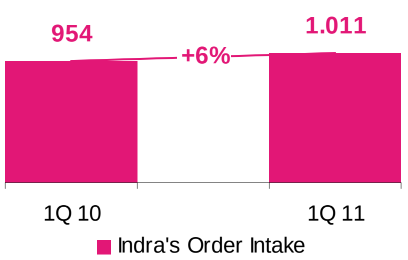
3. ANALYSIS OF REVENUES AND COMMERCIAL ACTIVITY

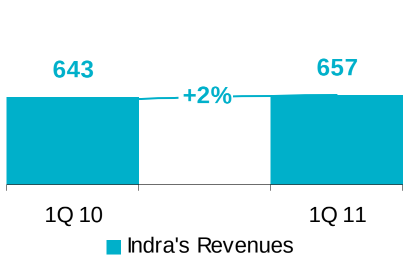
<u>INDRA</u>

- Group's **order intake increased 6%** to €1,011m.
- Total **sales** posted a **2% growth**, reaching €657m.

Indra´s Order Intake

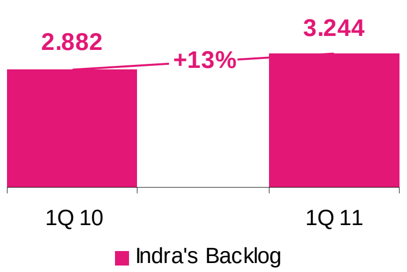


Indra´s Revenues

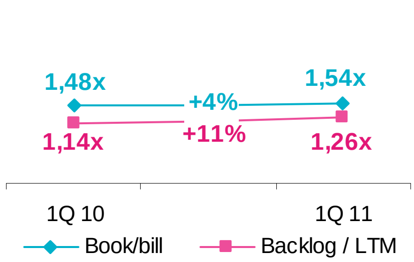


- **Order backlog grew** by **13**% and represents at the close of the quarter **1.26x LTM sales**, above the ratio reached at the end of first quarter 2010 (1.14x).
- **Book-to-bill ratio** for the quarter stands at **1.54x,** above the figure reached during the same period of 2010 (1.48x).

Indra´s Backlog

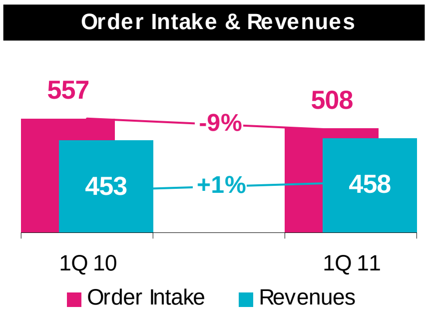


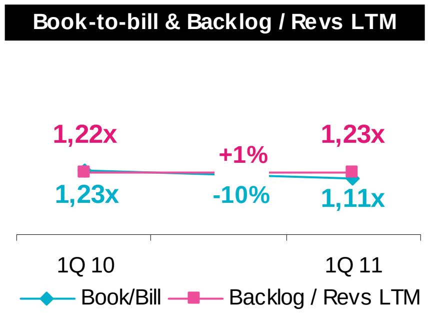
Book-to-bill & Backlog / Revs LTM



3.1 ANALYSIS BY SEGMENT

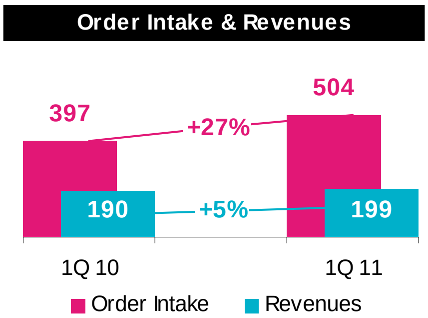
SOLUTIONS

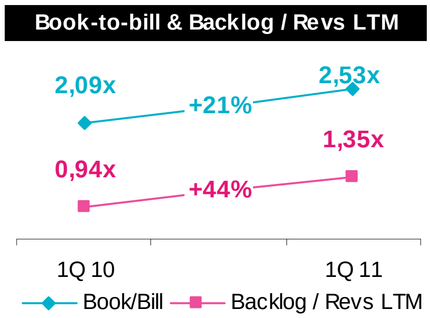




- **Sales** remained flat (+1%), reaching €458m.
- **Order intake** registered a 9% decline, in line with expectations, down to €508m, mainly affected by institutional clients' budget restrictions, with private sector showing a better performance.
- **Order intake** during the quarter was **11% higher** than **sales** (book-to-bill at 1.11x).
- **Order backlog** continues to grow (+1% in Q1) reaching €2,245m, with order backlog / LTM sales ratio showing an expansion, although limited, to 1.23x.
- Performance of Solutions' **order intake** is expected to **improve** in the **following quarters.**

