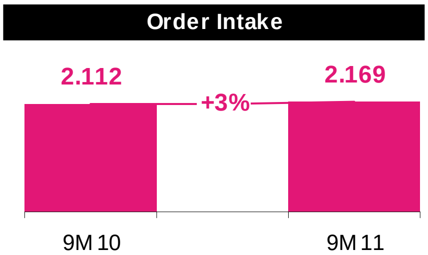
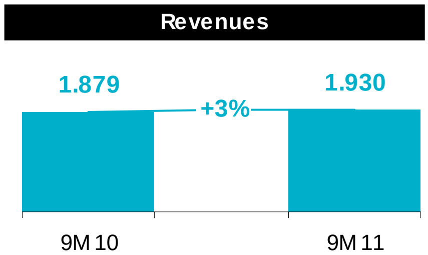
# 3. ANALYSIS OF REVENUES AND COMMERCIAL ACTIVITY

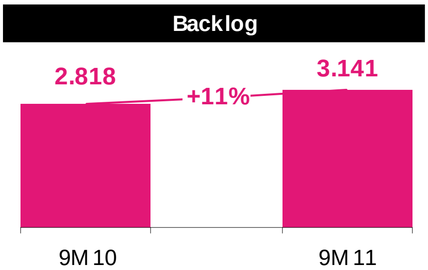
## INDRA

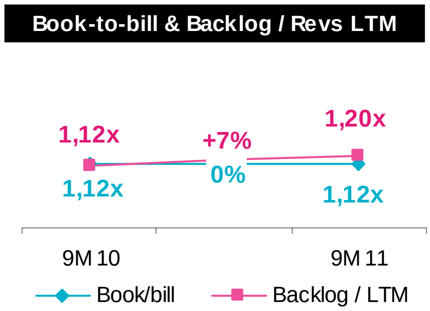
- Group's **order intake** has posted a **3%** growth reaching €2,169m.
- Total **sales** registered a **3% growth**, standing at €1,930m.



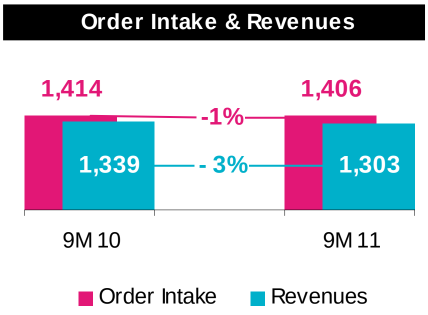

- **Order backlog grew** by **11**% representing, at the close of the quarter, **1.2x LTM sales**, above the ratio reached at the end of the first nine months of 2011 (1.12x).
- **Book-to-bill ratio** at the end of third quarter stands at **1.12x,** similar level than the one reached during the same period of 2010.

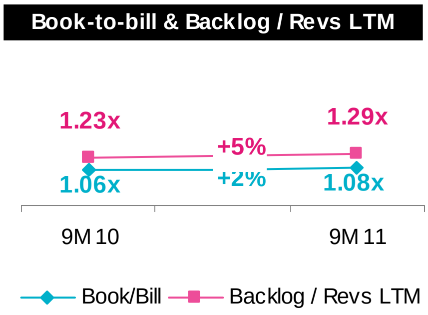


## 3.1 ANALYSIS BY SEGMENT

### SOLUTIONS




- **Sales** have decreased by 3% versus previous year, still affected by the reduction in Solutions sales mainly within the Security & Defence vertical.
- **Order intake** registered a slightly negative performance (-1% versus the figure reached at the end of the first nine months of 2010), also affected by a lower order intake in the Security & Defence vertical.
- **Order intake** during the period was **8% higher** than **sales** (book-to-bill at 1.08x).
- **Order backlog** continues growing (+5% in first nine months 2011) and reaches €2,319m, with order backlog / LTM sales ratio at 1.29x at the end of the quarter.

