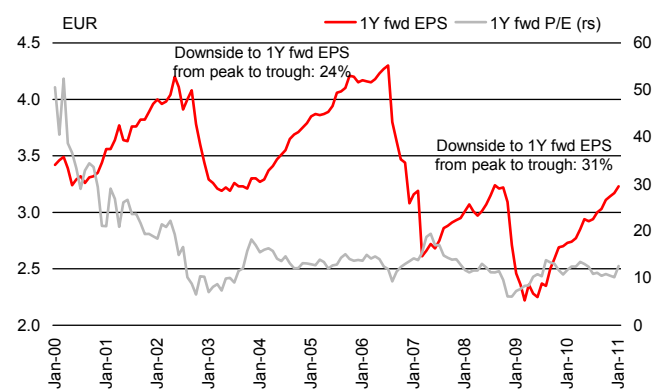
IBM



Capgemini



Atos Origin



Source: Thomson Datastream, company data, UniCredit Research

Valuation

We have applied two valuation approaches to derive a fair value for Indra: **1.** traditional multiples and **2.** a DCF model.

Indra is valued significantly above its European peers due to its higher profitability and trades at the same multiple level as Accenture...

- Indra trades at significant higher multiples than its European peers Atos Origin and Capgemini. While Atos Origin and Capgemini are valued at 0.5x and 0.4x their 1Y fwd EV/sales multiples (2011E and 2012E), Indra is roughly twice as expensive (EV/sales of 0.9x on a 2011E and 0.8x on a 2012E basis). On an EV/EBITDA and EV/EBIT basis (2011E and 2012E), the valuation premium to the European peers lies in a range from -3% to +66%. We believe a premium to Atos Origin and Capgemini is justified due to Indra's higher margin level, higher earnings resilience and high share of (turnkey) solutions business. Indra is valued at the same level as US-headquartered Accenture (based on EV/sales, EV/EBITDA and EV/EBIT).

However, a discount seems to be warranted to reflect...

- However, we do believe that a valuation discount to Accenture is warranted, mainly to reflect:

...Accenture's higher profitability, ...

- Accenture's higher operating margin level, which is roughly 20% above Indra's margin level for 2010E; consensus expects a mean margin level (2010E-2012E) of 13.6% for Accenture and 11.1% for Indra.

Indra's lower growth rate...

- Accenture's higher growth rate. Consensus expects EPS growth of 12.6% (CAGR 2010E-2012E) compared to 4.0% at Indra and a sales growth rate of 7.2% (CAGR 2010E-2012E) compared to 3.4% at Indra. We would like to highlight that Indra's growth rate is even lower than Atos Origin's (EPS: 20.4% CAGR, organic sales growth: approx. 3.4% CAGR) and Capgemini's (EPS: 21.8% CAGR, sales: 5.9% CAGR).

...and Indra's high exposure to Spain and Europe in general.

- Indra's higher exposure to slower growing Europe (77.2% of 3Q10 sales) and especially Spain (60.2% of 3Q10 sales), which is very vulnerable to spending cuts due to government austerity programs. This puts, in our view, current consensus estimates at risk and could hence lead to earnings downward revisions.

Hence, we believe that Indra should be valued at the average multiples of the European peers and US-based Accenture. Our following analysis shows the overvaluation of Indra compared to the peer group:

INDRA'S VALUATION COMPARED TO THE PEER GROUP*

	EV/sales		EV/EBITDA		EV/EBIT	
	2011E	2012E	2011E	2012E	2011E	2012E
European peers						
Atos Origin	0.5	0.4	4.8	3.8	8.0	6.2
Capgemini	0.5	0.4	4.9	4.3	6.4	5.5
Mean	0.5	0.4	4.8	4.1	7.2	5.9
US peer: Accenture	1.1	1.0	6.9	6.5	7.8	7.5
Mean of peer group	0.8	0.7	5.9	5.3	7.5	6.7
Indra	0.9	0.8	6.8	6.4	7.8	7.3
Overvaluation (+)/Undervaluation (-) in %	11.6	15.6	15.6	20.5	4.1	8.9

*1Y fwd valuation metrics are based on consensus estimates

Source: Thomson Datastream, UniCredit Research

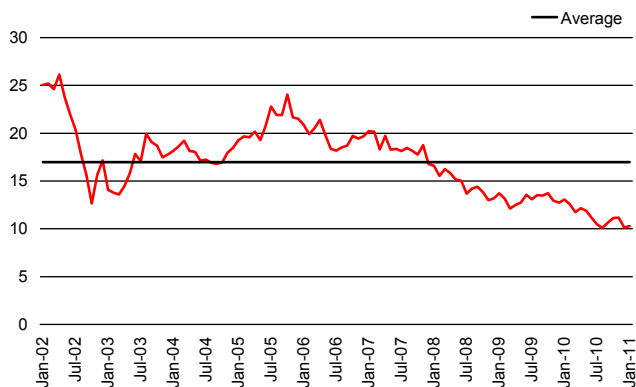
Our DCF model supports our peer group based analysis and indicates an overvaluation of Indra's share price

We rate Indra as a Sell with a target price of EUR 10.40 per share

- **DCF model:** Our DCF model yields a fair value of EUR 10.40 per share and hence indicates a medium-term downside risk of 19% to the current share price. In our DCF model, we assume revenue growth of 1.4% in 2011E, 1.5% in 2012E, 1.5% in 2013E and 1.6% in 2014E. The operating profit (after restructuring) is expected to increase from EUR 269mn in 2010E to EUR 280mn in 2014E; this translates into a slight margin decline from 10.5% in 2010E to 10.3% of sales in 2014E. We expect a long-term FCF growth rate of 1% and assume a WACC of 9.4%.
- Our DCF model supports our peer group analysis: Both valuation methods indicate an overvaluation of Indra's share price of 19%. We believe the share price will underperform near term due to the generally muted outlook of the IT services sector in Europe in the current low-growth economic environment and the absence of catalysts (with the exception of those triggers mentioned in the previous chapter "bull case"). We prefer companies in the software sector over IT services players as they are protected by a stable maintenance-based cash flow. In addition, we would stay clear of companies in the sector with significant exposure to countries that need to implement austerity programs (for example Spain).
- Our EBIT margin forecast of 11.2% (before extraordinary costs) for 2010E is in line with consensus estimates. Indra guides for an EBIT margin of 11.2% for 2010E. We forecast 2010E revenue growth of 1.7% yoy in line with Indra's guidance for 2010 of 2% yoy), followed by 1.4% in 2011E and 1.5% in 2012E.

1Y FWD P/E, SHARE PRICE PERFORMANCE AND EARNINGS TREND OF INDRA

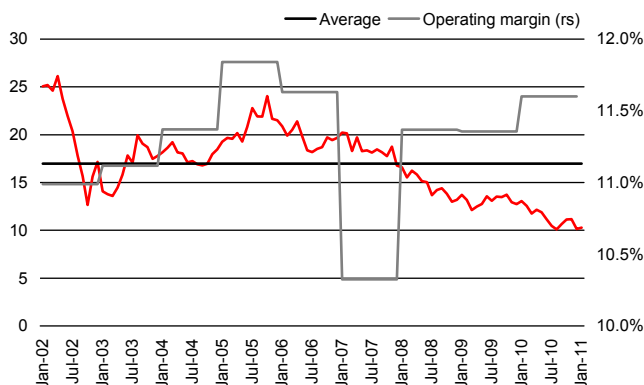
1Y fwd P/E since the tech bubble burst



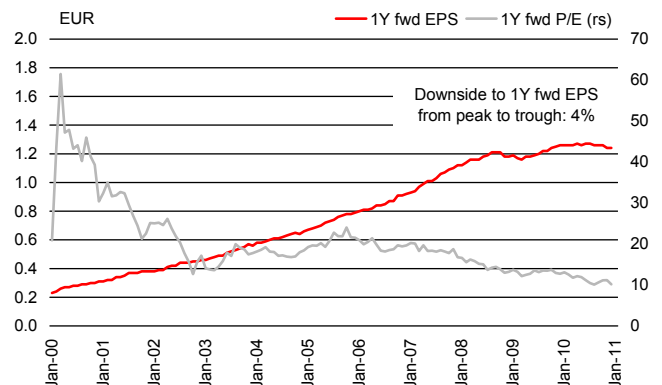
1Y fwd EV/sales multiple



1Y fwd P/E and profitability



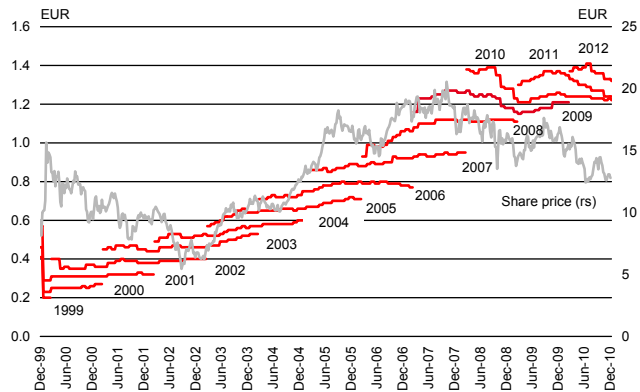
1Y fwd EPS and 1Y fwd P/E trend



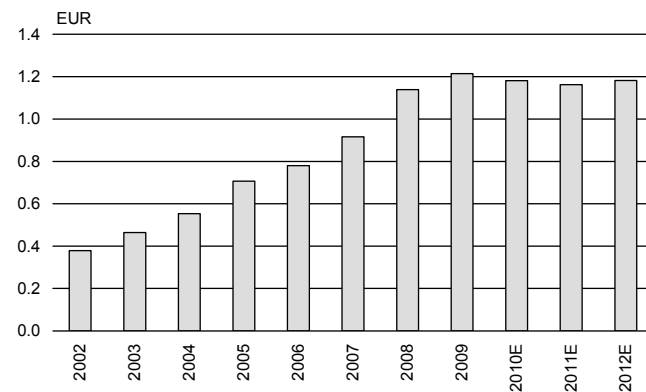
Source: Indra Sistemas, Thomson Datastream, UniCredit Research

1Y FWD P/E, SHARE PRICE PERFORMANCE AND EARNINGS TREND OF INDRA (CONTINUED)

Earnings estimates and share price trend



Pro-forma EPS trend (2002-2012E)



Source: Indra Sistemas, Thomson Datastream, UniCredit Research

High profitability = high multiple

We have already highlighted the correlation between operating profitability and the valuation of the IT services sector earlier. We want to elaborate on this topic now in more detail.

To put the valuation of Indra in a more global context, we split the IT services sector into three subsectors:

- European and US large caps (incl. Indra, Atos Origin, Capgemini and Accenture) with a market capitalization of EUR >2bn,
- The (India-based) offshore players (incl. Wipro, Infosys, Tata Consultancy Services and Cognizant) and,
- European small and midcaps (incl. Alten, Altran, Sopra, Tietonator and Steria).

Offshore players are trading at significantly higher multiples than the Europeans

While the offshore players have in recent years seen their average valuation come down more significantly than the Europeans, they are still trading at a significant premium: The offshore subsector is valued at an average 1Y fwd EV/sales multiple of 4.2x (2011E) compared to 0.7x of the European and US large caps and 0.5x of the European small and midcaps. As our comparison of profitability across the sector below shows (chart "The correlation between operating profitability and valuation in the IT services sector"), margins of the offshore-headquartered IT services players are on average 24.0% in 2010E and hence almost three times the margin of their European competitors (2010E average: 8.6%). In addition, the average expected sales growth rate of the offshore players (21.1% CAGR 2010E-2012E) is also more than four times the (organic) growth rate of the European players (4.5% CAGR 2010E-2012E).

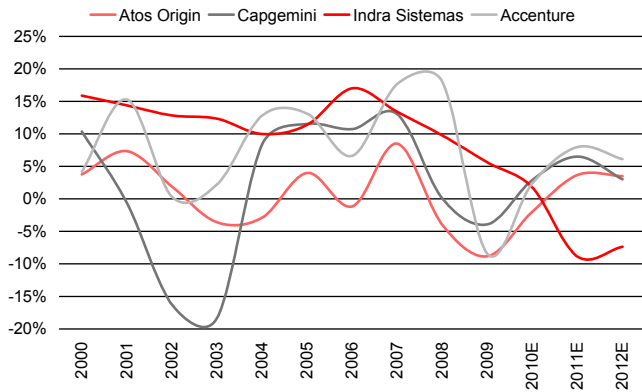
The main reason for the higher profitability of the offshore players is, in our view, the large ratio of employees in low-wage countries. We estimate that the four leading offshore players have on average more than two-thirds of their headcount at offshore locations.

