

### 3. COMMERCIAL ACTIVITY AND REVENUES BY SEGMENT

#### SOLUTIONS

At the Solutions division, the key figures for 1H09 and yoy comparisons are as follows:

	1H09 (€M)	1H08 (€M)	Variation €M	Variation %
Order Intake	1,105.5	1,092.0	13.5	<b>1</b>
Revenues	986.3	926.9	59.4	<b>6</b>
Backlog	2,158.4	2,046.8	111.6	<b>5</b>

Order intake climbed 1% to come in at 12% above revenues for the first six months, effectively meaning the company has been able to bolster its backlog, which has grown 5% yoy in comparison to the first half of 2008.

The limited increase in Solutions order intake over the first six months stems from a higher intake of multi-year contracts in the same period of 2008, mainly in the Defence market, which increases quarterly seasonality in this year's order intake. Over the coming months, we expect that the higher growth in Solutions' order intake, particularly in international markets, will drive up growth by the year-end.

Over the second quarter of the year, the company managed to secure significant contracts in air traffic management and control solutions (primarily in Germany, Turkey, Panama and Paraguay), in addition to those secured in 1Q09 for road and railway traffic management and control systems (Morocco, Mexico, Costa Rica, India and Ireland).

Likewise, further progress was made in augmenting order intake for new information systems for both the banking and insurance sectors, mainly in the domestic market.

#### SERVICES

Commercial activity in the Services segment for the first half of 2009 compared to the same period of 2008 was as follows:

	1H09 (€M)	1H08 (€M)	Variation €M	Variation %
Order Intake	436.8	389.7	47.1	<b>12</b>
Revenues	347.1	320.1	27.0	<b>8</b>
Backlog	448.4	413.7	34.7	<b>8</b>

Order intake climbed by 12% over the first six months, outstripping revenues by 26%, largely on the back of the renewal of numerous rolling contracts in the first quarter. That said, it is reasonable to expect a slowdown of Services order intake for the rest of the year.

Management outsourcing and application maintenance (AM) services continue to play a significant role in spurring on order intake, particularly in the Public Administrations & Healthcare and Telecom & Media markets.

Aiming to enhance the efficiency of its Services and Solutions platform even further, the company continued with the process of developing software factories, located in near-shore centres in Spain, Latin America and Eastern Europe.

## 4. REVENUES BY GEOGRAPHICAL MARKET: Secondary Segments

Over the first six months of 2009, the domestic market performed well, turning in 4% growth, thereby outpacing forecast growth for the whole year in Spain. The international market reported growth of 13%, in line with forecasts for both the full year and to June and accounting for 35% of Indra's total first half revenues.

The breakdown of revenues by geographical market was as follows:

Revenues	1H09		1H08		Variation	
	€M	%	€M	%	€M	%
<b>Total revenues</b>	1,333.4	100	1,247.0	100	86.4	7
<b>Domestic</b>	<b>869.8</b>	<b>65</b>	<b>835.4</b>	<b>67</b>	<b>34.3</b>	<b>4</b>
<b>International</b>	<b>463.6</b>	<b>35</b>	<b>411.6</b>	<b>33</b>	<b>52.1</b>	<b>13</b>
Europe	237.2	18	220.7	18	16.5	7
North America	18.0	1	24.8	2	(6.7)	(27)
Latam	128.5	10	111.4	9	17.1	15
Other	79.9	6	54.7	4	25.2	46

In spite of the weak sector performance and macro economic pressure, the **domestic market** continues to show a solid evolution, with verticals such as Public Administrations & Healthcare, Telecom & Media and Financial Services reporting double-digit growth. Order intake over the first six months of 2009 grew 2%, positioning current domestic revenue coverage in relation to 2009 guidance at roughly 93%. With this degree of visibility the company fully expects to keep domestic sales on positive ground for the year as a whole.

Highlights in the **international market** include:

