3. COMMERCIAL ACTIVITY AND REVENUES BY SEGMENT

SOLUTIONS
Key figures for the Solutions segment over the first nine months of 2009 and yoy comparisons are as follows:

	9M09 (M€)	9M08 (M€)	Variation M€	Variation %
Order Intake	1,401.6	1,424.6	(23.1)	***(2)***
Revenues	1,370.7	1,292.1	78.6	***6***
Backlog	2,062.2	2,011.9	50.3	***3***

Order intake dropped 2% to €1,402m, **slightly higher than revenues** for the same period. This enabled the company to continue **bolstering** its **order backlog**, which climbed 3% yoy compared to the third quarter of 2008.

As previously explained in our earnings report for the first half of 2009, **growth** in **Solutions order intake** has **suffered** this year **due to** the larger number of **multi-year projects** secured **in 2008**, chiefly those relating to the Eurofighter programme in the Defence market. Not taking into account the effect of this programme (the company is currently transitioning intake from stage two to stage three), order intake for Solutions witnessed positive growth up to the close of September.

That said, intake volume in the Solutions business over the nine months of 2009 were hindered 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.

For the **fourth quarter** underway, we are expecting a **significant volume of order intake**, which will push intake in the Solutions segment into **positive growth for the year as a whole**, despite the negative impact of the multi-year projects mentioned above.

During the third quarter of the year, we would highlight contracts being signed in tax management systems (major contract in Algeria), air traffic management systems and ground traffic control (UK and Pakistan), and banking and insurance management systems (new core insurer iONE).

Lastly, **revenues in the Solutions segment climbed 6%**. Over the last three months, this segment has had less weight in the Telecom & Media sector, as a consequence of a growing trend towards the outsourcing of application management processes within this market. On the other hand, there has also been an increase in revenues in the Financial Services sector, thanks to the effort carried out in R&D to develop new solutions.

SERVICES

Commercial activity in the Services segment over the first nine months of 2009 was as follows:

	9M09 (M€)	9M08 (M€)	Variation M€	Variation %
Order Intake	546.7	498.2	48.4	***10***
Revenues	508.3	476.7	31.5	***7***
Backlog	404.6	368.1	36.6	***10***

Order intake in the **Services** business **grew 10%** to €547m, **outstripping revenues** by **8%**. This allowed the company to expand its Services backlog by 10% in comparison to figures for the same period last year.

This segment has **maintained** the **healthy pace** of growth experienced over the first half of the year thanks to the **increasing trend** among certain key clients **of outsourcing** their maintenance and application management processes. In certain cases, this process has also given rise to a **concentration of suppliers**, which is in turn **enabling Indra to drive up its market share** within the Telecom & Media and the Energy & Industry markets, particularly over 2009.

The prevailing frailty within the market, with clients willing to curb costs and enhance efficiency, coupled with Indra's highly competitive range of products and services backed by its software factories (both in Spain and Latin America), has allowed the company to glimpse **significant growth opportunities in other clients**.

The Services revenues were also spurred on by an **increasing demand for BPO**, allowing Indra to run certain processes for its clients. In some cases, this extends to the entire cycle, ranging from implementation of specific business applications (solutions) and the maintenance and management of such applications, to actually running the process, thereby enabling clients to concentrate on their critical business areas and increase efficiency.

The relative weighting of Services as a percentage of the company's total business continues to grow, accounting for 27% of group revenues and 28% of order intake to 30 September 2009.

4. REVENUES BY GEOGRAPHICAL MARKET: Secondary Segments

Revenues by geographical market can be broken down as follows:

Revenues	9M09		9M08		Variation	
	M€	%	M€	%	M€	%
Total revenues	1,878.9	100	1,768.8	100	110.1	6
Domestic	**1,211.3**	**64**	**1,173.6**	**66**	**37.7**	**3**
International	**667.6**	**36**	**595.2**	**34**	**72.4**	**12**
Europe	330.8	18	303.2	17	27.6	9
North America	27.9	1	34.1	2	(6.3)	(18)
Latam	197.0	10	164.2	9	32.8	20
Other	112.0	6	93.7	5	18.3	20

The **domestic market** experienced **revenue growth of 3%** over the first nine months of 2009, decelerating across the year in line with expectations. This **slowdown** has been more pronounced **over the second half of the year** and is affecting Security and Defence market in particular (this being the only vertical market to report negative growth rates within Spain), although demand from the public administration market in general is also slowing.

The Financial Services and Telecom & Media sectors continue to perform well in the domestic market, whereas Energy & Industry is flat in a year that has seen major changes in some of the sector's leading electrical companies.

Order intake in the domestic market for the first nine months of the year has allowed the company to push its current domestic market **revenue coverage** relative to 2009 guidance to **over 97%**. As a result, Indra is **fully confident that 2-3% growth in domestic revenues** will be obtained for the year as a whole. This confidence is strengthened by the **order intake** achieved during the forth quarter which also **points to growth in domestic order intake for the year as a whole**.