SERVICES





- **Sales** increased by 5% during the period.
- **Order intake** posted a positive performance, growing 27% to €504m.
- **Book-to-bill** ratio continues to expand, reaching 2.53x, 21% above the level attained in the first quarter of the previous year (2.09x).
- **Order backlog** shows a strong growth, above 50%, up to €999m.
- **Order book / LTM** sales ratio reached 1.35x, registering significant 44% growth.
- The **positive performance** of **order intake** during the first quarter is mainly due to the outsourcing of business processes.
- This rhythm of growth is not expected to be maintained in the next quarters.
- The company expects to **maintain** for the **remaining** of the year, a **positive** performance in the **Services** segment, in which Indra is developing a more competitive and differential offer, allowing for market share increase in its main clients.

3.2 ANALYSIS BY VERTICAL

REVENUES	1Q11 (€M)	1Q10 (€M)	Variation €M	Variation %
Telecom & Media	91.7	73.6	18.1	25
Energy & Industry	97.1	89.0	8.1	9
Transport & Traffic	138.3	128.6	9.7	8
Financial Services	98.4	92.6	5.8	6 (*)
Public Admin. & Healthcare	91.1	89.3	1.8	2
Security & Defence	140.9	170.0	(29.1)	(17)
Total	**657.5**	**643.1**	**14.4**	**2**

(*) Public Administrations & Healthcare, excluding balloting projects, falls by 3%.

- **Telecom & Media**, posted a remarkable growth during the first quarter of 2011 (+25%, a level not sustainable across the year), mainly due to the new services the company has incorporated and to the process of concentration of IT suppliers taking place in the sector.
  - Latin America shows a positive performance, with Brazil posting a good development during the quarter.
  - Media continues contributing to Telecom & Media vertical's growth. This situation will be maintained during the next two quarters as the main Media contract achieved full performance in the last quarter of 2010.

- **Energy & Industry**, showed a positive performance during the first quarter, posting a 9% increase.
  - This growth was supported by the positive evolution of the energy segment, both in the domestic and international arena.
  - In the domestic industry sector, clients' perception towards investing in new solutions versus maintaining the old one's is starting to change, principally in large industrial and consumer good's clients.
  - Expectations for this vertical point to a flat performance in 2011.

- **Transport & Traffic** keeps growing at a healthy rate, with an increase in sales of 8% during the quarter.
  - The good performance of the international market (50% of this vertical's sales in Q1) offset the weakness of the domestic market.
  - A high level of sales in the international market is expected to be reached in 2011, on the back of the positive evolution of order intake in the Asia Pacific and Gulf regions during 2010.
  - The company is in continuous search for new commercial opportunities in the railway market, both at the domestic and international level, either at a standalone level or through alliances with other players of the sector.

- **Financial Services** reaches 6% growth during the quarter, boosted by the externalisation of Maintenance and Management of Applications and by the activity of Business Process Outsourcing (BPO).
  - The company closely follows the consolidation process taking place in the domestic market. This process represents an interesting business development opportunity whose level of activity will accelerate and extend throughout 2012.

- The company continues to reinforce its presence in Latin America, both in the banking and insurance markets, developing high added value solutions for its clients.

- **Public Administration & Healthcare** registered a growth of 2%, on the back of preparatory work carried out for the Spanish municipal and regional elections. Excluding this, sales would have declined by 3%.

  - Indra's exposure to this market is allowing the company to limit the decrease in revenues - excluding balloting projects - to a low single digit, in spite of the negative impact from both the different public administrations budgets restrictions, and existing price pressure.

  - International revenues maintain a positive tone, with good expectations in terms of order intake for the following quarters.

  - Balloting solutions, with projects that will be carried out both in the domestic and international markets reinforce the expectations of improving the growth rate of this vertical at the end of the year.

- **Security & Defence** decreased sales by 17%, in line with the company's expectations for the first quarter.

  - The decline in revenues reflect not only the difficult situation of the domestic market but also, as mentioned in earlier quarterly earnings reports, to the reduction of annual production related to the Eurofighter program, compensated by an extension of the lifespan of the program.

  - The company expects revenues to moderate its negative performance by the end of the year.