Valuation spread on a EV/sales basis has narrowed compared to the sector and will likely continue to narrow further

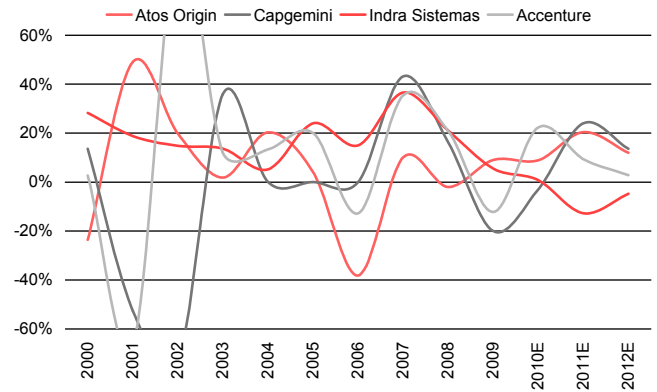
Indra has traded on a relatively high EV/sales multiple compared to the sector (as the first chart on the next page shows), reflecting the stable profitability profile of Indra (relatively high and stable margins). However, this spread has narrowed in recent years due to the increased profitability of peer companies and due to Indra's large Spain exposure. In addition, given its large exposure to Spain, we see the risk that Indra will have the least favorable revenue growth profile and hence also earnings growth compared to Atos Origin and Capgemini.

INDRA'S LOWER GROWTH PROFILES IN COMPARISON TO ITS PEERS*

Sales growth and...



... operating income growth

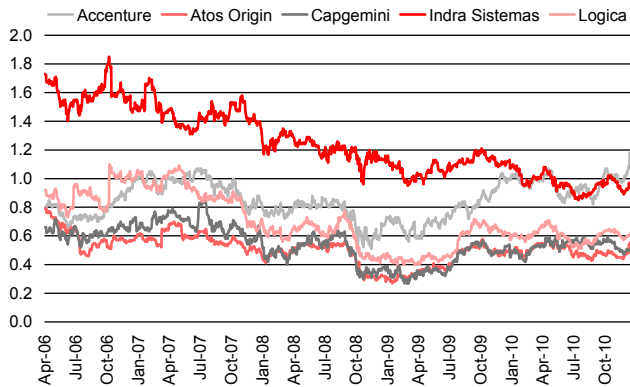


*Indra's growth rates have been linearized in order to exclude inorganic growth

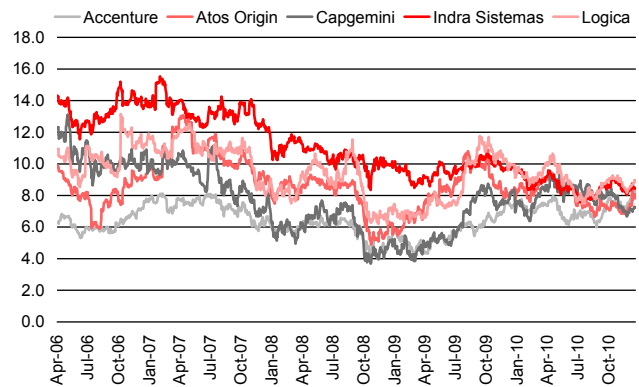
Source: Company data, Thomson Datastream, UniCredit Research

THE CORRELATION BETWEEN OPERATING PROFITABILITY AND VALUATION IN THE IT SERVICES SECTOR

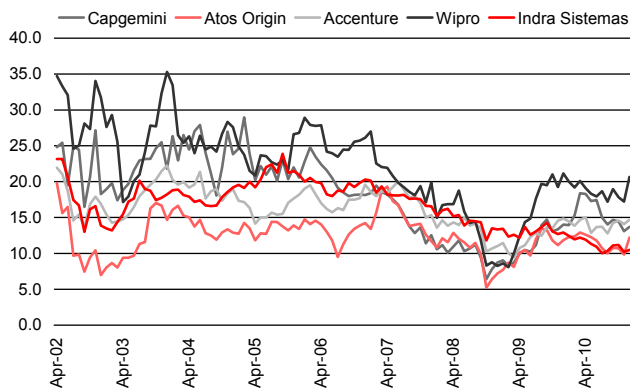
1Y fwd EV/sales of selected IT Services companies



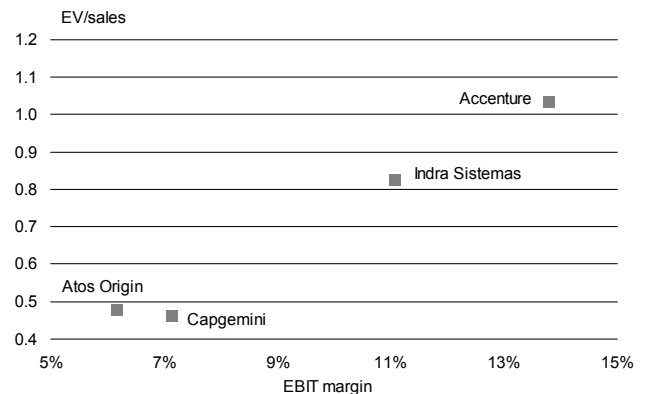
1Y fwd EV/EBIT of selected IT Services companies



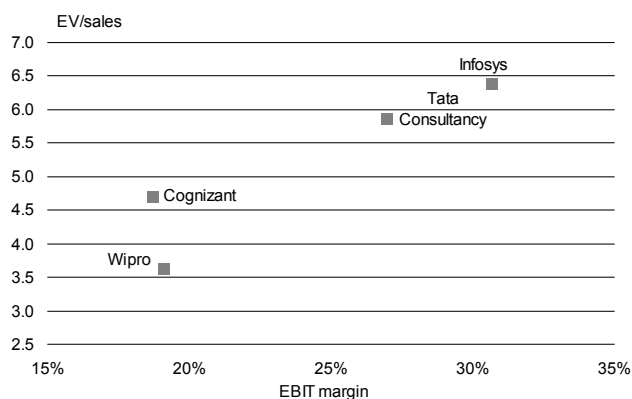
1Y fwd P/E of selected IT Services companies



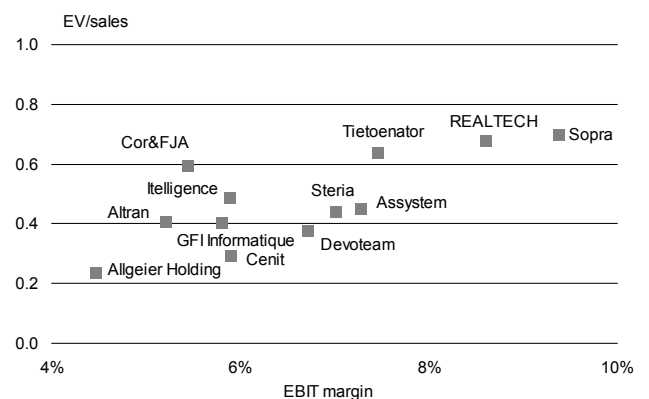
EV/sales and operating margin (pro forma)



Offshore players



European small and midcaps



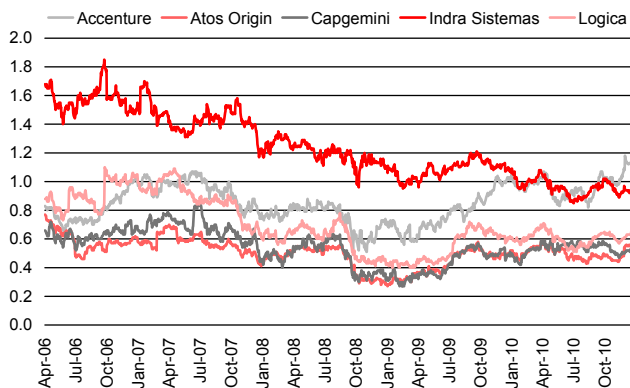
Source: Company data, Thomson Datastream, UniCredit Research

Derating for the IT services sector overall

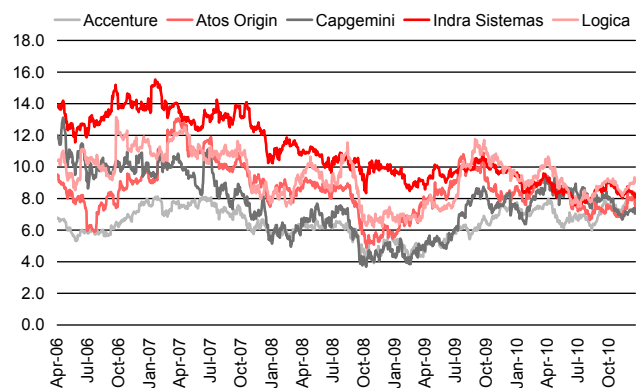
The increasing consolidation of the software sector since 2006 and hence question marks behind the achievable organic license growth rates led to a multiple contraction over the last few years for software stocks. The IT services sector has seen a similar trend and has also been facing de-rating since 2006. Based on the 1Y fwd P/E multiple trend since 2008, European and US large caps of the IT services sector are trading in the 1Y fwd P/E multiple range of 10x-15x (excl. the trough period of the recession).

MULTIPLE OVERVIEWS OF SELECTED IT SERVICES STOCKS

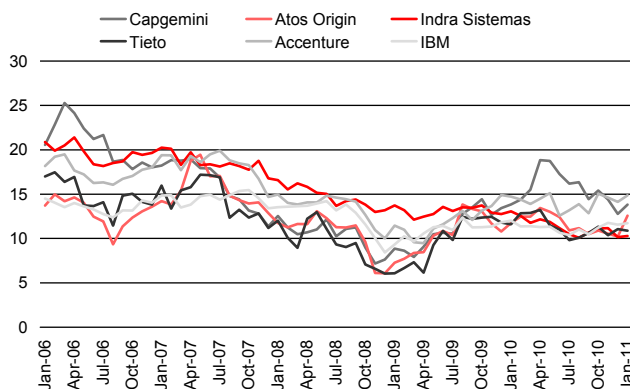
1Y fwd EV/sales overview of selected IT services stocks



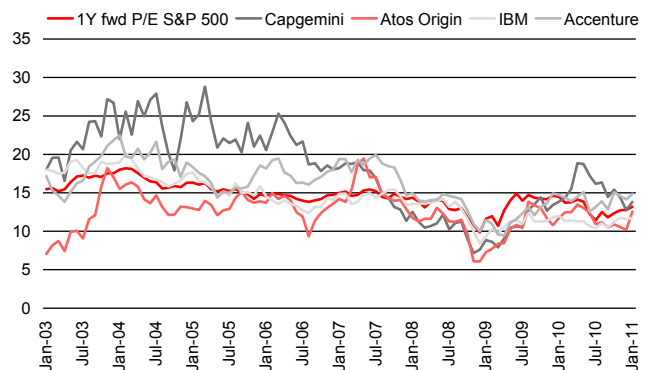
1Y fwd EV/EBIT overview of selected IT services stocks



