# 1. INTRODUCTION

- **Indra's performance** during the first semester of the year has been, within a context of deceleration of demand in the domestic market, **in line** with company's **expectations.** This deceleration has been compensated by the positive performance of international markets.
- Compared to the same period of 2011:
    - **Sales increased** by **9%**
    - **Order intake** grew by **11%**
    - **Book-to-bill** ratio reached **1.3x**
    - **Order backlog** grew **14%**
- **Excluding** the impact of **acquisitions** (1) (Galyleo in Italy, Politec In Brazil and Indra Navia in Norway), **revenues** would have posted a **flat performance** and **order intake** would have grown by **1%** in the semester.
- **Sales** in **international markets increased** by **42%** and account for **51% of total company's sales** (versus 39% in the first semester of 2011). Indra expects this figure to reach 55% as of the end of 2012. **International order intake grew 52%**, representing **60%** of Indra's **order intake** during the semester.
- **Domestic revenues decreased** by **13%** and order intake, which is 8% higher than sales, by 20%.
- **Recurrent EBIT margin** stood at **8.4%,** at the **mid point of the guided range** for the full year (8%-9%)
- During the first semester, the company has incurred in €20m of extraordinary costs, out of €30m expected for the full year.
- **Net working capital** at the end of the semester stood at **101 annualised days of sales**, reflecting the positive impact of the collected overdue receivables from the Spanish Regional Governments (overdue as of December 2011), and of the higher weight of international activity, which, as an average, has lower working capital requirements.
- The integration process of Indra Navia is being carried out according to the company's expectations.
- Taking into account the evolution of the activity during the first semester of the year and the outstanding order backlog, **targeted revenues coverage for 2012 stands at 93%,** considering the **mid point** of the guided revenue range.
- **Considering this coverage** and the **performance expected** for the rest of the year, Indra **confirms all its targets for 2012**.
- On July 4th, the company made effective the payment of an **ordinary dividend** of **€0.68 per share,** which represents a 9.3% dividend yield over the closing share price of the previous trading day, and a 6.9% over the share price as of December 31st 2011.

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(1) During the first semester, acquisitions have contributed with approximately €182m in order intake and €120m in sales

## MAIN FIGURES

**Order Intake**

- Reached **€1,939m,** posting an **increase** of **11%** compared to the same period of previous year. This figure is 32% higher than revenues of the period (**book to bill** ratio at **1.32x**).
- Excluding acquisitions, order intake would have increased 1% versus the first semester of 2011.
- **International order intake** represented **60%** of Indra's total order intake and increased by **52%.**
- **Domestic** sales registered a **decrease** of **20%**, reflecting the difficult conditions of the Spanish market.
- **Solutions** segment registered a 16% increase, while **Services** grew 5%.

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**Revenues**

- Reached **€1,469m**, **growing 9%** compared to the first semester of 2011, and posted a flat performance excluding acquisitions.
- **International** market **grew** by **42%**, while domestic revenues **decreased 13%** versus the same semester of the previous year.
- **Services** segment registered a **25% growth** and **Solutions** remained **flat**.
- By **vertical markets**, Energy & Industry, Financial Services and Public Administrations & Healthcare registered double digit growth in the period, Transport & Traffic and Telecom & Media posted positive rates of growth and Security & Defence remained flat.

**Order backlog**

- Order **backlog** reached **€3,716**, having increased by **14%** versus the same period of 2011.
- At the close of the semester, order **backlog represents 1.33x** last twelve month (LTM) **revenues**.

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**Income statement and Balance Sheet**

- **Recurrent Operating Margin** (EBIT/sales before extraordinary costs) reached **8.4%,** or 2.1 percentage points lower than the figure reached in the same period of 2011.
- **Recurrent Operating Profit** (EBIT before extraordinary expenses) stood at €123m, **13% below** the figure obtained in the first semester of 2011.
- This difference is mainly due to the negative impact of the pricing pressure, mainly in the domestic market, on the Solutions' and Services' contribution margin, and to the consolidation of the acquisitions made during the second semester of 2011, which currently carry a lower contribution margin than that of Indra. Contribution margin in the Solutions segment decreased 0.8 bp to 18%, and 1.8 percentage points in the Services segment, down to 12.3%.
- During the first semester, Indra has incurred in €20m of **extraordinary expenses**, in line with the company's expectations. During the rest of the exercise, it expects to account for €10m additional extraordinary costs (as to reach approximately 1% of estimated revenues for the year).