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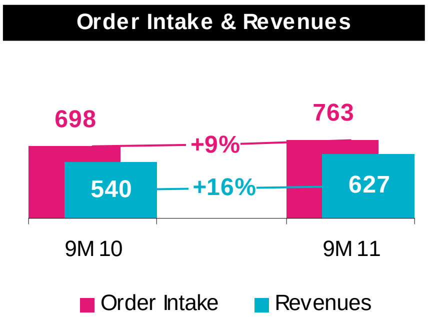
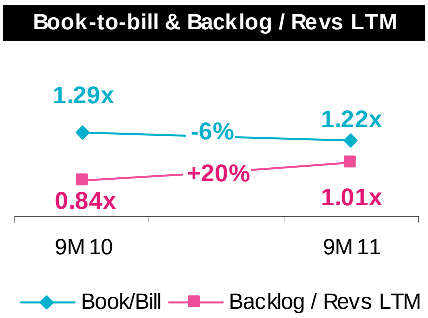
### SERVICES




- **Sales** increased by 16% during the period.
- **Order intake** grew by 9% during the first nine months of the year, to €763m.
- **Book-to-bill** ratio reached 1.22x.
- **Order backlog** shows a strong growth of 37% to €822m.
- **Order book / LTM** sales ratio reached 1x, registering a 20% growth.
- It should be highlighted the **positive performance** of the **Order intake** in Telecom & Media as well as in Energy & Industry and Public Administrations.
- Services revenues are expected to post a positive evolution by year end, although showing a slower rate of growth in the fourth quarter in comparison to the first nine months of 2011, due to the start up of two significant contracts in the last quarter of 2010.

## 3.2 ANALYSIS BY VERTICAL

| REVENUES | 9M11 (€M) (*) | 9M10 (€M) | Variation €M | Variation % |
|---|---|---|---|---|
| Telecom & Media | 305.1 | 228.9 | 76.2 | 33 |
| Energy & Industry | 286.1 | 258.9 | 27.1 | 10 |
| Public Admin. & Healthcare | 277.6 | 263.1 | 14.5 | 6 |
| Transport & Traffic | 435.1 | 415.1 | 20.0 | 5 |
| Financial Services | 294.5 | 286.5 | 8.1 | 3 (*) |
| Security & Defence | 331.2 | 426.1 | (94.9) | (22) |
| **Total** | **1,929.6** | **1,878.6** | **51.0** | **3** |

(*) Public Administrations & Healthcare, excluding balloting projects, falls by 6%.

- **Telecom & Media** posted a remarkable growth during the first nine months of 2011, benefiting form an important outsourcing contract put in force during the fourth quarter of 2010 and the integration of several outsourcing activities in the telecom sector, also during the last quarter of 2010. For this reason, the rate of growth achieved in the first nine months (+33%) is not sustainable for year end.

  Latin America shows a positive performance which is expected to continue during the next months.

- **Energy & Industry**, improved during the third quarter 2011, posting a 10% growth in the first nine months.
  - This growth was supported by the positive evolution of the energy segment, mainly in the international market, and more specifically in Latin America.
  - As indicated in the last results, the evolution expected for this vertical is to lower the growth pace registered in the nine first months of the year.

- **Public Administration & Healthcare** registered a growth of 6%, on the back of both international balloting projects (Colombia and Argentina) and domestic municipal and regional elections. Excluding this contribution, sales would have declined by 6% due to the weakness of the domestic market.

- **Transport & Traffic** maintains a healthy rate of growth, with an increase in sales of 5% during the period.
  - The good performance of the international market, which keeps increasing its contribution to the vertical and now accounts for more than 50% of its sales, offsets the weakness in the domestic market.
  - The Air Traffic Management activity continues registering sustainable rates of growth, both in the domestic and international arena, with the latter showing higher rates of growth.
  - The company continues increasing its commercial efforts in the Railway sector, and has taken part in the consortium that has been awarded a relevant contract in Saudi Arabia. Within this consortium Indra will provide several systems (control centers, communications, ticketing, management systems, etc). Indra's expected revenues along the duration of the project (more than 10 years), will reach €440m. This contract is expected to be put in force un 2012.