1Y fwd P/E overview of selected IT services stocks



...and compared to the 1Y fwd P/E of the S&P 500



Source: Thomson Datastream, UniCredit Research

DISCOUNTED CASH FLOW VALUATION

		2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	CAGR 2010E-2020E
Revenues	EUR mn	2,557	2,592	2,632	2,671	2,713	2,754	2,795	2,837	2,880	2,923	2,967	1.5
yoy	%	1.7	1.4	1.5	1.5	1.6	1.5	1.5	1.5	1.5	1.5	1.5	
Operating Profit (after extraord.)	EUR mn	269	274	270	274	280	289	294	298	302	307	312	0.6
yoy	%	-5.8%	2.1%	-1.6%	1.6%	1.9%	3.5%	1.5%	1.5%	1.5%	1.5%	1.5%	
as a percentage of revenues	%	10.5	10.6	10.3	10.3	10.3	10.5	10.5	10.5	10.5	10.5	10.5	
Taxes	EUR mn	-55	-58	-62	-69	-75	-84	-85	-86	-88	-89	-90	
Tax rate	%	20	21	23	25	27	29	29	29	29	29	29	
NOPAT	EUR mn	214	217	208	206	204	205	208	212	215	218	221	
Depreciation and amortization	EUR mn	43	43	43	43	43	44	45	45	46	47	47	
as a percentage of revenues	%	1.7	1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	
Capex	EUR mn	-130	-60	-60	-80	-81	-83	-84	-85	-86	-88	-89	
as a percentage of revenues	%	5.1	2.3	2.3	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	
Change in NWC	EUR mn	-43	-20	10	48	-10	-9	-10	-10	-10	-10	-10	
Free cash flow (FCF)	EUR mn	83	180	201	217	156	157	160	162	165	167	169	
as a percentage of revenues	%	3.3	6.9	7.6	8.1	5.8	5.7	5.7	5.7	5.7	5.7	5.7	
Years		0	1	2	3	4	5	6	7	8	9	10	
Present value of FCF	EUR mn	83	165	168	166	109	100	93	86	80	74	69	
WACC	%	9.4											
Long-term growth rate of FCF	%	1.0											
NPV of yearly FCF's	EUR mn	1,195											
in % of total	%	61.4											
NPV of terminal value	EUR mn	751											
in % of total	%	38.6											
Total Enterprise Value	EUR mn	1,946											
Net debt	EUR mn	-235											
Value of total equity	EUR mn	1,711											
Number of shares	mn	164.1											
Share price	EUR	10.4											

Source: UniCredit Research

IT SERVICES: VALUATION, PROFITABILITY AND GUIDANCE OVERVIEW

		Price 12-Jan-11	2010E	P/E 2011E	2012E	EV/sales			EV/EBITDA			EV/EBIT			Performance (%)			
						2010E	2011E	2012E	2010E	2011E	2012E	2010E	2011E	2012E	1M	3M	6M	12M
European and US Large Caps																		
Atos Origin	EUR	40.8	15.2	12.6	10.5	0.6	0.5	0.4	5.6	4.8	3.8	10.7	8.0	6.2	21.1	21.9	19.3	17.5
Capgemini	EUR	34.8	17.2	13.5	11.6	0.5	0.5	0.4	5.7	4.9	4.3	7.9	6.4	5.5	1.6	-6.3	-4.9	2.9
Indra Systems	EUR	13.0	10.7	10.5	9.8	0.9	0.9	0.8	7.0	6.8	6.4	8.0	7.8	7.3	1.0	-4.2	4.0	-21.5
Logica	GBp	134.4	11.0	10.1	9.3	0.7	0.6	0.6	7.4	6.9	6.7	10.1	9.3	8.6	9.1	3.3	27.5	9.8
Accenture	USD	49.9	15.9	14.2	12.5	1.2	1.1	1.0	7.4	6.9	6.5	8.5	7.8	7.5	9.3	9.1	25.6	18.1
Average			14.0	12.2	10.7	0.8	0.7	0.7	6.6	6.0	5.5	9.0	7.8	7.0	8.4	4.8	14.3	5.4
Offshore Players																		
Cognizant	USD	75.2	32.0	28.1	23.2	4.7	3.7	3.1	22.5	18.0	14.6	25.3	20.1	16.5	7.0	16.1	41.3	59.4
Wipro	INR	467.5	21.4	19.0	16.2	3.5	3.0	2.6	16.6	14.0	12.0	18.5	15.7	13.5	3.9	1.2	14.2	12.2
Infosys	INR	3375.0	27.6	22.6	18.8	6.4	5.2	4.4	19.2	15.9	13.4	20.7	17.2	14.6	7.2	9.8	16.6	30.4
Tata Consultancy	INR	1135.5	26.6	22.8	18.9	5.8	4.8	3.9	19.9	16.4	13.7	21.2	17.6	14.6	5.6	19.6	43.5	51.6
Average			26.9	23.1	19.3	5.1	4.2	3.5	19.5	16.1	13.5	21.4	17.6	14.8	6.9	10.1	25.9	29.5
European Small- and Midcaps																		
Allgeier Holding	EUR	10.6	6.7	7.1	4.6	0.2	0.2	0.2	4.0	3.6	3.0	6.3	4.6	3.6	1.0	27.4	26.9	37.8
Alten	EUR	25.5	15.5	12.9	11.4	0.9	0.8	0.8	8.6	7.3	6.4	9.3	7.9	6.9	6.9	4.5	22.7	27.6
Altran	EUR	3.5	23.3	12.9	9.4	0.4	0.4	0.4	8.7	6.4	5.1	9.9	7.5	5.8	15.5	17.1	11.6	-15.8
Assystem	EUR	15.2	13.3	10.8	9.7	0.5	0.5	0.4	5.8	5.0	4.4	7.5	6.2	5.4	14.7	16.7	23.2	68.6
Cenit	EUR	5.9	16.3	12.0	8.9	0.3	0.3	0.3	5.2	4.0	3.2	7.1	5.3	3.9	1.4	17.9	14.6	26.1
Devoteam	EUR	19.5	12.9	9.9	8.6	0.4	0.4	0.4	5.8	4.9	4.3	7.0	5.7	5.0	2.6	2.6	16.1	6.3
Cor&FJA	EUR	1.9	24.0	16.0	12.0	0.7	0.6	0.6	13.0	7.0	5.8	54.6	11.5	8.4	-5.8	6.7	1.6	-4.0
GFI Informatique	EUR	3.2	9.8	7.7	6.8	0.4	0.4	0.4	6.1	5.6	5.2	8.8	7.0	6.2	11.7	8.6	15.0	1.0
Itelligence	EUR	6.7	24.9	16.0	14.3	0.5	0.5	0.4	6.4	5.1	4.7	10.2	8.3	7.5	4.9	16.0	24.4	53.5
REALTECH	EUR	8.7	18.5	12.4	9.8	0.7	0.7	0.6	8.1	5.8	4.1	11.9	7.8	6.1	5.6	15.7	28.1	14.0
Sopra	EUR	63.1	12.9	11.2	10.0	0.8	0.7	0.7	7.6	6.9	6.3	8.7	7.8	7.0	15.4	13.4	13.1	29.2
Tietoenator	EUR	15.0	13.7	11.3	10.3	0.7	0.7	0.6	6.8	5.8	5.4	11.4	8.8	7.9	5.7	1.0	10.8	-4.7
Steria	EUR	19.7	10.2	9.0	7.9	0.5	0.5	0.4	5.4	5.0	4.6	7.2	6.5	5.9	8.1	-12.4	-2.9	-13.1
Average			15.5	11.5	9.5	0.5	0.5	0.5	7.0	5.6	4.8	12.3	7.3	6.1	6.7	10.4	15.8	17.4
Index Comparison																		
STOXX 600															3.5	8.9	13.8	11.5
STOXX 600 Technology															5.3	4.6	6.7	12.8

Source: Thomson Datastream, Bloomberg, UniCredit Research

IT SERVICES: VALUATION, PROFITABILITY AND GUIDANCE OVERVIEW (CONTINUED)

		EPS				Sales				EBITDA margin (%)			EBIT margin (%)		
		2010E	2011E	2012E	CAGR (%)	2010E	2011E	2012E	CAGR (%)	2010E	2011E	2012E	2010E	2011E	2012E
European and US Large Caps															
Atos Origin	EUR	2.69	3.23	3.90	20.4	5,022	6,042	7,360	21.1	10.5	10.4	10.5	5.5	6.2	6.5
Capgemini	EUR	2.03	2.58	3.01	21.8	8,551	9,147	9,590	5.9	8.5	9.3	10.0	6.2	7.1	7.9
Indra Systems	EUR	1.22	1.24	1.32	4.0	2,559	2,620	2,739	3.4	12.6	12.7	12.9	11.0	11.1	11.3
Logica	GBp	12.26	13.28	14.49	8.7	3,697	3,794	3,944	3.3	9.0	9.3	9.3	6.6	6.9	7.2
Accenture	USD	3.14	3.51	3.98	12.6	23,717	25,653	27,278	7.2	15.7	15.5	15.5	13.6	13.8	13.3
Offshore Players															
Cognizant	USD	2.35	2.68	3.24	17.4	4,553	5,730	6,973	23.8	21.0	20.8	21.0	18.6	18.6	18.6
Wipro	INR	21.86	24.60	28.81	14.8	313,802	372,372	435,789	17.8	21.4	21.3	21.2	19.2	19.1	18.9
Infosys	INR	122.15	149.32	179.82	21.3	276,283	336,709	405,179	21.1	33.3	33.1	32.5	30.8	30.5	29.9
Tata Consultancy	INR	42.68	49.91	59.99	18.6	368,452	452,327	545,551	21.7	29.4	29.0	28.7	27.6	27.0	27.0
European Small- and Midcaps															
Allgeier Holding	EUR	1.58	1.50	2.28	20.1	304	336	359	8.7	5.6	5.7	6.4	3.6	4.5	5.3
Alten	EUR	1.64	1.97	2.24	16.9	905	972	1,035	7.0	10.5	11.5	12.2	9.7	10.6	11.5
Altran	EUR	0.15	0.27	0.37	57.1	1,426	1,491	1,572	5.0	4.7	6.1	7.3	4.2	5.2	6.4
Assystem	EUR	1.14	1.41	1.56	17.0	641	675	706	5.0	8.3	9.1	9.8	6.4	7.3	7.9
Cenit	EUR	0.36	0.49	0.66	35.4	89	95	102	7.0	6.4	7.8	9.1	4.7	5.9	7.4
Devoteam	EUR	1.51	1.96	2.28	22.9	490	519	542	5.2	6.9	7.7	8.4	5.8	6.7	7.3
Cor&FJA	EUR	0.08	0.12	0.16	41.4	118	125	130	5.0	5.1	9.0	10.4	1.2	5.4	7.1
GFI Informatique	EUR	0.32	0.41	0.46	19.9	667	682	704	2.8	6.8	7.2	7.6	4.7	5.8	6.3
Itelligence	EUR	0.27	0.42	0.47	31.9	263	286	312	8.9	8.3	9.5	9.6	5.2	5.9	6.0
REALTECH	EUR	0.47	0.70	0.89	37.6	56	58	63	6.0	8.6	11.5	15.2	5.8	8.6	10.1
Sopra	EUR	4.90	5.65	6.33	13.7	1,152	1,210	1,272	5.1	10.0	10.5	11.0	8.8	9.4	9.8
Tietoanator	EUR	1.09	1.32	1.45	15.3	1,697	1,746	1,814	3.4	10.0	11.4	11.9	5.9	7.5	8.0
Steria	EUR	1.93	2.18	2.49	13.6	1,680	1,726	1,793	3.3	8.7	9.1	9.5	6.4	7.0	7.4

Source: Thomson Datastream, Bloomberg, UniCredit Research

A history of acquisitions...

Like many of its European peers (Atos Origin, Capgemini), Indra has a rich history of mergers and acquisitions.

Initial focus on IT services and the automation, control, defense, and space markets...

...but still a low international presence in 1993

The acquisition of Azertia and Soluziona had a significant impact on Indra's revenue and profitability

■ **Indra was created by a merger in 1992:** In 1992, Indra was formed through the merger between Spanish defense technology company Ceselsa and government-owned Inisel. The merged entity became a member of Teneo, a holding company for state agency Instituto Nacional de Industria (INI), and focused on IT services and the automation, control, defense, and space segments.

■ **Reshuffling in ownership:** the US-based company Hughes acquired a 49% stake in several Indra defense divisions in 1994, followed by the acquisition of a 25% stake in Indra by French based Thomson-CSF. In 1996, Teneo and INI dissolved and became "Sociedad Estatal de Participaciones Industriales". Indra restructured in 1998 and changed its name to "Indra Sistemas". Today (as of 3Q10), Indra derives 39.8% of its sales outside Spain.

■ **IPO in 1999:** Through an IPO in 1999, the Spanish government sold its 66% stake in Indra and Thomson-CSF reduced its stake. Indra acquired Europraxis in 2001, one of Spain's largest consulting firms.