3.3. ANALYSIS BY GEOGRAPHY

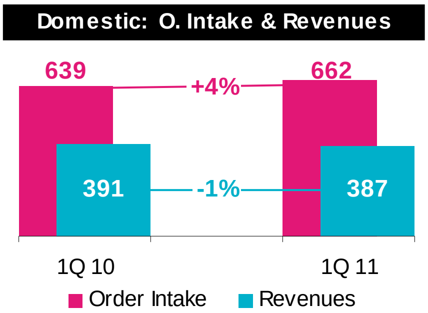
Domestic market:

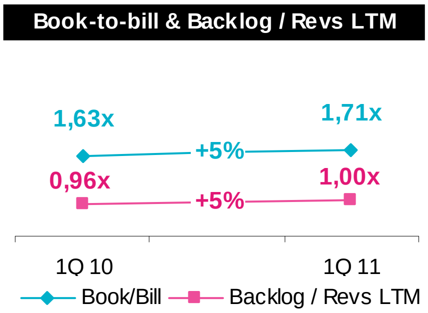
- **Revenues** have remained nearly flat (-1%) in comparison with the same period of 2010, reaching €387m.

- Telecom & Media and Energy & Industry show the strongest revenue growth; while the segments with a higher component of institutional demand (Security & Defence and Transport & Traffic in particular), recorded weaker performance.

- **Order Intake** grew by 4%, setting book-to-bill ratio at 1.71x, ahead of the figure posted in the first quarter of 2010 (1.63x).

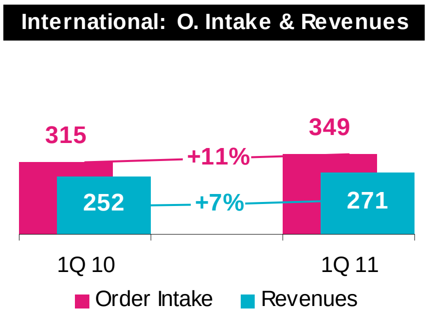
- **Backlog / LTM** ratio also stood at a higher level, when compared to the same period of 2010, slightly exceeding 1x.

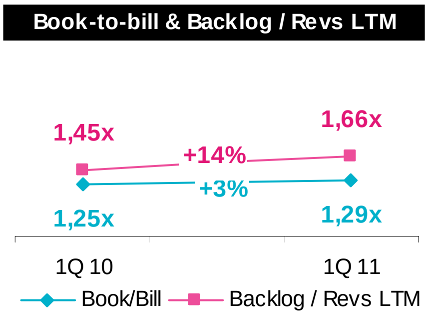




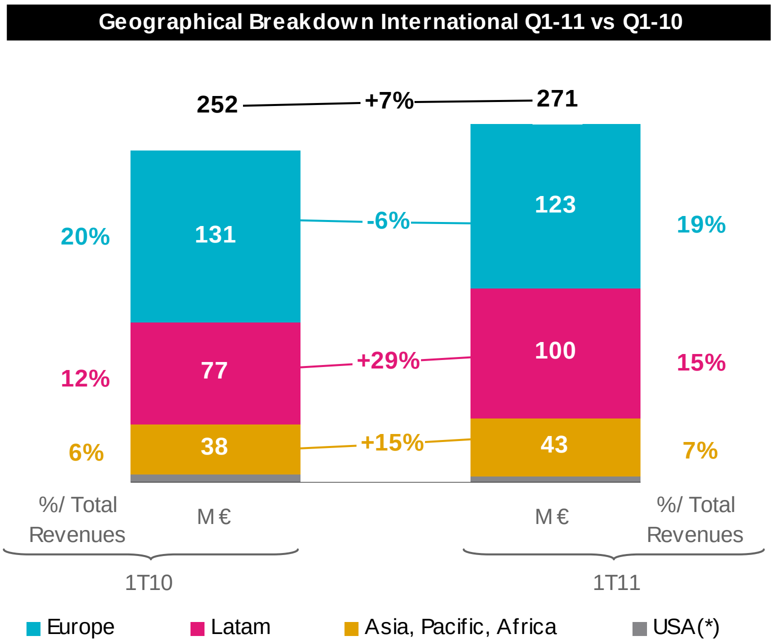
International market:

- International market accounts for 41% of total Group **sales**, having registered a 7% growth compared to the same period of 2010.
- **Order intake** has posted 11% growth during the first quarter of the year, reaching €349m.
- International **book-to-bill** ratio stands at 1.29x, just slightly ahead of the 1.25x level reached in the same period of the previous year.
- **Backlog / LTM** international sales stands at the end of the quarter at 1.66x, 14% above the 1.45x ratio achieved last year.





- **Latin America** continues to show a positive trend, with close to a 30% growth in revenues during the quarter.
  - Brazil, Colombia and Peru stand out with a rate of growth above the average of the region.
  - For the rest of the year, Latin America is expected to post double digit growth in revenues.
- **In Europe**, revenues have declined by 6% during the period, mainly due to the slowdown in the rhythm of production of the Eurofighter programme - with extension of its lifespan - as mentioned before.
- Lastly, within the Asia Pacific region, revenues recorded a significant rate growth, fully offsetting the slowdown in some Northern African countries.