The **international market** continues to perform very positively, posting **double-digit growth**, which we expect to be maintained for the year. Over the first nine months of 2009, this market accounted for **36% of total revenues** at Indra, in comparison to 34% in 2008.

Highlights in the international market include:

Progress in **Latin America**, which remains a high growth market - as illustrated by the surge experienced over the third quarter of 2009 - , leading to a 20% jump in revenues. Countries such as Mexico and Brazil have put on a positive performance, not only in terms of revenue growth but also in terms of the improvement in margins.

The broad spectrum of Indra products, based on solutions and services, is garnering a reputation as a highly successful model within the region and is allowing the company to make further inroads into existing clients (chiefly through a range of increasingly sophisticated services), while also winning over new clients (largely through its range of security, healthcare and banking solutions, among others).

During 2009, the company has secured **major services contracts** with terms of over one year and significant opportunities have also arisen in the short to mid-term. Furthermore, Indra is continuing the development of its network of software factories in Latin America, which will enable the company to offer an enhanced range of services to both Latin American and international clients. By the close of September, Indra has a workforce of over 4,000 in Latin America alone. This region has reported the strongest growth in human resources so far in 2009 and growth is set to continue over the months to come.

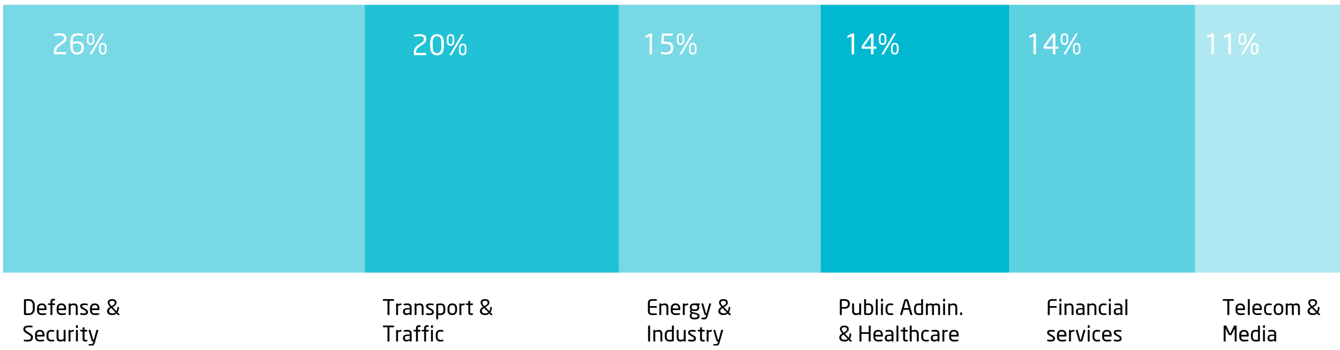
Other countries once again turned in a positive performance, with **growth of over 30%, excluding the impact of balloting projects**. The Maghreb consolidates as one of the regions promising the best short-term growth and opportunities, where Indra has been steadily upping its range of available solutions (for Transport, Energy, Healthcare, Public Administrations, Security & Defence). Moreover, the Asian-Pacific region gains greater importance with a growing commercial activity.

The **European market,** which remains driven by air traffic management and Security & Defence, rallied over the third quarter of 2009 to post growth just shy of double digits in the wake of the decline in revenues experienced over the second quarter.

Finally, the performance in the **US and Canada** during recent months led to an increase in revenues in the third quarter, in stark contrast to the weakness witnessed during the first half of the year. Nonetheless, Indra is **forecasting a drop in revenues** in the US and Canada **for the year as a whole**, largely due to failure to maintain the activity levels achieved in 2008 within the area of Transport & Traffic, despite the positive evolution of the Security & Defence market.

5. COMMERCIAL ACTIVITY AND REVENUES BY BUSINESS AREA

Total revenues for the first nine months can be broken down as follows:



Order intake

Order intake for the first nine months of 2009 **climbed by 1%** in comparison to the same period of 2008, with the **book-to-bill ratio** (order intake for the period divided by revenues for the period) standing at **over 1x**, further indication of an expanding order backlog, as reported in previous quarters.

Order Intake for the **period** was primarily **influenced** by the **slowdown** in **Security & Defence**, a market characterised by **seasonal** fluctuations stemming **from** the **intake** of **major multi-year projects** (such as the Eurofighter programme already discussed in the earnings report for 2Q09) and **also delays in starting up** various **projects**.

Excluding the Security & Defence market, order **intake growth** climbed into **double figures.**

	9M09 (M€)	9M08 (M€)	Variation M€	Variation %
Order intake	1,948.2	1,922.9	25.4	**1**

For the year as a whole, order intake is expected to **grow by** around **4-5%**, thereby bringing **total intake** to around €2,700M.

The best performing markets over the year to date (Transport & Traffic, Financial Services and Telecom & Media) look set to close the year with double-digit growth, while the remaining markets are likely to be flat, barring Security & Defence, which despite healthy forecasts for order intake over 4Q09, will close the year with a lower intake than 2008.