- **Financial Services** reaches 3% growth during the nine first months of the year, boosted by the presence of the company in the big financial entities, mainly in the banking sector.
    - The concentration process started in the domestic market still offers important opportunities in the medium term, although there are some signs of slow down in the process of the investment decisions making.
    - Domestic activity shows positive growth, both in revenues and order intake
    - During the first nine months of the year, the company has continued to reinforce its presence in Latin America, both in the banking and insurance markets.

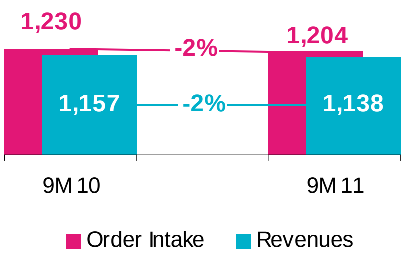
- **Security & Defence** decreased sales by 22% during the period, in line with the company's expectations and first half 2011 figure.
    - Sales are affected by the strong weakness of the domestic market demand and by the reduction, as mentioned in previous resuts, in the annual production of the Eurofighter program, which is partially compensated through an extension of its lifespan.
    - In line with expectations already commented in the previous quarterly results, the company expects revenues to moderate its negative performance by the end of the year.

## 3.3. ANALYSIS BY GEOGRAPHY

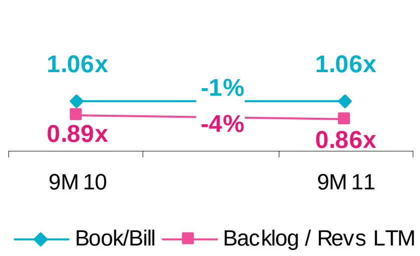
**Domestic market:**

- **Revenues** have decreased by 2% in comparison with the same period of 2010, reaching €1,138m.
- Telecom & Media and Energy & Industry show the strongest revenue growth, while Transport & Traffic (mainly railway and urban transport) and Security & Defense recorded a decrease in revenue.
- **Order Intake decreased by 2%** (with institutional clients showing a worse performance), setting the **book-to-bill** ratio at 1.06x, versus the figure posted in the same period of 2010
- **Backlog / LTM** ratio reached 0.86x in the last 12 months.

**Domestic: O. Intake & Revenues**



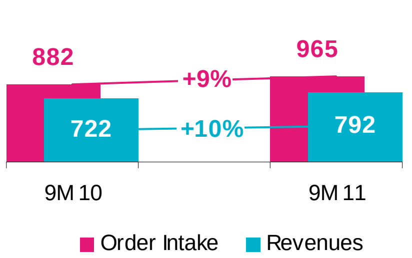

**Book-to-bill & Backlog / Revs LTM**



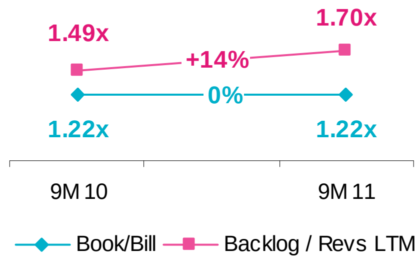

**International market:**

- The international market registered a **growth** in **sales** of 10% versus the same period of the previous year, and is expected to maintain double digit growth at the end of 2011, increased by the contribution of Galyleo and Politec.
- **Order intake** has posted a **9% growth** during the first nine months of the year, reaching €965m.
- International **book-to-bill** ratio stands at 1.22x, a similar level reached during the same period of the previous year.
- **Backlog / LTM** international sales stands at the end of the period at 1.70x, 14% above the 1.49x ratio achieved last year.

