COMPANY REPORT

SPAIN

10 February 2009

CONSULTING & SERVICES
COMPANY UPDATE

Indra

Premium to peers at record high

■ A defensive business model, but highly exposed to Spain

We believe Indra offers a defensive profile given its in-house solutions (70% of revenues) and defensive verticals (45% of revenues from defence and traffic & transport), whilst it has limited exposure to services related to third-party software and commercial clients. However, Indra is still highly exposed to the rapidly deteriorating Spanish market (67% of revenues).

■ Demanding outlook already in our forecasts

We raise our EPS by 1% in 2009E but cut it by 9% in 2010E to reflect the late-cycle nature of the IT market. We are in line with Indra's 2009 guidance despite only c40% backlog visibility and our numbers implying its domestic market share reaching a demanding 15.1% (from 14%). We now expect EPS to grow by 22% (08), 5% (09), 2% (10).

■ Solid balance sheet, but deteriorating working capital

We expect gearing to decline to only 0.4X (10E) from 0.5X (08E) as CF (EUR710m 08-10E) should cover capex (EUR190m 08-10E), WC (EUR194m 08-10E) and dividends (4% yield). We see WC worsening further due to longer collection periods in key verticals and exposure to public administrations (c50% of revenues).

■ Telvent makes strategic sense, but at what price?

Telvent makes strategic sense for Indra as it would allow operational & geographical diversification. We value Telvent at 8X09E EV/EBITDA, or EUR830m (33% of Indra's market cap), and estimate the deal could lift gearing to 2X and enhance EPS by c5% in 2009E.

■ Valuation is very demanding

After recent outperformance, Indra trades at 14X09E P/E, a record 81% premium to peers (12M average of 55%), or at 9X09E EV/EBITDA (a 95% premium). We reiterate our 3/UP rating on concerns about the Spanish business, low visibility on the Telvent acquisition & its demanding valuation (4% downside to our EUR15.7 TP).

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Rating	3/Underperform
Target price (6 months)	-4% EUR15.70
Price (09/02/2009)	EUR16.37

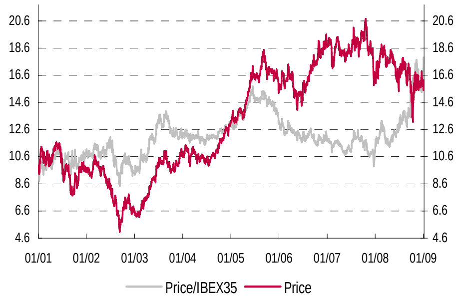
Reuters: **IDR.MC** Bloomberg: **IDR SM**

Stock data

Market capitalisation	EUR2643m
Free Float	EUR1355m
Enterprise value	EUR2963m
No. of shares, adjusted	164.13m
Daily volume	EUR 11.98m

Performances

	1 month	3 months	12 months
Absolute perf.	0.6%	-1.4%	-0.8%
Relative perf.	9.8%	7.3%	49.5%



Next event

FY08 results presentation on 26 February 2009

Sector focus

Sector Top Picks	Capgemini, Dassault Systemes
Least favoured	

Shareholders

Free Float 51.3%, Caja Madrid 20.0%, Union Fenosa 18.0%, Del Pino Family 5.7%, Caja Asturias 5.0%

To 31/12 (EUR)	2007	2008E	2009E	2010E
Sales (m)	2167.6	2380.6	2499.0	2587.9
EBITDA (m)	256.9	306.6	322.9	334.2
EBIT (m)	223.5	268.4	279.4	282.8
Net att. profit, rest.	147.8	180.7	189.5	193.2
Free cash flow (m)	68.0	101.2	97.9	126.9
Clean EPS	0.93	1.12	1.17	1.20
Net dividend	0.50	0.52	0.62	0.65

	2007	2008E	2009E	2010E
P/E (x)	20.0	14.5	13.9	13.7
EV/EBITDA (x)	12.3	9.6	9.2	8.8
Attrib. FCF yield (%)	2.3	3.9	3.7	4.8
Net debt/EBITDA (x)	0.6	0.5	0.5	0.4
Yield (%)	2.7	3.2	3.8	4.0
ROCE (%)	23.6	26.0	24.7	23.6
EV/Capital empl. (x)	3.3	2.8	2.6	2.5

SC ■ Smaller Companies

Company profile

Spain's leading IT provider with a 14% market share

Indra is Spain's leading IT services provider, with sales of EUR2.2bn in 2007 (+11.1% LFL vs. 2006) and around a 14% market share. For 2008E, we estimate that the commercial markets generated 39% of sales, with non-commercial verticals accounting for the rest.

