3. COMMERCIAL ACTIVITY AND REVENUES BY SEGMENT

SOLUTIONS
In the Solutions division, key figures for 2009 and yoy comparisons for 2008 are as follows:

	2009 (€M)	2008(€M)	Variation €M	Variation %
Order Intake	1,951.6	1,922.0	29.6	*2*
Revenues	1,826.7	1,750.5	76.2	*4*
Backlog	2,153.9	2,057.8	96.0	*5*

As expected, the significant 11% growth in **Solutions order intake** over the fourth quarter of the year, resulted in **2% growth** for the year as a whole, bringing total annual order intake to €1.952m, **outstripping revenues** for the year **by 7%.** This growth has enabled the company to bolster its **order backlog** further, which **climbed 5%** yoy.

Growth in **Solutions order intake** was **impacted** in 2009 by the large number of **multi-year projects** secured in **2008**, mainly those relating to the Eurofighter programme (which began to transition from stage two to stage three in 2009) within the Defence market.

Order intake in the Solutions business during 2009 was also hampered by delays, mainly from institutional clients, in making decisions and in starting up certain investment projects, although as a general rule these **delays are not leading to project cancellations**. Despite these delays, the company reported **high levels of business activity over the year**, clearly illustrated by the fact that the Solutions segment actually posted double-digit growth if we exclude the effect of the Eurofighter programme.

Worthy of particular note within the Solutions segment were traffic management projects (such as those secured in China, Tunisia and Peru) and numerous financial service agreements, encompassing both banking and insurance; these were the main growth drivers in Solutions order intake for 2009.

The company likewise reported significant gains in Solutions order intake in Public Administrations, largely on the international stage, and also in the field of Healthcare. In addition to these, Indra offers solutions focusing on energy control and automation.

SERVICES

In 2009, commercial activity in the Services segment, including yoy figures for 2008, was as follows:

	2009 (€M)	2008 (€M)	Variation €M	Variation %
Order Intake	745.8	657.4	88.4	*13*
Revenues	686.6	629.1	57.5	*9*
Backlog	425.0	370.4	54.6	*15*

Order intake for Services remained strong and gathered even further momentum over the last quarter to close **2009** with **growth** of **13%,** bringing the total to €746m, **outperforming revenues** by **9%. Order intake** in the **Services** segment witnessed a **15%** jump at year-end 2009 in comparison to the figure for the close of 2008.

Key contributors to Services order intake were the telecommunications, media and energy industries, in which we would highlight the **outsourcing agreements** signed with Endesa (€70m and subject to a five-year term) and, more recently, with the Prisa Group (€260m and subject to a seven-year term). Outsourcing services for financial institutions also maintained healthy levels of growth over the year.

These agreements are excellent examples of the **increasingly trend** to **outsource** application maintenance and management processes, while also illustrating the current **concentration of suppliers** happening in the market, which is allowing Indra **to increase its market share by consolidating commercial relations** with its key accounts.

All this, coupled with the company's **broad range of BPO** services, sets Indra at a **privileged position** from which to meet the increasingly demanding needs of large customers to outsource not only application management, but also associated processes, as these are activities that can only be performed by suppliers that have the necessary **resources** and **knowledge** over such applications and processes. Indra's credentials in this area are evidenced by its blossoming BPO activity, which already accounts for over 20% of the company's Services segment.

Given Indra's ability to offer a competitive range of services rooted in a flexible and highly efficient productive structure, we expect revenues from Services, which already account for 27% of total group revenues and 28% of order intake, to continue to perform positively over 2010.

4. REVENUES BY GEOGRAPHICAL MARKET: Secondary Segments

Revenues by geographical market can be broken down as follows:

Revenues	2009 (€M)		2008 (€M)		Variation	
	€M	%	€M	%	€M	%
Total revenues	2.513,2	100	2.379,6	100	133,7	*6*
Domestic	**1.613,0**	**64**	**1.567,4**	**66**	**45,7**	***3***
International	**900,2**	**36**	**812,2**	**34**	**88,0**	***11***
Europe	448,5	18	408,3	17	40,2	*10*
Latam	264,0	11	229,3	10	34,7	*15*
Other	**187,7**	**7**	**174,6**	**7**	**13,1**	***8***
North America	31,6	1	53,4	2	(21,8)	*(41)*
ROW	156,1	6	121,2	5	34,9	*29*

Despite the gloomy economic outlook and prevailing sector weakness in Spain, revenues from the **domestic market climbed 3%** for the year as a whole, comfortably meeting the 2/3% range forecast for the year.

The **impressive performance** of the vertical **Telecom & Media** and **Financial Services** markets, both of which posted double-digit growth, coupled with the growth seen in **Transport & Traffic**, has helped to offset the somewhat slower growth reported by the vertical markets of Public Administrations & Healthcare (where a slowdown in business from public administrations is being noted), Energy & Industry (flat over the year) and Security & Defence (the only segment to suffer negative growth within the domestic market).