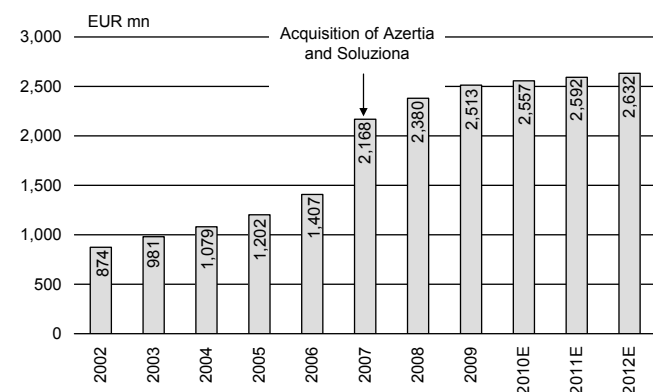
■ **Inorganic growth phase:** In 2006, Indra acquired the IT consultancies of Azertia and Soluziona, which strengthened Indra's presence in Spain and Latin America. After the consolidation of Soluziona & Azertia, revenues in Latin America accounted for 9% of total group sales, up from 5% in 2006. Soluziona was Spain's fifth-largest IT services provider and Azertia was ranked No. 12 by sales in Spain. Both acquisitions increased Indra's 2006 (pro forma) sales by ca 47% and EBIT by ca. 24%.

THE MAIN MILESTONES IN INDRA'S HISTORY

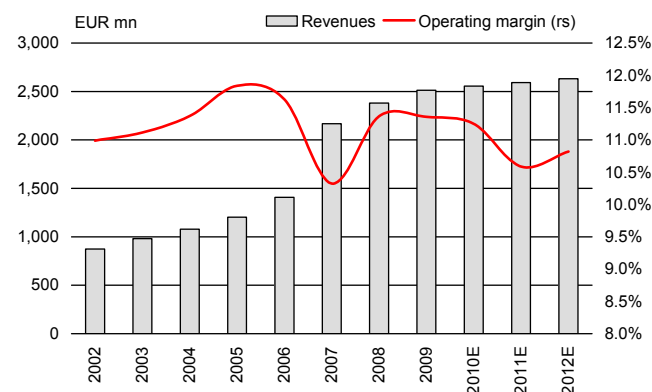
Year	Main events
2006	Indra acquired IT consultancies Azertia and Soluziona.
2001	Indra acquired Europraxis.
1999	Acquisition of computer systems design and support specialist BDE, and banking and financial market computer application developer Diagrama FIP.
1999	IPO of Indra: Spanish government sold its 66%; Thomson-CSF also reduced its stake.
1995	1995 French defense group Thomson-CSF acquired a 25% stake in Indra.
1994	US-based Hughes took a 49% stake in several Indra defense divisions.
1992	Indra was formed through merger between Spanish defense technology company Ceselsa and government-owned Inisel. The merged business became a member of Teneo, a holding company for state agency Instituto Nacional de Industria (INI) and specialized in information technology services, automation and control, defense, and space.

REVENUE AND OPERATING MARGIN TREND OF INDRA

Revenue trend benefited from acquisitions in 2006



Operating margin trend (2002-2012E)



Source: Indra Sistemas, UniCredit Research

The European IT services landscape

Market size

The market size for IT services (professional services) is EUR 144bn in Europe and EUR 189bn in North America

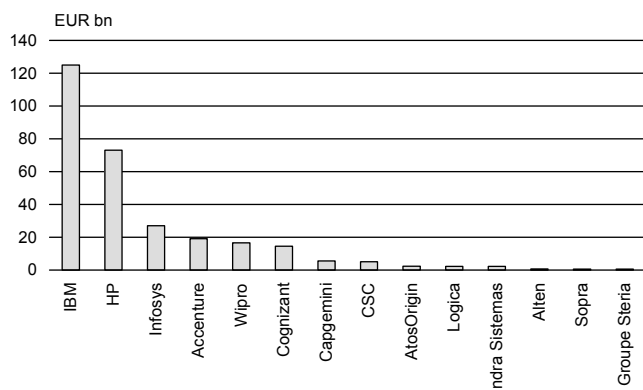
Gartner estimates the size of the European IT services market size at EUR 144bn in 2009. The North American market has a size of around EUR 189bn. Please note that we define IT services as the equivalent of "professional services" and hence exclude services related to product support (i.e. hardware maintenance and support). Professional services include consulting, development and integration, IT management and process management.

We categorize the market players into three groups:

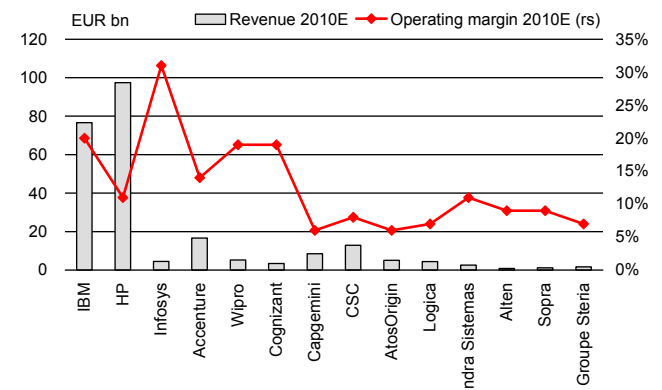
- **Global** players include IBM and HP, which complement their hardware and software-based offerings with (usually) higher-margin IT services. In 2008, HP became the third-largest IT services provider, on the USD 14bn acquisition of EDS. Accenture, CSC and Capgemini are also among the global players.
- **Offshore** players are mostly companies headquartered in India and include Wipro, Infosys and TCS. Even though Wipro and Infosys have enjoyed strong growth in recent years, none ranks among the European Top 20 providers except Tata Consultancy Services (TCS).
- **Regional** players like Atos Origin, Logica and Indra, which have European origins and a strong regional focus.

RANKING OF EUROPEAN IT SERVICES PLAYERS IN A GLOBAL CONTEXT

Ranking by market capitalization



Ranking by sales and operating margin

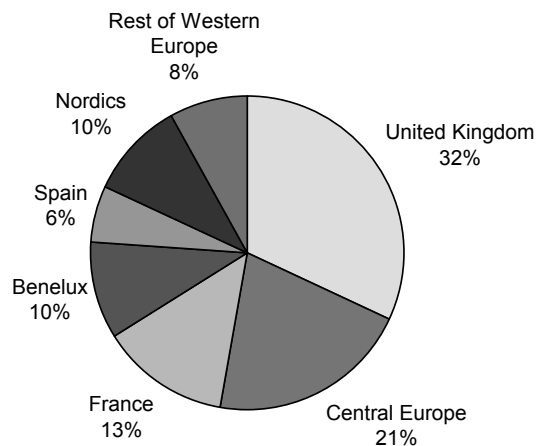


Source: Thomson Datastream, UniCredit Research

UK and Central Europe account for roughly half of the European IT services market

The UK and Central Europe (Germany, Switzerland and Austria) make up roughly half of the European IT services market (EUR 74bn). France accounts for 13% (EUR 19bn), Benelux for 10% (EUR 14bn).

GEOGRAPHICAL SPLIT OF THE EUROPEAN IT SERVICES MARKET (2009)



Source: Gartner, UniCredit Research

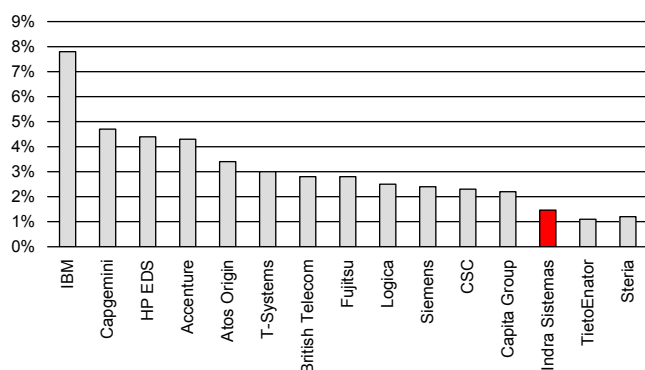
Positioning of Indra in the European landscape

The European IT services market is dominated by 14 IT service players that have almost 45% market share

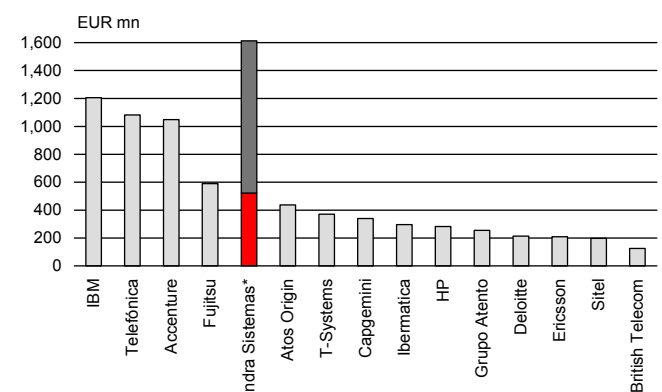
The 14 dominant IT services companies in Europe have a combined market share of almost 45%. Interestingly, the global players IBM, HP and Capgemini also dominate the European landscape, followed by the regional players Atos Origin, T-Systems and British Telecom. In our analysis, Indra is ranked No.13 (please note that we classified Indra's European sales in the solutions segment as service sales). Tata Consultancy Services (TCS) is the only offshore company among Europe's Top 20. According to Gartner, Indra is Spain's fifth-largest IT services provider (if Indra's solution business is excluded from the ranking). Including the solutions segment (which accounts for almost two-thirds of Indra's group revenues in 3Q10), Indra ranks first among the IT services players in Spain.

IT SERVICES MARKET SHARE RANKING* (2009)

Western Europe



Spain



*Indra sales shown including (grey) and excluding (red) the solutions segment

Source: Gartner, UniCredit Research

INDRA'S POSITIONING IN THE EUROPEAN IT SERVICES MARKET

EUR mn	Market size		Weight 2009 (%)	Indra		
	2008	2009		Market share (%)	Ranking	Market leader
United Kingdom	49,273	44,838	32	<1	n.m.	British Telecom
Central Europe	31,120	29,300	21	<1	n.m.	T-Systems
France	19,553	18,588	13	<1	n.m.	Capgemini
Benelux	15,263	14,349	10	<1	n.m.	Capgemini
Spain	8,435	8,102	6	4.6	5*	IBM*
Nordics	15,044	13,960	10	<1	n.m.	TietoEnator
Rest of Western Europe	11,980	11,325	8	<1	n.m.	n.a.
Western Europe in total	150,668	140,462	100	3.4	n.m.	IBM

*Ranking and market leadership takes only Indra's services sales into account. Indra is No.1 if solution sales are included

Source: Gartner, UniCredit Research

In EMEA, companies spend roughly 6% of their operating expense on IT services

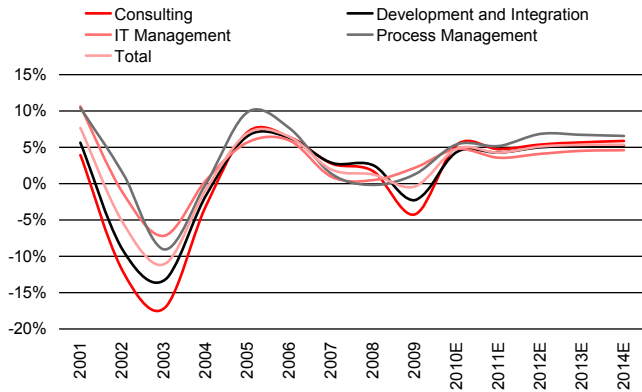
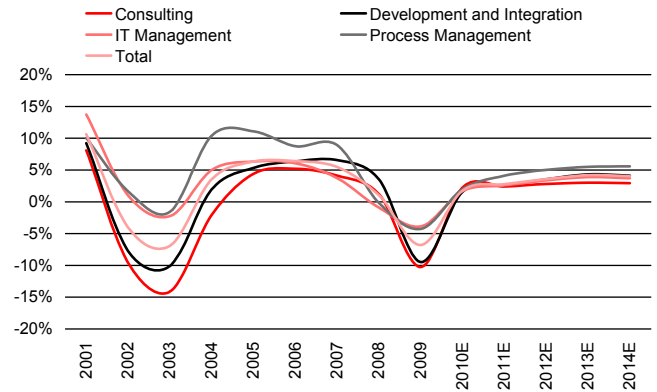
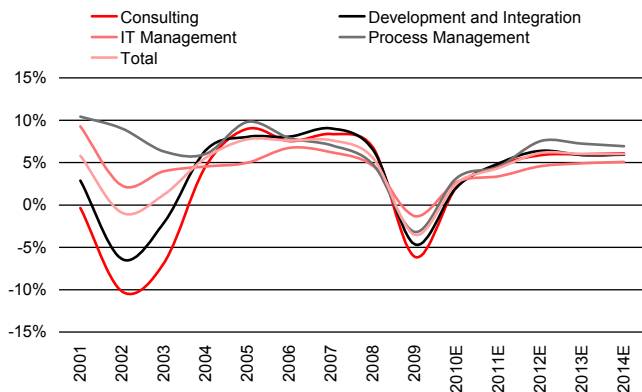
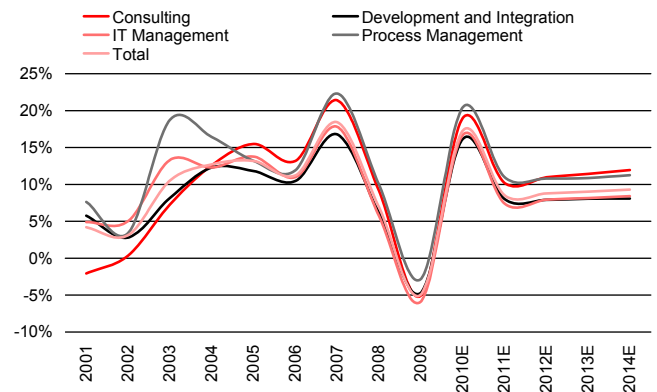
Market growth and outlook

We estimate that companies in the EMEA region spend around 6% of their operating expense on IT services. Total spending in the Western European IT services market reached EUR 134bn in 2001, followed by a decline of roughly 10% in the years 2002 and 2003 combined. It then took the IT services market until 2006 to exceed the volume it once had in 2001. In this period, the market enjoyed relatively stable but modest gains in the mid-single digits. The market reached its peak in 2008 with almost EUR 150bn in total spending, but faced a severe decline of 6.8% yoy in 2009. In the past ten years, the only year in which the market for Western European IT services showed a higher rate of decline was 2003 (-6.9% yoy).