**International: O. Intake & Revenues**



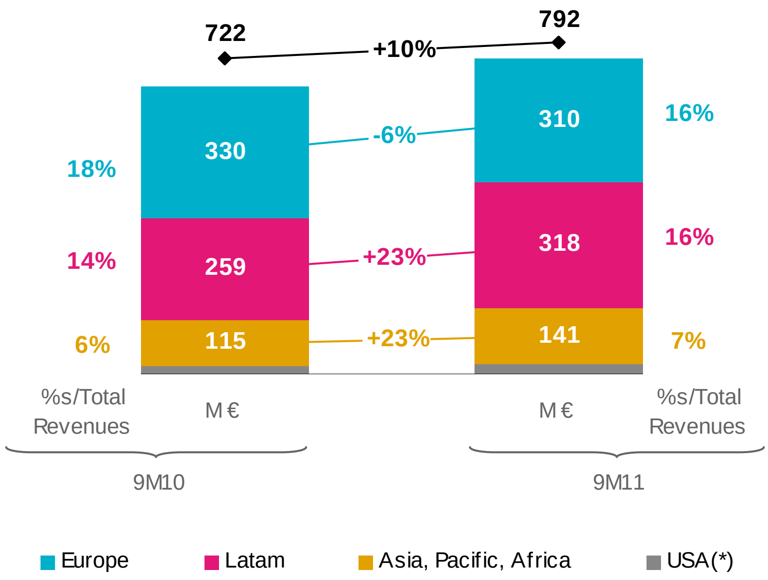

**Book-to-bill & Backlog / Revs LTM**




- **Latin America** continues to show a positive trend, with a 23% growth in revenues during the nine first months of the year, level which is expected to continue at year end:
  - Brazil, Argentina, Colombia and Peru continue to show the same positive trend achieved during the first quarters of the year, with rates of growth above the average of the region.

- In **Europe**, revenues have declined by 6% during the period, mainly due, as mentioned before, to the slowdown in the production of the Eurofighter programme, which will affect the performance of the vertical for the whole year 2011.
- Lastly, the Asia Pacific region revenues have reached a significant rate of growth (+23%), which is expected to continue in the last quarter of the year.

**Geographical Breakdown International 9M-11 vs 9M-10**




* Datos EEUU: 9M10: 19M€; 1% s/ventas
9H11: 23M€ (+24%); 1% s/ventas

# 4. ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

**Income statement**

- **Net operating profit** (EBIT) reached €203m, 6% ahead of the figure reported in the same period of the previous year.
- No extraordinary costs have been accounted for the first nine months, compared to €15,3m registered in the same period of 2010 (which increased to 33M€ by year end).
- Adjusted by the above mentioned extraordinary costs, recurrent EBIT decreased by 2%.
- **Net operating margin** (EBIT/Sales) stood at 10.5%, 0.5pp below Recurrent Operating Margin (before extraordinary costs) of the same period of previous year. Nevertheless, it is 0.3pp above the figure reached in the first nine months of 2010, including the above mentioned extraordinary costs.
- **Contribution Margin** declined, in line with the company's expectations, by 0.2pp to 17.7%, driven by two main factors that continue to put pressure: price pressure and Service's larger growth rate versus Solutions'. Margin contribution within the Services' segment decreased 0.3pp, versus the slight increase of 0.1pp registered in Solutions.
- **Overheads** account for 7.2% of revenues.
- **Tax rate** stood at 21%, slightly ahead of that registered during the first nine months of 2010 (20%).
- **Net profit** reached €145m, growing 1% versus the same period of the previous year. Excluding 9M10 extraordinary costs, Net profit would have decreased by 7%.