The **international market** continued to **outperform** the Spanish market, with growth of **11%** in 2009. This market currently represents **36%** of **total group revenues**, in comparison to 34% in 2008, with highlights being:

15% growth in **Latam**, which now accounts for 11% of total group revenues, on the back of the promising business performance seen in the region's main countries, such as Brazil, Mexico and Argentina. Thanks to Indra's formidable capabilities within Latin America, the company secured a number of **major services agreements** with terms of several years, allowing it to meet the global needs of its customers.

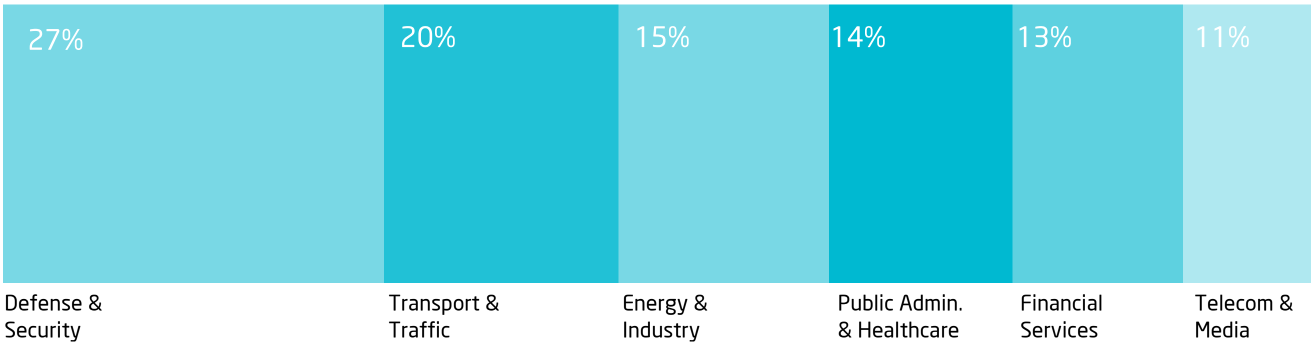
The **European market** performed solidly, **posting 10% growth** in the year, spurred on by a healthy showing from Indra's traditional markets, Germany and the United Kingdom, where air traffic management and defence activities (multinational programmes) have a significant weighting, and also by its success in countries such as Portugal (border control), Poland and Ireland.

Revenues from **other geographical markets witnessed 29% growth**, thanks to the good positioning of Indra's range of solutions, particularly in the areas of Transport, Energy, Public Administrations & Healthcare and Security & Defence. Indra continued to expand operations in the **Nort of Africa** region, which already contributes almost 40% of revenues under the "**ROW**" heading. Similarly, business in China, India and the Philippines continued to grow substantially, helping to **consolidate Asia** as Indra's fastest-growing geographical region.

On a final note, and in line with expectations, business in **US and Canada** decreased by 41% in 2009, due to the non-recurrency of certain Transport & Traffic agreements executed over 2008. That said, Indra's underlying simulation business in the US turned in **positive performance**.

5. COMMERCIAL ACTIVITY AND REVENUES BY BUSINESS AREA

Total revenues for 2009 can be broken down as follows:



Order intake

	2009 (€M)	2008(€M)	Variation (€M)	Variation %
Order Intake	2,697.4	2,579.4	118.1	5

Order intake for 2009 performed in line with expectations, to attain yoy **growth of 5%** in comparison to 2008, thereby **fully meeting the targets** set by the company at the start of 2009. The book-to-bill ratio stood at 1.07x.

Both the Spanish and **international** markets have had a positive performance, although the latter marked the strongest growth, despite the drop in multi-year project intake within the field of Security & Defence (Eurofighter programme, as mentioned above).

As mentioned in previous earnings reports, the Telecom & Media, Financial Services and Transport & Traffic markets led the way with double-digit growth outstripping the group average. The Energy & Industry and Public Administrations & Healthcare markets remained flat throughout the year, while Security & Defence witnessed a fall in order intake (although it would have grown excluding the effects of the Eurofighter project, which is currently transitioning from stage two and stage three).

Taking into account both existing opportunities on the **international market** and those to materialise over 2010, the company expects to post significant growth in international order intake in 2010, largely offsetting the anticipated weakness of the Spanish market. The **target** for **2010** is to attain **growth** in order intake of **over 5%** for the **company as a whole**.

Appendix 1 includes a detailed list of the main contracts secured over the fourth quarter of 2009.