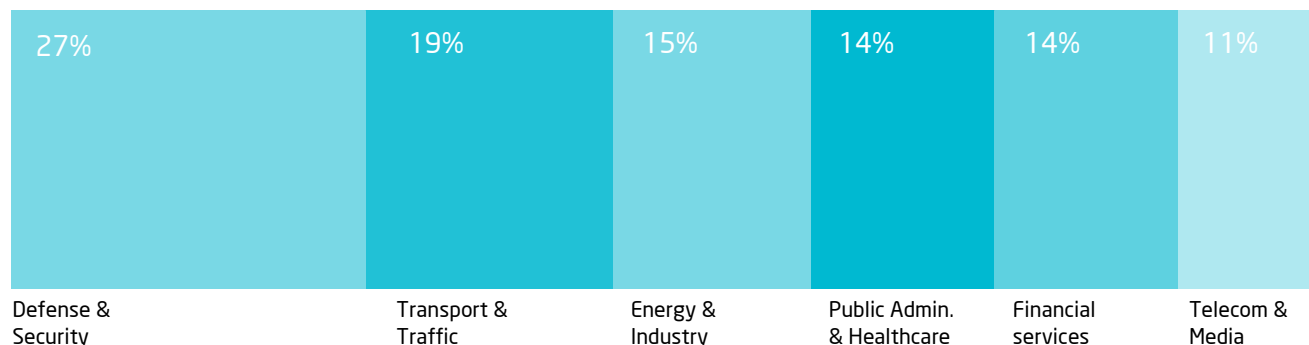
The company's performance in **Latin America**, which continues to boast significant growth in IT and infrastructure services and where Indra has been further consolidating its presence, with revenue growth of 15%. The Transport & Traffic, Telecom & Media and Public Administrations & Healthcare markets performed exceptionally well, particularly in Mexico, Brazil, Argentina and Venezuela.

Business in **Other countries** continues to fare extremely well. In addition to the previous quarter's rail traffic control contracts in Morocco, the ticketing contracts in India, and the creation of an air traffic JV in China, contracts such as ticketing in Egypt and road traffic management systems in China were secured over the last three months.

The **European market** remains driven by air traffic management and Security & Defence. The simulation business for the US Navy and the Transport and Traffic business in the **US and Canada** are still the main areas of activity in this geographic area. Despite the better showing of this market over recent months in comparison to the start of the year, we do not expect revenues in the US and Canada to recover fully during the year.

## 5. COMMERCIAL ACTIVITY AND REVENUES BY BUSINESS AREA

The breakdown of 1H09 revenues is as follows:



### Order intake

Order intake over the first half of 2009 grew 4% yoy compared 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 1.2x, a similar figure to that reported for the same period of 2008.

The performance of order intake over the first six months of 2009 reflects two key characteristics of Indra's business:

- Firstly, typical order intake quarterly seasonality due to the signing of major multi-year contracts, mainly in the Security & Defence and Transport & Traffic markets, making like-for-like comparisons difficult to carry out on a quarterly basis.
- Secondly, the high level of business diversification, which benefits the company in terms of stability, both in relation to order intake and revenues despite the gloomy macroeconomic cycle. This also allows for greater diversification of vertical markets in relation to the group average. This is particularly evident this year, in which some markets are experiencing close to double-digit growth, whereas others are only been able to turn in low single-digit gains.

	1H09 (€M)	1H08 (€M)	Variation €M	Variation %
Order Intake	1,542.3	1,481.7	60.6	4

Over the first half of 2009, we would highlight the positive performance of the Transport & Traffic, Financial Services and Telecom & Media segments.

In the Transport & Traffic market it is worth mentioning the contracts awarded in air traffic management in Germany, Panama and Paraguay which complement the ones obtained in 1Q09 in Turkey, or the JV created in China for the supply of civil air radar systems.

The **Financial Services** market stood out in terms of international order intake, which grew significantly in the first half, as well as in terms of the domestic one. Although in both cases BPO and outsourcing services continued to play an important role, there was also an impressive jump in solutions order intake, both from financial institutions and insurance firms.

The domestic **Telecom & Media** market had an excellent performance while international markets maintained positive rates of growth, particularly in the second

quarter (we would single out the performance in Latin America). Furthermore, the company witnessed a certain improvement of the Media market over the first half of the year.

Order intake in the **Security & Defence** market has not grown over the first half of the year, mainly due to its seasonality, being negatively affected by the signing of large contracts during the first half of 2008 (concerning the Eurofighter-EFA). In this sense, we expect that a significant part of this year's order intake will materialise in 2H09, particularly in the international markets, where the most attractive business opportunities stand.

Order intake in the **Public Administrations & Healthcare** market was positive in the first six months, especially in Spain, where the company secured a number of e-Government contracts during the second quarter (the autonomous government of Valencia, the Ministry for Culture and the Ministry for Science and Technology, among others), thereby complementing those obtained in the first quarter.

Appendix 1 includes a detailed list of the main contracts secured by Indra in 2Q09.

## Revenues

Total revenues in the first half of the year climbed 7% yoy, although this growth rate is expected to drop off slightly over the months to come.

REVENUES	1H09 (€M)	1H08 (€M)	Variation €M	Variation %
Transport and Traffic	257.9	230.6	27.3	12
Telecom and Media	143.7	131.0	12.6	10
Public admin. And Healthcare	180.7	168.4	12.3	7 (*)
Financial Services	186.1	168.6	17.5	10
Energy and Industry	199.7	192.7	7.0	4
Defence and Security	365.3	355.7	9.6	3
<b>Total</b>	<b>1,333.4</b>	<b>1,247.0</b>	<b>86.4</b>	<b>7</b>

(\*) Public Administrations & Healthcare, excluding balloting projects, grew by 8%.