Caja Madrid and Union Fenosa are the main shareholders

Indra's shareholding structure is: CajaMadrid (20%), Unión Fenosa (18%), Caja Astur (5%), the Del Pino family (5.7%) and free float of about 51%. Overhang risk might come from S&L minorities (ex Caja Madrid), while Gas Natural has also stated that Union Fenosa's stake in Indra is non core.

Defensive profile, but limited CF generation

We believe Indra's business model differentiates it from its peers as it provides operational resilience and potential for growth thanks to in-house solutions (11% EBIT margin vs. 6% for peers). Its defensive revenue profile, focus on niche verticals, and relative offshore protection make Indra one of the best placed companies in the sector. While its balance sheet is solid (0.5X gearing 09E), we see deterioration in working capital and limited CF generation (4% FCF yield).

We expect growth to come from international markets

A significant part of revenues (67%) come from Spain. Management's focus is on diversifying its revenue profile and strategy towards high-growth regions like LatAm and Asia. We expect growth in international markets to almost double that in domestic ones (CAGRs 2009-10E of 8% in international markets vs. 3% in Spain).

SWOT analysis

Strengths	*Weaknesses*
■ Solid track record of delivering on guidance ■ Order backlog 1 year of sales ■ Defensive profile: 60% of revenues from non-commercial verticals ■ Concentrated in niche segments with in-house services ■ High exposure to public administrations (defensive)	■ Concentration in domestic market ■ Economic downturn could cut corporate spending ■ Low market share in industrial and commercial IT market ■ High exposure to public administrations (worsening WC)

Opportunities	*Threats*
■ International expansion, exporting proprietary defence and transport solutions ■ Accompanying Spanish companies in internationalization process ■ Single European Sky initiative and expected boost for Asian airports could increase its ATM ■ Acquisition of companies to complement its portfolio ■ More efficient use of balance sheet	■ Tougher offshore competition would add pressure on prices ■ Difficult to sustain current trends of gaining market share in IT and widening margins ■ Delay or loss of big contracts ■ Change of control at main clients could imply weaker business links ■ Overhang risk ■ Risk of overpaying for potential acquisitions

Valuation

Using a DCF for our 2008-16E estimates, with a WACC of 8.5% and long-term growth of 2.5%, we value Indra's businesses at EUR2.9bn (EUR2.6bn of equity). We cut our target price by 4% to EUR15.7p.s. on our lower long-term margin (11.0% vs. 11.1%). At current prices, our target price yields 4% downside potential.

We believe that, at current prices, the stock's defensive characteristics and growth prospects in a weaker IT spending environment are already priced in. The stock trades at 14X 2009E P/E, or an 81% premium to the sector, well above the average of 40% for the last 2Y and 55% for the last 12M. With the valuation premium at record highs and its demanding 2009 guidance already considered in our estimates, we think the valuation leaves no room from error.

Investment case

We think Indra's business model differentiates it from its peers given its operational resilience based on in-house solutions (70% of revenues) and defensive verticals (45% of revenues). However, its poor geographical diversification (67% of revenues from Spain) is a weak point.

We raise our EPS by 1% in 2009E (in line with guidance) and cut it by 9% for 2010E. However, we believe the risk to our numbers (EPS +5% in 2009E, +2% in 2010E) is on the downside given the late-cycle nature of IT services and the expected decline in backlog visibility in Spain through 2009E.

Indra's balance sheet is healthy (EUR154m net debt 2008E, gearing 0.5X) and CF generation should secure a 4% dividend yield in the next few years. However, we see working capital deterioration from its exposure to public administrations and the declining weight of the best-performing vertical in WC terms (defence).

Acquiring Telvent might be on the cards and would make strategic sense. We estimate Telvent's EV at EUR830m, or 8X 09E EV/EBITDA. The deal would boost Indra's EBIT by 30% in 2009E and, under various valuation scenarios (6-10X 2009 EV/EBITDA), could increase gearing to 1.5-2.1X (currently 0.5X) and EPS by 3-10%. Excessive B/S leverage is the main risk we see in such a deal.

We keep our 3/Underperform rating for Indra given the: 1) demanding valuation; 2) downside risk to earnings; 3) low visibility on the Telvent deal; and 4) overhang risk.