That said, stripping out the effects of the Eurofighter programme, which is currently transitioning from stage two to stage three, the Security & Defence market would close the year with positive growth rates.

Appendix 1 includes a detailed list of the main contracts secured over 3Q09.

Revenues

Total revenue for the first nine months of 2009 was **up 6%** yoy, in the middle of the 5-7% growth range forecast for the year as a whole.

REVENUES	9M09 (M€)	9M08 (M€)	Variation M€	Variation %	
Transport and Traffic	380.4	327.0	53.4	16	
Telecom and Media	206.8	187.0	19.8	11	
Public admin. And Healthcare	255.5	242.0	13.5	6	(*)
Financial Services	262.9	240.4	22.5	9	
Energy and Industry	290.7	284.9	5.8	2	
Defence and Security	482.7	487.5	-4.8	(1)	
Total	**1,878.9**	**1,768.8**	**110.1**	**6**	

(*) Public Administrations & Healthcare, excluding balloting projects, experienced 9% growth.

Highlights for 3Q09 include the **Transport & Traffic** market, which posted strong growth of 16%, including an excellent showing from air, rail and road traffic, largely within the international market, where there has been a very intense commercial effort.

Growth in the **Public Administrations & Healthcare** market dropped off slightly over the quarter to settle at 6%. Excluding balloting projects, revenues from the Public Administrations & Healthcare market climbed 9% over the first nine months of 2009, on the back of an impressive showing from the Healthcare market and the international markets in general, thereby helping to offset the slowdown in the domestic Public Administrations activity where there has been an increase in competition in new tenders and greater price pressures.

Growth in **Energy & Industry** slackened due to diminishing revenues in the energy sector in a year that has seen major corporate changes at some of the key domestic clients. Yet figures remain positive, with 2% growth, spurred on by the sound performance of the Industry & Trade market, which turned in double-digit growth.

The **Security & Defence** market fell 1% due to a drop in revenue from the domestic market, which has suffered a sharp knock to its budget for 2009, thereby leading to delays (but not cancellations) on various projects. This drop has not been offset by the growth in revenues from the international market, where there are significant commercial opportunities, but with lengthy timeframes involved.

Finally, the **Financial Services** and **Telecom & Media** markets continue to report close to double-digit growth. Within Financial Services, the domestic market is still faring well, in terms of banking and particularly insurance. The Telecom & Media market also remains sound thanks to its healthy backlog on both the domestic and international (Latin America and Eastern Europe) stage, at the same time exploring important commercial opportunities in new clients.

Order backlog

The order backlog at the close of 3Q09 saw yoy growth of 4% to reach €2,467m, practically in line with revenues for the last twelve months.

	9M09 (M€)	9M08 (M€)	Variation M€	Variation %
BACKLOG	2,466.8	2,379.9	83.9	**4**

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 the first three quarters of 2009 and a comparison with the financial statements for the same nine-month period of 2008.

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

EBIT climbed to €215m, up 7% 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 11.4% for the year in course (11.4% in 2008).

Attributable profit rose 8% to €152m, reflecting the net financial expenses of €13m and the tax rate of 24%. For the year as a whole, the company expects to apply a tax rate at the lower end of the 24%-25% range announced in the previous quarter.

Appendix 4 shows a comparison between the 3Q09 and year-end 2008 **balance sheets**.

Net working capital amounted to €636m, equivalent to 92 days of revenue and representing an **increase of 5 days** in comparison to the first nine months of 2008. This performance is in line with expectations and effectively means we can confirm our **forecast** that the company will **close the year** with net working capital equivalent to **85 days of revenue**, given that working capital needs peak during the third quarter of the year.

Highlights of the 3Q09 **cash flow statement** include:

- Operating cash flow jumped to €244m, marking a yoy increase of €15m.
- Investment in working capital stood at €138m, in line with targets.
- Capex came in at €67m, €12m of which relate to financial investments.
- Ordinary dividend payments amounted to €99m.

At the close of 3Q09, the company's **net debt** position **stood at €283m**, equivalent to 0.9x EBITDA for the previous twelve months and marking a yoy **increase of €23m**. The company **expects to close the year with equivalent net debt** in the region of **0.5x EBITDA**.

Human Resources

The company had a **total workforce** of 25,209 employees at 30 September 2009. 77% of the workforce is located in **Spain**, while the remaining **23%** work **abroad** (16% in Latin America). The increase in relation to the same period of 2008 and year-end 2008 breaks down as follows:

Employees	Variation in consolidation Perimeter	Ordinary Variation	Total Variation	Variation (%)
Sobre 30/09/2008	293	215	508	2%
Sobre 31/12/2008	293	110	403	2%

The workforce expanded by 2% in comparison to 30 September 2008, with Latin America accounting for half of this increase.

Average workforce totalled 25,221 employees, up 4% yoy. This can be broken down as follows:

Employees	Variation in Consolidation Perimeter	Ordinary Variation	Total Variation	Variation (%)
From 30/09/2008	283	646	929	4%