Slower recovery process for European IT services sector expected than for North America and Asia-Pacific

We expect the European recovery process to be generally slower than in the USA: Major IT services providers reported that the average outsourcing contract length shortened to an average of three years or less, and the average deal size has come down in the last 15 months in Europe.

Gartner predicts relatively low growth rates for the Western European IT services market of 3.6% (CAGR 2010E-2014E) compared to the regions Asia-Pacific (8.9% CAGR) and North America (5.6% CAGR), mirroring the development of the 2001 to 2009 timeframe, during which Western Europe showed the weakest growth of 1.6% (CAGR 2001-2009), Asia-Pacific grew by 8.2% CAGR, North America by 4.0% CAGR. For 2010, Gartner expects rather muted growth in Western Europe of +1.8% yoy. Consulting is projected to grow by 2.3% yoy (2009: -10.3% yoy), development and integration services by +1.6% (2009: -9.5% yoy), and business process outsourcing by +1.8% yoy (2009: -4.0% yoy). Hence, IT services providers with a focus on Europe (Atos Origin, Indra Sistemas) will have a less favorable growth profile than their North American (Accenture) and Indian peers (Cognizant, Infosys, Wipro), in our view.

IT SERVICES MARKET GROWTH
Worldwide

Western Europe

North America

Asia Pacific


Source: Gartner, UniCredit Research

Key market trends

We have identified the three following trends as the most important market drivers for the European IT services industry:

Focus on specialization and acquiring vertical industry knowledge

- IT services providers will increase their focus on specialization and acquiring vertical industry expertise, notably their offerings for the energy & utilities sector (Atos: WorldGrid, Capgemini: Smart Energy Service as new service line) and for the financial services industry (Atos' Worldline payment provider subsidiary).

Cost arbitrage by shifting work that can be performed offsite to offshore locations

- Cost arbitrage of the European players will continue to increase, as they are significantly behind their Indian peers. We see cost-savings potential in the software development and server management field. However, we believe there is a natural limit to the maximum offshore workforce because of cultural barriers depending on the nature of work performed. Consulting is less prone to offshoring than software development, in our view.

Increasing number of cross-border M&A transactions to increase footprint in faster-growing emerging markets and improve client access

- We expect the number of **M&A** transactions to increase in both directions: Indian players will acquire European IT services companies to enlarge their European footprint and gain better client access. On the other hand, European companies will focus their M&A efforts more towards India to improve their cost structure and grab a share in the growing emerging markets. We believe the acquisition of Kanbay International (based in India) by Capgemini in 2006 and the recent acquisition of Venture Infotek (also India based) by Atos Origin in 2010 support our thesis.

An increase in M&A activity is imminent

Protectionist policies in the US and Europe could encourage India-based players to pursue an acquisition-based growth strategy

Since Europe and the US combined contribute over 90% of India's annual USD 47bn IT sector revenues and given the deteriorating employment situation in the US and Europe related to increasing offshore activities, we see a considerable risk for the India-based IT services providers that the US and several European countries will adopt protectionist policies to protect local jobs and businesses. Just recently, in September 2010, the US state of Ohio banned the outsourcing of a government IT project to offshore providers.

If these fears should materialize, we expect the Indian players to pursue a more aggressive acquisition-based growth strategy than in the past to circumvent protectionist policies. So far, the shopping spree has not yet started, but recent indications from Wipro convince us that the company is now seriously looking at potential targets in Europe (mainly the UK). However, we don't expect any major acquisitions in Germany due to its unfavorable cost structure and the labor laws relating to retaining employees.

On the other hand, we do believe in the very realistic scenario that European IT services providers will continue buying India-based players for two reasons:

- To expand their emerging markets exposure vertically (i.e. the acquisition of Indian payment service provider Venture Infotek by Atos Origin or the creation of Atos Origin's new Worldgrid division with similar legal entities planned in China).
- To improve the cost structure via a higher portion of global headcount in lower cost countries.

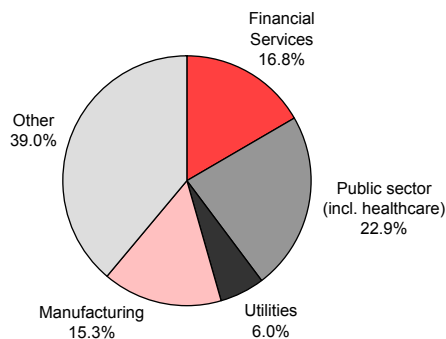
An overview of the most important verticals for the European IT services players

Indra has a 10.1% market share in the European transport & traffic market in 2010E

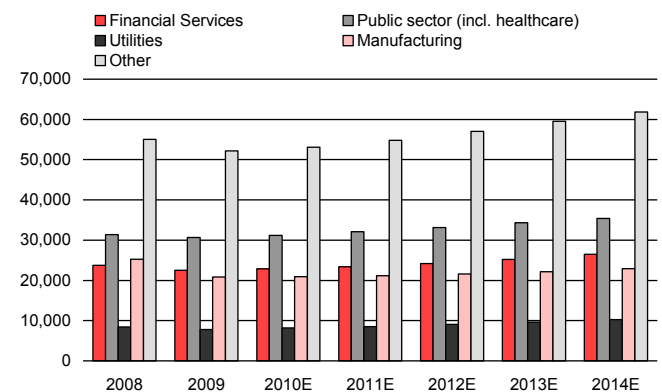
The public sector (including healthcare) is the dominant vertical and accounts for 22.9% of total IT services spending in 2010E, followed by the financial services sector (16.8%) and the manufacturing sector, which contributes roughly 16% to total IT services spending. We estimate that Indra's European market share in 2010 is 10.1% in Transport & Traffic, 1.7% in Energy & Industry, 1.5% in Financial Services, 1.1% in Telecom & Media and Public Administration & Healthcare respectively.

OVERVIEW OF MAJOR VERTICALS

Vertical share of total market spending 2010E



Historical and expected development of spending (EUR mn)



SPENDING VOLUME AND MARKET SHARES OF MAJOR VERTICALS IN WESTERN EUROPE

EUR bn	Spending volume							Market shares 2010E (%)	
	2008	2009	2010E	2011E	2012E	2013E	2014E		Indra
Transport & Traffic	5.9	5.3	5.4	5.5	5.8	6.0	6.2		10.1
Telecom & Media	26.9	25.9	27.1	28.2	29.4	30.7	31.9		1.1
Financial Services	23.6	22.4	23.2	23.9	24.6	25.7	26.9		1.5
Public sector (incl. healthcare)	31.2	30.5	31.6	32.7	33.7	34.9	35.9		1.1
Energy & Industry	25.1	20.7	21.1	21.4	21.8	22.3	23.0		1.7

GROWTH RATES OF MAJOR VERTICALS (WESTERN EUROPE)

	Growth (%)					
	2009	2010E	2011E	2012E	2013E	2014E
Transport & Traffic	-9.5	1.5	3.0	3.9	4.1	3.6
Telecom & Media	-3.9	4.6	4.3	4.2	4.4	3.9
Financial Services	-5.1	3.5	3.2	3.0	4.1	4.8
Public sector (incl. healthcare)	-2.3	3.5	3.6	3.0	3.4	2.9
Energy & Industry	-17.4	1.6	1.7	1.7	2.6	3.1
Total	-6.9	1.7	2.7	3.5	4.1	4.0

Source: Gartner, UniCredit Research

Public sector:
The largest vertical, but also
the slowest growing one

■ **Public sector:** While the public sector proved to be relatively stable in 2009, we expect that the current austerity plans of European governments, especially Spain, will significantly impact public IT services-related spending in the near term. Indra is very vulnerable to these spending cuts as it derives roughly two-thirds of its sales from Spain. Indra's direct exposure to the public administration and health care vertical is 14%. While it is not possible to assess the share of sales directly influenced by public spending, we believe that Indra's exposure to global public spending is roughly two-thirds and one-third to Spain public spending. In comparison, Atos Origin and Capgemini each derive 28% of group revenues in the public & health sector. That puts these three European players at a disadvantage compared to the India-based service providers that basically have no exposure to the public sector. Gartner expects that the public sector will show the slowest growth among all verticals over the short and medium term.

■ We believe the attractiveness of the energy and **utilities** vertical has decreased in recent months as Europe's main players in the utilities field have announced massive spending cuts. In addition, the **industry** and manufacturing vertical was hit hard by the economic crisis. After very slow recovery progress, some IT services companies (notably Infosys) now see early signs of a recovery, with IT landscape consolidation being one of the main drivers.

Profitability comparison to international peers

**Favorable margin situation of
Indian players supported...**

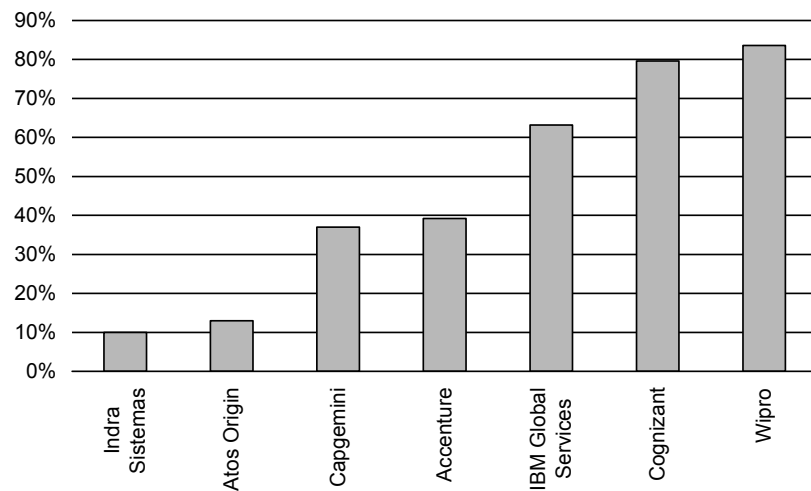
Our comparison of historical pro-forma operating margins across the international IT services sector shows that India-based players Wipro and Infosys have enjoyed the highest average (pro-forma) margins of 21.4% and 30.7%, respectively, since 2001. Margins of Accenture (10.7%) and the European IT services providers were considerably lower. The average pro-forma operating margins (2001-2009) of Indra were 11.2%, Atos Origin's were 6.0%, Capgemini's were 4.6%.

**...by the high ratio
of offshore personnel**

The Indian players pioneered the strategy of delivering IT services from offshore locations with a well-trained and low-cost Indian workforce and started their global expansion by entering the US market, followed by the UK. So far, their success in Europe has been rather limited. We expect this to change, however, as Wipro and its Indian peers more aggressively acquire smaller players in the UK and Scandinavia, as indicated by Wipro's CEO in August 2010.