In this quarter it is worth highlighting the performance of the Transport & Traffic segment, which grows at the end of the semester by 12% boosted by the positive evolution of ATM, as well as road and rail traffic management, posting double digit growth in domestic and international markets.

The **Financial Services** and **Telecom & Media** markets continue to boast double-digit numbers. In the **Financial Services**, the positive trend in the domestic market and the excellent activity in the Insurance market continue. In the **Telecom & Media** market, growth is mainly sustained by the outsourcing services offer and applications maintenance both in the domestic as well as international markets (mainly Latam).

The **Public Administrations & Healthcare** market turned in 7% growth at the close of June, echoing the figure for 1Q09, but with a disjointed contribution from balloting projects (weak over the first quarter, strong over the second, accounting for a total of €20m). Excluding balloting, growth within the Public Administrations market levelled off at 8% by the close of June, a figure that may well decelerate in the second half of the year as we expect lower growth for the domestic market.

The **Security and Defence** market posted 3% growth up to June, but has suffered a certain slowdown in the last few months due primarily to the delay in the launch of some projects in the domestic market. The international market continues growing at high rates and almost represents 60% of revenues in this market.

Lastly, the **Energy and Industry** market, in a year of major corporate changes in some of the main companies in the Spanish energy sector, is growing at 4% thanks in part to the good evolution of the international activity.

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#### **Order backlog**

Over the first half of 2009, order intake outpaced revenue for the same period by 16%, thereby increasing the order backlog at the close of June by 6% yoy.

The order backlog at the close of June outstrips revenue for the last twelve months by more than 1x, a similar ratio to that reported at the close of June 2008.

	<b>1H09 (€M)</b>	<b>1H08 (€M)</b>	<b>Variation €M</b>	<b>Variation %</b>
<b>BACKLOG</b>	2,606.8	2,460.5	146.3	<b>6</b>

## 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 by segment, the balance sheet and the cash flow statement for 1H09 with comparative figures for 1H08.

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

**EBIT** climbed to €152m, up 7% yoy. **The EBIT margin (EBIT/revenues) stood at 11.4%**, in line with the figure for the same period of 2008 and aligned with the company's target of achieving an EBIT margin of 11.4% for the year in course (11.4% in 2008).

**Net profit** rose 7% to €108m. Highlights include:

- Net financial expenses were €8m, slightly above the level reported on the same period of 2008, largely due to the company's average net debt position which was higher in 1H09 than in 1H08.
- The tax rate stood at 24.2%, lower than in the first half of 2008 (25.7%), mainly due to the positive impact of tax deductions for R&D activities. Tax rate for 2009 is expected to be between 24-25%.

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Appendix 4 provides a comparison between the 1H09 and FY08 **balance sheets**.

**Net working capital** totalled €622m, equivalent to 84 days' revenues (in contrast to the 76 days reported for the first six months of 2008), in line with forecasts and as anticipated at the end of 1Q09, when the company disclosed its expectations for net working capital to be equivalent to around 85 days of sales for the end of the year.

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Highlights of the 1H09 **cash flow statement** include:

- **Operating cash flow** of €171m, marking a 12% yoy increase.
- Investment in **working capital** stood at €123m, in line with targets.
- **Investments** over the first six months came in at €48m, of which €10m relate to financial investments.
- Net investment in **treasury stock** totalled €16m.

At the close of June 2009, the company's net debt position totalled €212m (vs. €149m at the close of 2008), with an increased proportion of long term debt due to the three-year credit lines obtained.

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## Human Resources

The **total workforce** in 1H09 consisted of 25,186 people of which 77% are located in Spain and 23% internationally (16% in Latam). The increase with respect to 1H08 and FY08 was as follows:

Employees	Variation in consolidation Perimeter	Ordinary Variation	Total Variation	Variation (%)
From 30/06/2008	332	419	750	3%
From 31/12/2008	275	105	380	2%

The number of employees in Spain as of June 30<sup>th</sup>, 2008 grew by around 3% yoy, while other geographical areas witnessed an increase of 2%. The largest workforce growth outside Spain occurred in Latin America, where over 109 new employees were hired (+c.3%).

The **average workforce** totalled 25,199 people, up 4% yoy. The breakdown is as follows:

Employees	Variation in Consolidation Perimeter	Ordinary Variation	Total Variation	Variation (%)
From 30/06/2008	336	747	1,083	4%