- **Recurrent Net Profit** (Net Profit before extraordinary costs) reached €77m, **27% below** the figure reached in the same period of the previous year.
- Operating Profit (EBIT) amounted €103m, 27% lower than the figure obtained in the first semester of 2011, and Net Profit reached €61m, 42% below the figure obtained in the same period of the previous year.
- **Net working capital** is equivalent to **101 days of annualised revenues** (versus 100 days at the end of the first semester of 2011 and 110 days expected for the full year).
- During the month of June, the Spanish Government has put in place a program for the Regional Governments to settle with their suppliers the overdue debt at December 2011. Indra has collected around €70m from this program.
- During the period, **payments** in tangible and intangible (net of subsidies) assets amounted €49m. The company has also invested, net of disposals, €32m in financial investments (mainly Indra Navia in Norway).
- **Net debt** at the end of the semester reached **€587m** (versus €514m of net debt at the end of 2011), equivalent to **1.98x LTM recurrent Ebitda.** Considering Indra's financial targets for the full year, and payment of the ordinary dividend in the third quarter of 2012, the company expects this ratio to be maintained by year end.

## TRADING UPDATE AND 2012 TARGETS

Based on the performance of the company during the first semester of 2012, the expectations for the rest of the year and with an order backlog **coverage** of **93% of the mid point targeted sales,** the company confirms **its 2012 targets**:

- **Revenues** are expected to **grow** between **8% and 9%**, with a positive performance excluding the acquisitions of Politec, Galyleo and Indra Navia. International market's stronger growth will compensate the weakness of the Spanish activity.
- **Order book/sales** ratio above **1x**
- **Recurrent EBIT margin** (before extraordinary costs) between **8%** y **9%.**
- **Net working capital** and **tangible and intangible capex** at the higher end of the range of **110-100 days** of annualised revenues and **€75-65m** respectively.

# 2. MAIN FIGURES

The table below shows Indra's main figures for the period, including the impact of the acquisitions of Galyleo (consolidated since July 1st, 2011), Politec (consolidated since October 1st, 2011) and Indra Navia (consolidated since May 1st, 2012)

| INDRA | 1S12 (€M) | 1S11 (€M) | Variation (%) |
|---|---|---|---|
| Order Intake | 1,939.1 | 1,739.8 | *11* |
| Revenues | 1,468.7 | 1,353.6 | *9* |
| Backlog | 3,715.7 | 3,272.5 | *14* |
| Recurrent Operating profit (1) | 122.9 | 141.7 | *(13)* |
| Recurrent EBIT margin (1) | 8.4% | 10.5% | *(2.1) pp* |
| Extraordinary costs | (20.1) | 0.0 | *na* |
| Net Operating Profit (EBIT) | 102.8 | 141.7 | *(27)* |
| EBIT Margin | 7.0% | 10.5% | *(3,5) pp* |
| Attributable Profit | 61.4 | 105.3 | *(42)* |
| Adjusted Attributable Profit | 77.3 | 105.3 | *(27)* |
| Net debt position | *587.4* | *343.8* | *71* |

(1) Before extraordinary costs

| **Earnings per Share** (according to IFRS) | 1S12 (€) | 1S11 (€) | Variation (%) |
|---|---|---|---|
| Basic EPS | 0.3774 | 0.6448 | *(41)* |
| Diluted EPS | 0.3774 | 0.6448 | *(41)* |
| Diluted EPS (adjusted) | 0.4753 | 0.6448 | *(26)* |

- **Basic EPS** is calculated by dividing net profit for the period by the total number of outstanding shares less weighted treasury shares at the close of the period.
- Treasury shares and total shares are weighted in accordance with the number of days they have been on the company's balance sheet during the year.
- **Diluted EPS** is the same as basic EPS given the company has not issued convertible shares or any other similar financial instruments.

| | 1S12 | 1S11 |
|---|---|---|
| Total number of shares | 164,132,539 | 164,132,539 |
| Weighted treasury stock | 1,462,383 | 855,784 |
| **Total shares considered** | **162,670,156** | **163,276,755** |

- At the end of June 2012, the company held 3,416,966 treasury shares representing 2.1% of total shares in the company.