**Offshore headcount of
Indra only 5%-11% vs. 37%
at Capgemini and 63%
at IBM Global Services**

Indra has the lowest offshore headcount compared to its global competitors that actively pursue an offshoring strategy. We estimate that Indra has 5% to 11% of its total workforce offshore, significantly less than its competitors, as our following overview shows:

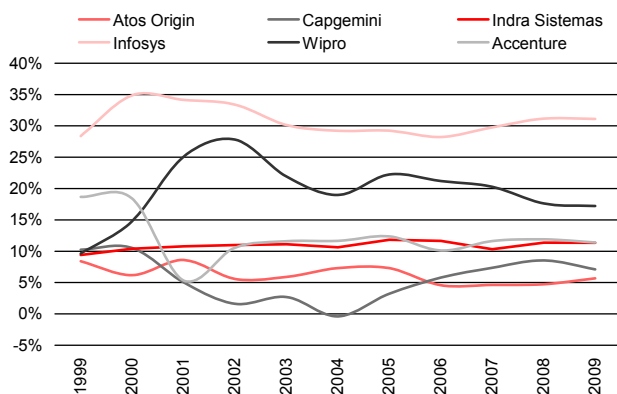
RATIO OF HEADCOUNT LOCATED OFFSHORE


Source: Company data, UniCredit Research

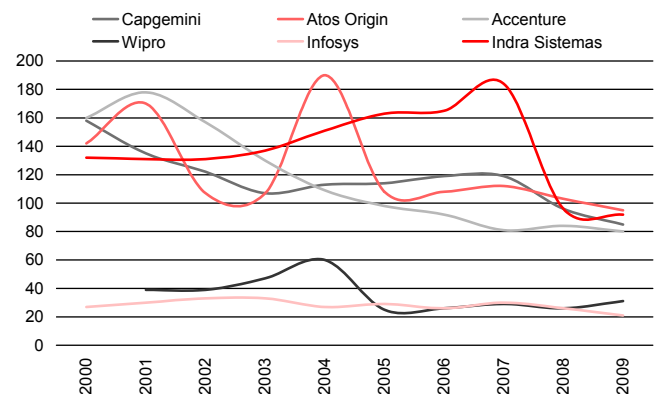
Although average operating expenses per employee of the European IT services providers have come down in recent years, they are still more than double that of their Indian peers.

COST AND MARGIN ADVANTAGE OF INDIAN PEERS

Operating margins (pro forma)



Total operating expenses per employee (EUR tsd.)



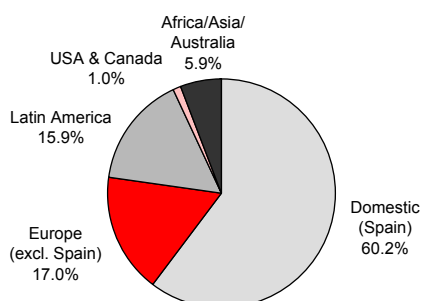
Source: Company data, Thomson Datastream, UniCredit Research

Financial performance

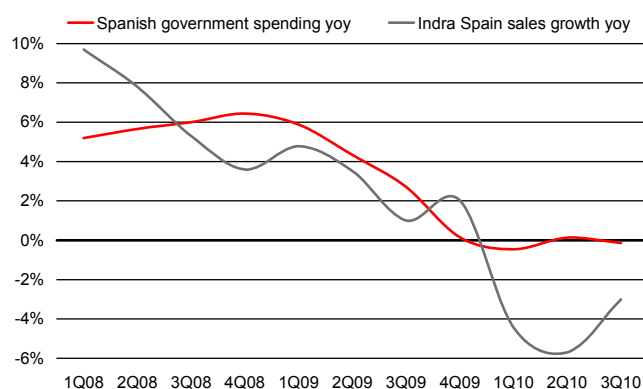
Indra derives roughly two-thirds of its group sales in Spain, followed by 18% in the rest of Europe and 10% in Latin America. Security & Defense and Transport & Traffic are Indra's most important verticals, which contributed 27% and 20% to 2009 group sales, respectively. Indra's direct exposure to the public administration and health vertical is 14%. While it is not possible to assess the share of sales directly influenced by government spending, we believe that roughly two-thirds of Indra's revenues are dependent on government spending. The following chart shows the strong relationship between Indra's sales growth and Spain's government spending growth.

SALES SPLIT 3Q10

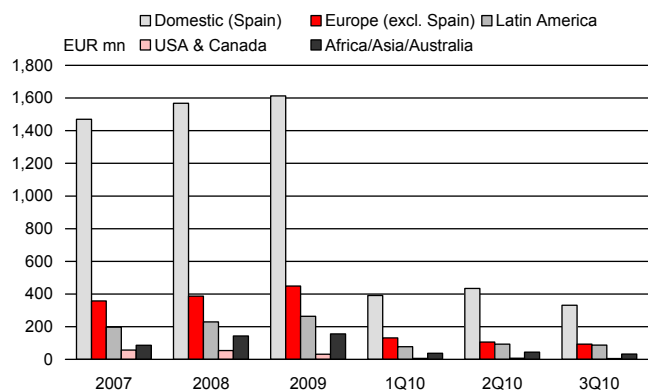
Significant revenue exposure to the Spanish market is reflected...



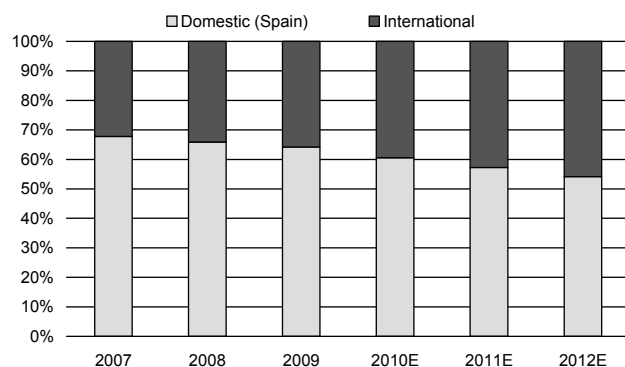
... by a strong sensitivity to Spanish government spending growth



Geographic distribution of sales (2007-3Q10)



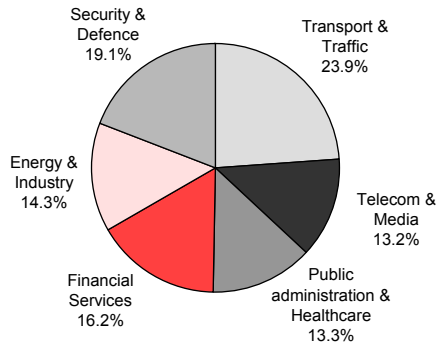
International distribution of sales



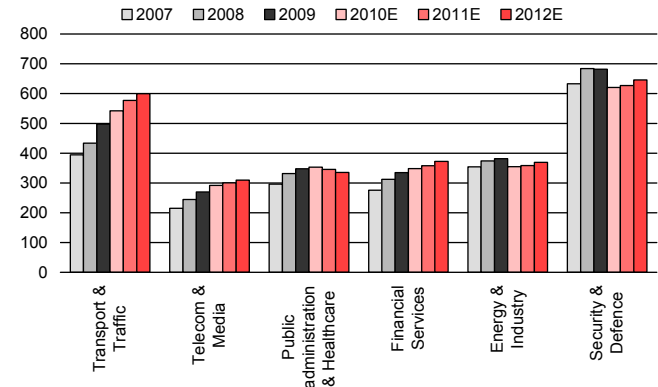
Source: Indra Sistemas, Thomson Datastream, UniCredit Research

SALES SPLIT 3Q10 (CONTINUED)

Sales split by verticals



Sales development of Indra's verticals (EUR mn)



Source: Indra Sistemas, Thomson Datastream, UniCredit Research

Acquisitions in 2006 supported revenue growth but diluted margins slightly

Indra grew its revenues from EUR 774mn in 2001 to EUR 2,513mn in 2009 by 15.9% CAGR (2001-2009), supported by a number of acquisitions. In 2006, Indra bought the Spain-based IT services companies Soluziona (Spain's fifth-largest IT services provider) and Azertia (ranked No. 12 by sales in Spain) for a total of EUR 429mn, increasing 2006 sales pro forma by ca. 47% and EBIT by ca. 24%. The following table summarizes the key metrics of these acquisitions:

KEY FIGURES 2006 OF INDRA'S ACQUISITIONS* (EUR MN)

Target	Value	Sales	Spain (%)	EBIT	Margin (%)	Multiples	Headcount	Main customers
Azertia	142	200	78	11	5.4	EV/sales: 0.7x EV/EBITDA: 8.0x EV/EBIT: 13.3x	4,563	BBVA (32% of sales) Gas Natural (5%) Iberdrola (4%)
Soluziona	287	423	71	28	6.5	EV/sales: 0.7x EV/EBITDA: 8.3x EV/EBIT: 11.1x	5,053	Union Fenosa (15% of sales) Orange + Ono (14%)
Total of acquisitions	429	623		39				
Indra standalone		1,325		159	12.0			
Indra proforma		1,948		198	10.0			

*2006 figures based on company forecast at the time of acquisition, no actual values available

Source: Indra, UniCredit Research

Sales grew in the range from 9.8% to 12.8% historically

We estimate that Indra grew its sales of EUR 2,168mn organically by 11% in 2007 compared to (estimated) 2006 pro forma sales of EUR 1,948mn, hence at the same growth level than in the years 2002 to 2008 (in the range from 9.8% to 12.8%).

Solutions contributes 73% to group sales and had a relatively stable margin level of roughly 20% in recent years

While Indra reports only sales figures for its verticals and geographies, the company reports revenues and profitability for the segments Solutions and Services on a quarterly basis. Solutions accounted for 73% of group sales in 2009, Services for 27%. Operating margins in the solutions segment remained relatively stable in the range of 20.2% to 21.7% in the last five years (2005 to 2009). In the services segment (27% of group sales), the operating margin declined from almost 20% in 2005 and 2006 to 15.6% in 2009. Indra is primarily focused on outsourcing tasks and processes in its services division. In Solutions (73% of group sales), Indra provides complete turnkey solutions, for example for the security & defense and transport & traffic verticals. Corporate expenses that were not attributable to specific segments ("non-distributable corporate expenses") steadily increased after the acquisitions of Soluziona and Azertia, from EUR 2,168mn in 2007 to EUR 2,513mn in 2009; this equals roughly 8% to 9% of group sales.

Extraordinary expenses are reported since 1Q10

Indra started reporting EBIT figures before and after extraordinary costs in 1Q10 (analog to its peer companies). These extraordinary costs accounted for EUR 15.3mn in the first nine months of 2010; this equals 0.8% in 9M10.

Strong growth in the Transport & Traffic and Telecom & Media vertical

The growth rate of Indra's once largest vertical **Security & Defense** has lagged the average sales growth of the group in recent years and has shown strong declines in 3Q09 and 2Q10 of 11.0% yoy and 23.0% yoy, respectively, followed by 10.5% yoy in 3Q10. As of 3Q10, Security & Defense accounted for 19.1% of total sales compared to 29.2% at the end of 2007. In 2008 and 2009, the verticals **Transport & Traffic** (19.8% of group sales in 2009, 2009: +14.8% yoy, 2008: +10.0% yoy) and **Telecom & Media** (10.8% of group sales in 2009, 2009: +10.6% yoy, 2008: +13.8% yoy) have enjoyed the strongest growth rates, driven by strong demand in all areas of the Transport & Traffic market, especially air traffic control, land and rail transport as well as road and maritime traffic. In Telecom & Media, major application management contracts were the main growth contributors.

Spain contributes two-thirds to group sales, but strong international growth will reduce Spain exposure medium-term

Indra has a strong focus on its domestic market (Spain), where it is also the market leader and where it derived 60.2% of its sales (3Q10). The acquisitions of Azertia and Soluziona improved Indra's regional diversification exposure slightly. Azertia's domestic sales were 78% of 2006 total sales, Soluziona's were 71%. Until today, Indra has acquired only relatively small companies outside Spain and has grown its international sales primarily organically. In 2009, international sales continued to grow significantly stronger than sales in Spain with +10.8% yoy (vs. Spain: +2.9% yoy); at the end of 2009 the share of international sales was 35.8% (compared to 64.2% in Spain). Latin America (10.5% of 2009 group sales) was the strongest-growing region after Europe (2009: +16% yoy, 17.8% of group sales).