Revenues

Total **revenues** for 2009 were **up 6%** yoy, **in line with** the **targets** set by the company. The breakdown by market is as follows:

REVENUES	2009 (€M)	2008 (€M)	Variation €M	Variation %	
Transport and Traffic	497.6	433.5	64.1	15	
Telecom and Media	270.2	244.3	25.9	11	
Public admin. And Healthcare	347.5	331.7	15.8	5	(*)
Financial Services	334.4	312.4	22.0	7	
Energy and Industry	381.6	374.0	7.6	2	
Defence and Security	682.0	683.7	(1.8)	0	
Total	**2,513.2**	**2,379.6**	**133.7**	**6**	

(*) Public Administrations & Healthcare, excluding balloting projects, grew by 7%

Highlights for 2009 included the **Transport & Traffic** market, which reported 15% growth on the back of a positive performance of practically all areas (air traffic control, land and rail transport and road and maritime traffic) and territories, particularly in the international markets. Worthy of particular note is the market penetration achieved in China, where a significant number of the tenders for air traffic radar systems initiated in 2009 were awarded to Indra, in addition to the contracts secured in different Latin American and African countries.

The **Telecom & Media** market also performed strongly with a 11% growth, with a sound performance from both the Spanish and the international markets (mainly Latin America). This favourable trend was largely driven by the major application management contracts secured over the last two years in the Telco market, which has helped to offset the weakness seen in various operators.

The **Financial Services** segment reported 7% growth on the back of a healthy performance from the Spanish market, driven by the increased demand for business process outsourcing by financial institutions and the development of new core solutions for the banking and insurance sectors.

The **Public Administrations & Healthcare** segment, where the Spanish market is experiencing slowing demand and greater pricing pressure, performed well over 2009 achieving 5% growth, largely due to the positive performance of the international market and of Healthcare specifically within the Spanish market. This growth would be even more pronounced (7%) if we excluded balloting, which generated €26.3m in 2009, in comparison to the €32.1m in 2008.

Focusing on the **Energy & Industry** market, we would single out the performance of the international market for Energy and of the Spanish one for Industry, both of which kept up the pace seen in the first nine months of the year. Business activity in the Energy market in 2009 was affected by the large-scale corporate restructurings carried out by certain key domestic clients, although this impact was partially offset by growth at new international clients.

Lastly, revenues from the **Security & Defence** market remained were mantained over the year, despite the adverse conditions affecting the Spanish market, which is subject to heavy budgetary restraints on spending, leading to the delay (but not cancellations) of several projects. The international market, where there are still major business opportunities and which accounts for 55% of the vertical revenues, performed positively over the year, thus compensating for the drop in domestic sales.

Order backlog

Order intake in 2009 outstripped revenues by 7%, leading to a **6% yoy increase in the order book**. Order intake for 2009, within both the domestic and international markets, outperformed revenues.

Similarly, all vertical markets reported book-to-bill ratios of over 1x, enabling them all to expand their order backlogs, with the exception of Security & Defence, which was held back solely because of the impact of the Eurofighter project transition from phase 2 to phase 3, as previously mentioned.

	2009 (€M)	2008 (€M)	Variation €M	Variation %
BACKLOG	2,578.9	2,428.3	150.6	6

6. ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Attached to this report as Appendices 2, 3, 4 and 5, respectively, are the income statement, the income statement under segment reporting, the balance sheet and the cash flow statement for 2009 and a comparison with the financial statements for 2008.

Highlights from the income statement (Appendix 2) vs. the same period last year include:

EBIT climbed to €285m, up 6% yoy. **The EBIT margin (EBIT/revenue) stood at 11.4%**, echoing the figure for the same period of 2008 and in line with the company's target of achieving an EBIT margin of between 11.3% and 11.5%.

Financial results have remained at 1% of revenues, and include the accounting impact from Venezuela's hyperinflation. Tax rate was 24.1% (vs 25.9% in 2008).

Net attributable profit has increased 7% to €196m.

Appendix 4 shows a comparison between year-end 2009 and year-end 2008 **balance sheets**.

Net working capital amounted to €548m, equivalent to 80 days of revenue, above the 76 days reported at the end of 2008, but below the 85 days estimate due to the non-recurrent impact of early payment by some clients. Current market conditions lead us to foresee an increase in net working capital for 2010.

Highlights of the 2009 **cash flow statement** include:

- Operating cash flow jumped to €338m, marking a yoy increase of €29m.
- Investment in working capital stood at €50m.
- Capex came in at €80m, and financial investments reached €20m.
- Ordinary dividend payments made at the end of third quarter amounted to €99m.
- Sale of treasury stock for €13m, ending the year with a total of 0.53% of shares outstanding as treasury stock.

At the end of 2009 the company's **net debt reached €135m**, equivalent to 0.4x 2009 EBITDA, having been reduced by €15m versus the end of 2008.

Human Resources

The company had a **total workforce** of 26.175 employees at the end of 2009, an increase of 6%. The largest growth has taken place in Latam, with 1% increase in Spain. At the end of 2009, around 26% of the company's total workforce was located in international markets, mainly in Latam (20% of total personnel).

Average workforce totalled 25,256 employees, up 3% yoy.

	2009	2008	Variation %
Final Workforce	26,175	24,806	6%
Average Workforce	25,256	24,415	3%