* Datos USA: 1Q10: 7M€ (-24%); 1% /Total Revenues
1Q11: 5M€ (-27%); 1% / Total Revenues

4. ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Income statement

- **Net operating profit** (EBIT) reached €69m, 7% ahead of the figure reported in the same period of the previous year.

- No extraordinary costs have been accounted for the quarter, compared to €5.4m registered in the first quarter of 2010.

- Adjusted by the above mentioned extraordinary costs, recurrent EBIT (before extraordinary costs) would have remained flat.

- **Net operating margin** (EBIT/Sales) stood at 10.5%, 0.5pp above the figure reached in the first quarter of the previous year and 0.3pp below Recurrent Operating Margin (before extraordinary costs).

    - **Contribution Margin** declined, as expected, by 0.5pp to 17.6%, driven not only by price pressure, but also by Services segment's larger growth rate versus Solutions'.

    - **Overheads**, accounts for 7.1% of revenues, versus 7.3% in the same period of 2010.

- **Tax rate** stood at 22.4%, in line with the one registered during the first quarter of 2010 (22.2%).

- **Net profit** reached €50m, growing 7% versus the same period of the previous year, mainly due to the extraordinary costs incurred in 2010. Excluding extraordinary costs from 1Q10, Net profit would have decreased by 2%.

Balance Sheet and C**ash Flow Statement**

- **Net working capital** reached €708m, equivalent to 97 days of revenues, above 93 days reported in 2010 and 86 in the first quarter 2010.

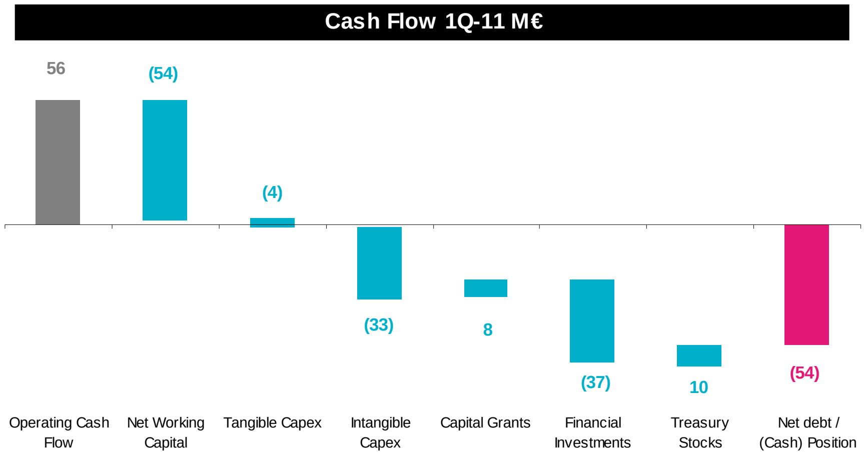
    - Investment in working capital stood at €54m in the first quarter of the fiscal year.

    - The company expects net working capital to stand at 100 days of revenues by year end

- **Investments** over the quarter came in at €74m, of which €4m relate to tangible assets, €33m to intangible assets and €37m to financial investments.

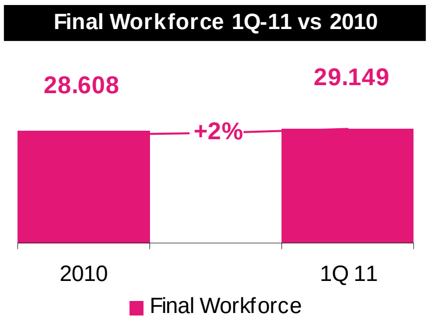
- Net divestment in **treasury shares** totalled €10m, with a weighted treasury stock position at the end of the quarter of 0.47%.

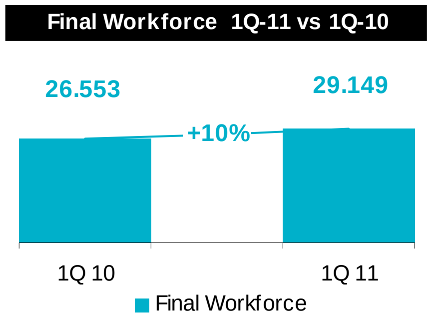
- At the close of the first quarter of 2011, the company had a **net debt position** of €329m (versus €275m at the end of 2010).



Human Resources

- **Total workforce** at the close of 1Q11 stood at 29,149 employees, 10% up the same period of 2010.
- The main increase took place in Latin America, home to 24% of the workforce, which grew 31% versus first quarter of 2010, in line with the region's sales increase.
- Final workforce in Spain grew by 5%.
- Final workforce increased 2% compared to December 2010.





- **The average workforce** increased by 11% versus first quarter on 2010 and reaches 29,132 employees, representing a 7% increase versus December 2010.