Key figures of Indra's verticals

The following table provides an overview of the key facts of Indra's verticals, including 3Q10 sales, sales growth (yoy %), the share of international sales, the markets targeted by each vertical, key clients and the most important offerings in each vertical.

INDRA'S VERTICALS

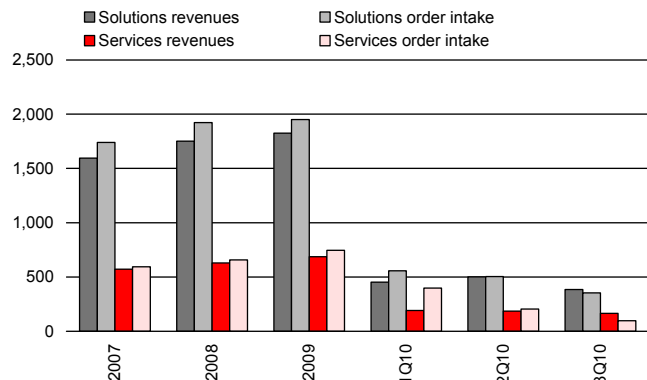
Vertical	Sales*	yoy (%)	Intl (%)**	Main markets	Main offering	Main clients
Transport & Traffic	284	10	46	Spain, Europe, Latin America, Asia	Air traffic management, Airport management, Railway control systems, Intelligent traffic systems & traffic safety, Ticketing and systems, Tolling systems, Outsourcing and BPO services	National Air Traffic Agencies (Spain, Germany, UK, China, India, Oman), Eurocontrol, Spanish railway operators (Renfe, ADIF), DGT (Spanish Highway Agency), Domestic and international transport operators (India, Magreb, China, Latin America)
Telecom & Media	156	9	35	Spain, Latin America, Europe	Business Support Systems, Operations Support Systems, Satellite communication systems, Digital television services, Outsourcing & BPO services	Telefónica, Orange, Vodafone, Grupo Prisa, ONO (cable operator), Antena 3 (FTA operator)
Public Administration & Healthcare	190	5	24	Spain, Latin America, Magreb	Electronic administration, Tax & justice management systems, Healthcare management systems, Identification systems, Balloting services, Outsourcing & BPO services	Central and regional administrations, Healthcare agencies, Social security agencies, Ministries of Domestic Affairs
Financial Services	197	6	23	Spain, Latin America	Core Banking and Insurance systems, Payment systems and compensation systems, Risk management, Corporate banking, Private and personal banking, Management information systems, Outsourcing & BPO services	BBVA, Santander, Caja Madrid, MAPFRE, Banco Sabadell, Banco de España (Spanish Central Bank), AVIVA
Energy & Industry	180	-10	34	Spain, Latin America, Asia	Commercial, distribution, generation and trading solutions, control and measurement systems, Solutions for smart metering, ERP implementation, Outsourcing & BPO services	Union Fenosa/Gas Natural, REE (Spanish electricity grid operator), Repsol YPF, Endesa, EDF, Renault
Security & Defense	321	-12	56	Spain, Europe, USA, Latin America	Command and Control, Communications, Computing and Intelligence (C4I), Air defense systems, Intelligence & electronics, Simulation & control, HLS (Border control), Logistics support	Spanish Ministry of Defense, NATO, Eurofighter, US Navy, German Navy, Police forces

*EUR mn, as of 3Q10; **Share of international sales (as of 9M10)

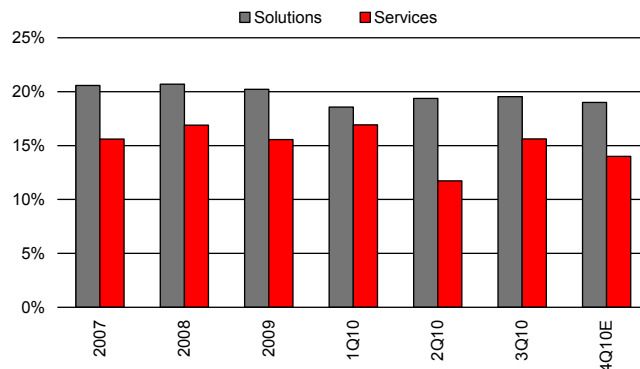
Source: Indra Sistemas, UniCredit Research

SEGMENTS

Order intake and revenues by segment (EUR mn)



Profitability by segment (operating margin as % of sales)



Source: Indra Sistemas, UniCredit Research

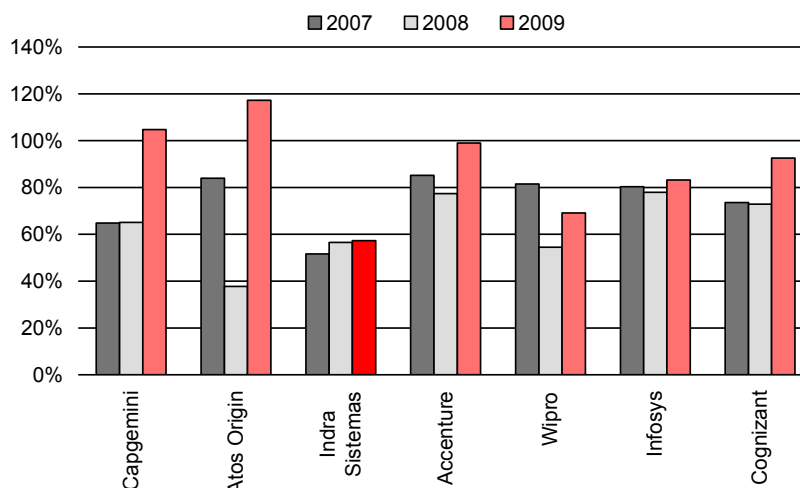
Order intake showed stable growth on the group level

The general growth trend has been confirmed in 3Q10 with a slow-growing Europe (especially Spain) and strong growth in the emerging markets (especially Latin America). In the services segment, order intake growth has been strong in 1Q10 and 2Q10 (+39% yoy followed by +36%), but decreased in 3Q10 by 13%. In contrast, the solutions division started 2010 with a decline of 4% in 1H10 but increased its order intake by 19% in 3Q10. On a group level, order intake growth was relatively stable, in the range of 7.4% and 10.6% in 1Q10 to 3Q10.

Low cash conversion compared to the sector

Indra's average cash conversion of 55% (2007 to 2009) is relatively low compared to its peers' average ratio of roughly 80%:

CASH CONVERSION IN THE IT SERVICES SECTOR



Source: UniCredit Research

Financial Forecast

Sales are expected to grow by 1.7% yoy in 2010E, driven by strength in Transport & Traffic; Energy & Industry and Security & Defense remain weak

Our forecast of 2010E total sales of 2,556.8mn (+1.7% yoy) reflects the continuing strength in the transport & traffic vertical (2010E: +10% yoy, 23.9% of 3Q10 sales), Telecom & Media (+9% yoy, 13.2% of sales in 3Q10) and Financial Services (+8% yoy, 16.2% of 3Q10 sales). The public administration & health vertical (14% of 3Q10 sales) suffers from the austerity programs of European governments (especially Spain); we forecast a decline of 1.4% in 2H10 after a growth of 5.1% in 1H10. As in 2009, the Spain-focused vertical Energy & Industry (2010E: -6.2%, 14.3% of 3Q10 sales) and Security & Defense (2010E: -6.2%, 19.1 of 3Q10 sales) will be the worst performing verticals in 2010E. Our 2010E operating margin forecast of 11.2% is in line with Indra's guidance of 11.2%.

2011E and 2012E will show a similar growth profile as 2010E in our view

For 2011 and 2012 we forecast a similar growth scenario for Indra's verticals as in 2010: Transport & Traffic will be the strongest growing vertical (+7.0% yoy) followed by Telecom & Media (+4.0% yoy) and Financial Services (+3.0% yoy). We expect that Public administration & health will decline due to the full impact of Spain's austerity programs, which already left its footprint in 3Q10 (-2.2% yoy) after showing positive growth in the prior quarters. Security & Defense will be the vertical with the most significant decrease in our view (-4.0% yoy).

We expect a lower profitability (operating margin) than the consensus for 2011E

The overall price pressure and the relatively strong decline of the high-margin security & defense vertical will impact Indra's 2011E and 2012E operating margin in our view. We forecast a 2011E EBIT margin of 10.6% (before extraordinary costs), hence below the consensus estimates of an 11.1% margin. As Indra has not yet published its 2011 guidance, we expect it to be released in the second half of January 2011. We expect an operating margin of 10.3% for 2012E.

ANALYSIS OF INDRA'S REGIONAL AND VERTICAL SALES

	2007	2008	2009	1Q10	2Q10	3Q10	4Q10E	2010E	2011E	2012E
Revenues by business areas										
Transport & Traffic	394.2	433.5	497.6	128.6	155.2	131.3	132.3	547.4	585.7	626.7
Telecom & Media	214.7	244.3	270.2	73.6	82.8	72.5	65.6	294.5	306.3	318.6
Public Administration & Healthcare	296.1	331.7	347.5	89.3	100.7	73.1	91.4	354.5	350.9	347.4
Financial Services	275.7	312.4	334.4	92.6	104.6	89.3	76.3	362.8	373.7	384.9
Energy & Industry	353.9	374.0	381.6	89.0	91.2	78.7	99.0	357.9	361.5	365.1
Security & Defence	633.0	683.7	682.0	170.0	151.0	105.0	213.6	639.7	614.1	589.6
Total	2,167.6	2,379.6	2,513.3	643.1	685.4	550.0	678.2	2,556.8	2,592.2	2,632.2
Revenues by geographical markets										
Domestic (Spain)	1,469.9	1,567.3	1,613.0	391.2	434.2	331.3	391.8	1,548.5	1,483.1	1,424.3
International	697.8	812.3	900.2	252.0	251.2	218.7	286.4	1,008.3	1,109.1	1,207.9
Europe (excl. Spain)	357.2	386.5	448.5	130.7	105.6	93.6	n.a.	n.a.	n.a.	n.a.
Latin America	197.3	229.3	264.0	77.1	93.8	87.6	n.a.	n.a.	n.a.	n.a.
Others	143.2	196.4	187.7	44.1	51.8	37.6	n.a.	n.a.	n.a.	n.a.
USA & Canada	57.0	53.4	31.6	6.5	7.0	5.5	n.a.	n.a.	n.a.	n.a.
Africa/Asia/Australia	86.2	143.1	156.1	37.6	44.7	32.2	n.a.	n.a.	n.a.	n.a.
Total	2,167.6	2,379.6	2,513.2	643.1	685.4	550.0	678.2	2,556.8	2,592.2	2,632.2
Growth (yoy %)										
by vertical										
Transport & Traffic	n.a.	10.0	14.8	10.2	10.0	7.2	12.8	10.0	7.0	7.0
Telecom & Media	n.a.	13.8	10.6	5.4	12.1	14.8	3.5	9.0	4.0	4.0
Public Administration & Healthcare	n.a.	12.0	4.8	1.6	8.5	-2.2	-0.7	2.0	-1.0	-1.0
Financial Services	n.a.	13.3	7.1	9.3	3.2	16.3	6.7	8.5	3.0	3.0
Energy & Industry	n.a.	5.7	2.0	-7.1	-12.3	-13.5	8.9	-6.2	1.0	1.0
Security & Defence	n.a.	8.0	-0.3	0.5	-23.0	-10.5	7.2	-6.2	-4.0	-4.0
Total		9.8	5.6	3.0	-3.3	0.8	6.9	1.7	1.4	1.5
by region										
Domestic (Spain)	n.a.	6.6	2.9	-4.4	-5.7	-3.0	-2.5	-4.0	-4.2	-3.5
International	n.a.	16.4	10.8	17.3	1.0	7.2	23.1	12.0	10.0	8.9
Europe (excl. Spain)	n.a.	8.2	16.0	11.3	-11.8	0	n.a.	n.a.	n.a.	n.a.
Latin America	n.a.	16.2	15.1	33.8	32.5	27.8	n.a.	n.a.	n.a.	n.a.
Others	n.a.	37.1	-4.4	10.8	-11.0	-10.2	n.a.	n.a.	n.a.	n.a.
USA & Canada	n.a.	-6.4	-40.8	-23.9	-25.9	-44.4	n.a.	n.a.	n.a.	n.a.
Africa/Asia/Australia	n.a.	65.9	9.1	20.3	-8.0	0.6	n.a.	n.a.	n.a.	n.a.
Total		9.8	5.6	3.0	-3.3	0.8	6.9	1.7	1.4	1.5
Revenue split (in % of total sales)										
by vertical										
Transport & Traffic	18.2	18.2	19.8	20.0	22.6	23.9	19.5	21.4	22.6	23.8
Telecom & Media	9.9	10.3	10.8	11.4	12.1	13.2	9.7	11.5	11.8	12.1
Public Administration & Healthcare	13.7	13.9	13.8	13.9	14.7	13.3	13.5	13.9	13.5	13.2
Financial Services	12.7	13.1	13.3	14.4	15.3	16.2	11.3	14.2	14.4	14.6
Energy & Industry	16.3	15.7	15.2	13.8	13.3	14.3	14.6	14.0	13.9	13.9
Security & Defence	29.2	28.7	27.1	26.4	22.0	19.1	31.5	25.0	23.7	22.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Domestic (Spain)	67.8	65.9	64.2	60.8	63.3	60.2	57.8	60.6	57.2	54.1
International	32.2	34.1	35.8	39.2	36.7	39.8	42.2	39.4	42.8	45.9
Europe (excl. Spain)	16.5	16.2	17.8	20.3	15.4	17.0	n.a.	n.a.	n.a.	n.a.
Latin America	9.1	9.6	10.5	12.0	13.7	15.9	n.a.	n.a.	n.a.	n.a.
Others	6.6	8.3	7.5	6.9	7.6	6.8	n.a.	n.a.	n.a.	n.a.
USA & Canada	2.6	2.2	1.3	1.0	1.0	1.0	n.a.	n.a.	n.a.	n.a.
Africa/Asia/Australia	4.0	6.0	6.2	5.8	6.5	5.9	n.a.	n.a.	n.a.	n.a.
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: UniCredit Research