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**Balance Sheet** and **Cash Flow Statement**

- **Net working capital** reached €762m, equivalent to 108 days of revenues, and above the 98 days of revenues reported in the same period of 2010.
- Investment in working capital stood at €108m in the first nine months of the fiscal year. This variation is mainly due to the increase in inventories driven by the delay in the billing process of certain domestic institutional clients, which is expected to be reduced the year end.
- The company expects net working capital to stand at the same levels registered by the end of the third quarter.
- **Investments** over the period came in at €148m, of which:
    - **Tangible** assets accounted for €33m, of which approximately one third correspond to a flight simulator, which will be used to increase Indra's in simulation business to train civil pilots.
    - **Intangible** assets reached €69m, mainly on the developing of Solutions for the different markets where Indra is involved, particularly in Energy, Defence, Transport & Traffic and Public Administration & Healthcare, Solutions that are being developed jointly with some clients, and to Intellectual Property. The amount of capital grants on R&D investments perceived by the company during the period stood at 18M€.

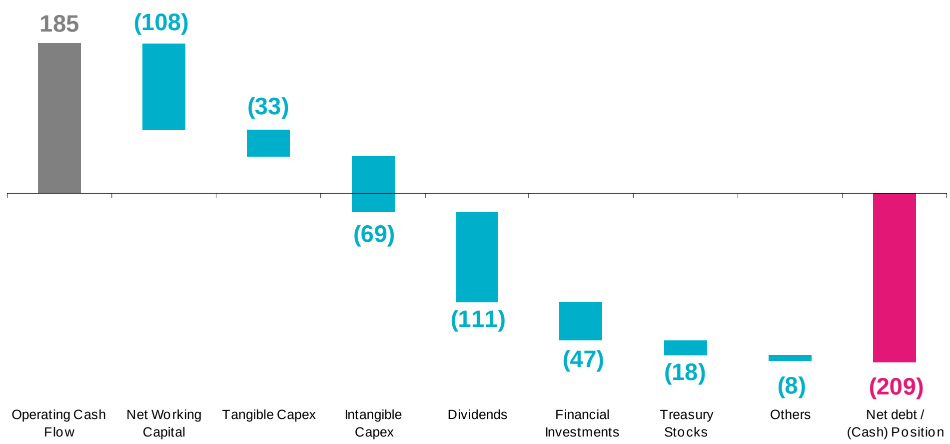
- **Financial investments** account for €47m, including:
  - Acquisitions made along the current year, mainly 100% of satellite communications systems company X-Sat, 77.5% of Galyleo and 6.57% of Politec's minorities.
  - 49% of minorities of Indra Espacio at the end of 2010

- Ordinary **dividend** payment, made last 4th of July, amounted €111m.

- At the close of the third quarter 2011, the company has invested €18m in **treasury stock**, representing 1.64% of total shares in the company.

- **Net debt position** stood at €484m by the end of the first nine months of the year (versus €311m at 9M10).

**Cash Flow 9M-11 M€**




## Human Resources

- **Total workforce** at the close of September 2011, stood at 30,577 employees, 11% up the same period of 2010.

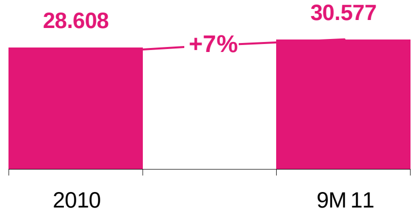
- The main increase in absolute terms took place in **Latin America**, home to 25% of the workforce, which grew 25% versus first nine months of 2010.

- International workforce accounts for 32% of total workforce (including the integration of 440 employees from Galyleo)

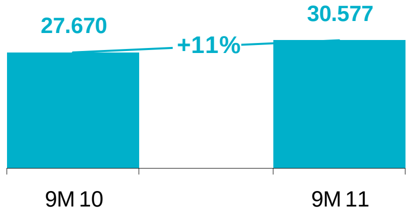
- Final workforce in Spain grew by 5%.

- Final workforce increased 7% compared to December 2010.

**Final Workforce 9M-11 vs 2010**




**Final Workforce 9M-11 vs 9M-10**




- **The average workforce** increased by 10% versus first nine months of 2010 and reaches 29,647 employees.