Segment results

		2008	2009	2010E	2011E	2012E
Group						
Revenues	EUR mn	2,380	2,513	2,557	2,592	2,632
Sales growth	%	10	6	2	1	2
Margin	EUR mn	271	285	288	274	270
as a percentage of sales	%	11	11	11	11	10
Solutions						
Revenues	EUR mn	1,751	1,827	1,849	1,868	1,900
Sales growth	%	10	4	1	1	2
Margin	EUR mn	362	369	353	336	338
as a percentage of sales	%	21	20	19	18	18
Services						
Revenues	EUR mn	629	687	707	725	732
Sales growth	%	10	9	3	2	1
Margin	EUR mn	106	107	103	94	88
as a percentage of sales	%	17	16	15	13	12
Corporate						
Margin	EUR mn	-198	-191	-169	-156	-156
as a percentage of group sales	%	8	8	7	6	6

Consolidated income statement

IFRS		2008	2009	2010E	2011E	2012E
Revenues	EUR mn	2,379.6	2,513.2	2,556.8	2,592.2	2,632.2
Changes in inventory	EUR mn	0	0	0	0	0
Internally produced and capitalized assets	EUR mn	0	0	0	0	0
Total output	EUR mn	2,379.6	2,513.2	2,556.8	2,592.2	2,632.2
Cost of materials	EUR mn	-1,151.4	-1,237.4	-1,238.8	-1,257.2	-1,276.6
as a percentage of total output	%	48.4	49.2	48.5	48.5	48.5
Personnel expenses	EUR mn	-977.8	-1,006.9	-1,048.4	-1,057.6	-1,073.9
as a percentage of total output	%	41.1	40.1	41.0	40.8	40.8
Other operating income	EUR mn	58.8	60.6	61.2	40.4	31.8
as a percentage of total output	%	2.5	2.4	2.4	1.6	1.2
Other operating expenses	EUR mn	-0.9	-2.1	-0.4	0	0
as a percentage of total output	%	0	0.1	0	0	0
Other taxes	EUR mn	0	0	0	0	0
as a percentage of total output	%	0	0	0	0	0
EBITDA	EUR mn	308.3	327.4	330.4	317.8	313.4
as a percentage of total output	%	13.0	13.0	12.9	12.3	11.9
Depreciation (without goodwill amortization)	EUR mn	-37.7	-42.0	-42.8	-43.4	-43.4
as a percentage of total output	%	1.6	1.7	1.7	1.7	1.6
EBITA	EUR mn	270.5	285.4	287.6	274.4	270.1
as a percentage of total output	%	11.4	11.4	11.2	10.6	10.3
Goodwill amortization	EUR mn	0	0	0	0	0
as a percentage of total output	%	0	0	0	0	0
EBIT	EUR mn	270.5	285.4	287.6	274.4	270.1
as a percentage of total output	%	11.4	11.4	11.2	10.6	10.3
Write-downs on financial and current assets	EUR mn	0	0	0	0	0
Income from investments	EUR mn	3.5	0.2	0	0	0
Net interest income	EUR mn	-22.9	-24.9	-23.5	-20.0	-20.0
as a percentage of total output	%	-1.0	-1.0	-0.9	-0.8	-0.8
Earnings from ordinary activities	EUR mn	251.1	260.7	264.1	254.4	250.1
as a percentage of total output	%	10.6	10.4	10.3	9.8	9.5
Reported non-recurring result	EUR mn	0	0	-18.8	0	0
Earnings before income taxes	EUR mn	251.1	260.7	245.3	254.4	250.1
as a percentage of total output	%	10.6	10.4	9.6	9.8	9.5
Income taxes	EUR mn	-65.0	-62.7	-53.7	-53.4	-57.5
Income tax rate	%	25.9	24.1	21.9	21.0	23.0
Net income	EUR mn	186.1	198.0	191.6	201.0	192.6
as a percentage of total output	%	7.8	7.9	7.5	7.8	7.3
Adjustment items	EUR mn	0	0	0	0	0
Earnings before minorities	EUR mn	186.1	198.0	191.6	201.0	192.6
as a percentage of total output	%	7.8	7.9	7.5	7.8	7.3
Minority interests	EUR mn	-3.7	-2.4	0.4	-1.0	-1.0
Earnings after minority interests	EUR mn	182	196	192	200	192
EPS reported	EUR	1.14	1.21	1.17	1.22	1.17
EPS adjusted	EUR	1.14	1.21	1.26	1.22	1.17

Cash flow statement

		2008	2009	2010E	2011E	2012E
Earnings before income taxes	EUR mn	251.1	260.5	245.3	254.4	250.1
Depreciation charges on fixed assets	EUR mn	37.7	42.0	42.8	43.4	43.4
Changes in pension provisions	EUR mn	0	0	0	0	0
Changes in other long-term provisions	EUR mn	-1.6	3.6	0.8	1.0	1.0
Disposal of fixed assets	EUR mn	0	0	0	0	0
Changes in special items	EUR mn	0	0	0	0	0
- Changes in inventories	EUR mn	-71.3	2.2	-7.5	-15.0	-10.0
- Changes in trade receivables	EUR mn	43.5	66.0	-57.1	-80.0	-30.0
- Changes in receivables from leasing activities	EUR mn	0	0	0	0	0
- Changes in receivables and other assets	EUR mn	-70.4	-0.6	-0.5	0	0
- Changes in deferrals	EUR mn	-9.2	2.3	-4.5	0	0
- Changes in advances received	EUR mn	0	0	-15.0	45.0	30.0
Changes in other short-term provisions	EUR mn	-4.7	10.7	-0.7	0	0
Changes in trade accounts payable	EUR mn	-11.4	-112.8	36.7	30.0	20.0
Changes in liabilities from leasing activities	EUR mn	0	0	0	0	0
Changes in other liabilities	EUR mn	39.6	-58.2	9.8	0	0
Changes in deferred income	EUR mn	31.4	-4.7	0	0	0
Changes in advanced payments received	EUR mn	0	0	0	0	0
Operating adjustment factors	EUR mn	-35.4	-1.4	-53.7	-53.4	-57.5
Cash flow from operations	EUR mn	199.3	209.7	196.4	225.3	246.9
Asset disposals (without leasing)	EUR mn	2.6	0.6	0.6	0.6	0.6
Disposals of leased assets	EUR mn	0	0	0	0	0
Capital spending on fixed assets	EUR mn	-76.5	-90.0	-130.0	-60.0	-60.0
Capital spending on financial assets	EUR mn	-6.1	-1.5	-1.5	-1.5	-1.5
Capital spending on leased assets	EUR mn	0	0	0	0	0
Consolidations	EUR mn	-15.2	-18.2	-18.2	-18.2	-18.2
Disposal of fixed assets	EUR mn	0	0	0	0	0
Adjustment factors	EUR mn	16.1	11.1	0	0	0
Cash flow from investments	EUR mn	-79.1	-98.0	-149.1	-79.2	-79.2
Free cash flow	EUR mn	120.2	111.7	47.3	146.2	167.8
Receipts from capital increases	EUR mn	3.5	-8.0	0	0	0
Inflow/outflow from interest-bearing debt	EUR mn	-37.3	35.8	51.6	-45.8	10.0
Changes in marketable securities	EUR mn	36.9	1.8	-39.6	0	0
Less currency effects in equity capital	EUR mn	-0.9	1.2	-2.1	0	0
Payments to stockholders	EUR mn	0	0	0	0	0
Less previous year's dividend	EUR mn	-79.8	-99.0	-107.0	-105.6	-110.0
Less share buyback	EUR mn	0	0	0	0	0
Adjustment factors	EUR mn	-52.0	-0.5	0	0	0
Cash flow from the financing sector	EUR mn	-129.6	-68.7	-97.2	-151.3	-100.0
Changed currency relations, consolidation and others effects	EUR mn	0.4	0.3	0.3	0.3	0.3
Cash and cash equivalents on 1/1	EUR mn	32.2	23.2	66.5	16.9	12.0
Changes in cash and cash equivalents	EUR mn	-9.0	43.2	-49.6	-4.9	68.1
Cash and cash equivalents at FY end	EUR mn	23.2	66.4	16.9	12.0	80.1

Consolidated balance sheet

		2008	2009	2010E	2011E	2012E
ASSETS						
Fixed assets	EUR mn	658.0	714.2	754.2	735.1	735.1
Intangible assets	EUR mn	518.9	573.8	573.8	554.7	554.7
Property, plant and equipment	EUR mn	139.1	140.4	180.4	180.4	180.4
Financial assets	EUR mn	0	0	0	0	0
Current assets	EUR mn	1,755.8	1,729.8	1,799.9	1,845.0	1,923.1
Inventories	EUR mn	199.8	197.5	220.0	190.0	170.0
Accounts receivable	EUR mn	1,418.9	1,352.9	1,410.0	1,490.0	1,520.0
Other assets	EUR mn	70.9	71.5	72.0	72.0	72.0
Marketable securities and cash	EUR mn	66.3	107.9	97.9	93.0	161.1
Deferred charges	EUR mn	47.8	45.5	50.0	50.0	50.0
Balance sheet total	EUR mn	2,461.6	2,489.5	2,604.1	2,630.1	2,708.2
EQUITY AND LIABILITIES						
Equity	EUR mn	823.6	977.1	993.5	1,034.3	1,081.3
Capital subscribed	EUR mn	32.8	32.8	32.8	32.8	32.8
Capital surplus	EUR mn	22.2	14.2	14.2	14.2	14.2
Earnings reserves	EUR mn	231.6	325.3	410.3	504.7	586.2
Net disposable profit	EUR mn	182.4	195.6	195.6	195.6	195.6
Differences due to currency translation	EUR mn	0.9	2.1	0	0	0
Minorities	EUR mn	42.2	45.3	50.0	54.5	58.4
Special reserves for the year	EUR mn	0	0	0	0	0
Provisions	EUR mn	2.6	16.9	17.0	18.0	19.0
Pension provisions	EUR mn	0	0	0	0	0
Other provisions	EUR mn	2.6	16.9	17.0	18.0	19.0
Liabilities	EUR mn	1,569.0	1,433.8	1,531.9	1,516.1	1,546.1
Financial debt	EUR mn	204.5	240.3	291.9	246.1	256.1
Trade payables	EUR mn	1,126.2	1,013.3	1,050.0	1,080.0	1,100.0
Other liabilities	EUR mn	238.3	180.2	190.0	190.0	190.0
Deferred charges	EUR mn	66.4	61.7	61.7	61.7	61.7
Balance sheet total	EUR mn	2,461.6	2,489.5	2,604.1	2,630.1	2,708.2

Notes

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