Summary

Operational resilience but highly exposed to Spain

We believe Indra's business model differentiates it from its peers as it provides operational resilience and potential for growth thanks to: 1) a defensive revenue profile based on its in-house solutions (70% of revenues); 2) defensive verticals (45% of revenues from defence and traffic & transport, which require expertise that is not as widespread as in other mature verticals); 3) limited exposure to services related to third-party software, which is prone to intense competitive pressure; and 4) 60% of revenues (including defence and traffic & transport) are from non-commercial and, therefore, less cyclical clients. However, its excessive operational exposure to Spain (67% revenues) is a clear risk for earnings in the coming years as a result of the sensitivity of IT spend to GDP and the expected decline in clients' capex.

Demanding outlook already in our forecasts

We fine tune our EPS estimates for 2008E (-1%), raise them for 2009E (+1%) in line with company guidance (+5-7% revenues and stable margins) and cut them for 2010E (-9%) to reflect the late-cycle nature of the IT services industry. We now expect EPS to grow by 22% (2008E), 5% (2009E) and 2% (2010E). We believe that the risk to our numbers is on the downside as: 1) our forecast for domestic verticals (3% growth vs. 5% contraction in the Spanish IT market in 2009E) implies significantly higher market share (15.1% in 2009E vs. the current 14%), for which there is no precedent in Spain's IT industry; and 2) we expect the visibility on Indra's backlog to worsen over 2009E.

Solid balance sheet, but deteriorating working capital

We estimate Indra ended 2008E with EUR154m of net debt, which corresponds to 0.5X gearing. We expect net debt to decrease to just EUR138m in 2010E (0.4X) as cash flow (EUR710m in 2008-10E) should cover capex (EUR190m in 2008-10E), working capital (EUR194m in 2008-10E) and dividend (4% yield) needs. We foresee working capital worsening as a result of: 1) longer collection periods in its key vertical (defence); and 2) the impact of public administrations (c50% revenues).

Telvent: would make strategic sense but put pressure on Indra's B/S

Buying Telvent would make strategic sense as it would: 1) increase market share in a rather fragmented industry; and 2) improve operational and geographical diversification. We estimate Telvent's EV at EUR830m (33% of Indra's market cap.), equivalent to 8X 2009E EV/EBITDA. The deal would boost Indra's EBIT by 30% in 2009E and, considering various valuation scenarios (6-10X 2009E EV/EBITDA), would increase gearing to 1.5-2.1X (currently 0.5X) and EPS by 3-10%. We believe that figures at the upper end of our range would put significant pressure on Indra's balance sheet given its limited CF generation (4% FCF yield).

4% downside to our TP of EUR15.7p.s.

We cut our target price by 4% to EUR15.7 p.s. (4% downside potential at current prices). Our forecasts are based on a weaker underlying IT spending environment in 2009-10E, and the assumptions underpinning our DCF model are a WACC of 8.5% and terminal growth of 2.5% from 2016E. While we believe Indra deserves a premium to its peers, the stock currently (14X 2009E P/E) trades at a record premium of 81% (vs. 2Y average of 40% or 12M average of 55%). We think the stock's defensive characteristics and growth prospects in a weaker IT spending environment are already priced in.

3/Underperform rating on valuation grounds

Indra has outperformed its peers by 30% in the last six months and trades at demanding multiples (14X 2009E P/E). Though defensive, the company is not risk free and overhang risk might surface in 2009 (mainly from Caja Asturias, with 5%, while Gas Natural also considers Union Fenosa's stake as non core). We thus reiterate our 3/Underperform rating.

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I—Valuation is relatively demanding

We cut our target price by 4% to EUR15.7p.s. (4% downside potential at current prices) on our lower long-term EBIT margin assumptions (11.0% vs. 11.1% before). At current prices, Indra trades at 14X 2009E P/E, or an 81% premium to peers. With the premium at a record high, we believe the stock is already pricing in Indra's defensive profile and growth prospects in a weaker environment for IT spending.

■ Our EUR15.7 TP points to 4% downside potential

Our TP points to 4% downside potential

We cut our DCF-based target price by 4% to EUR15.7 p.s. (14X09E implicit P/E) to factor in weaker growth in Spain and a lower long-term EBIT margin (at around 11.0% vs. 11.1% before) as a result of the sensitivity of IT spend to GDP and the expected decrease in clients' capex (our forecasts are based on an underlying weaker IT spending environment in 2009-10E). The stock has 4% downside potential to our target price of EUR15.7 p.s.. The assumptions underpinning our DCF model are a 10% cost of equity, an 8.5% WACC and 2.5% terminal growth from 2016E. We values Indra's businesses at EUR2.9bn and equity at EUR2.6bn, deducting 2008E net debt (EUR154m) and minorities at 3.5X book value (EUR163m).

INDRA: DCF VALUATION (in EUR m)

WACC	8.5%
Long-term growth	2.5%
Enterprise value	**2,893**
o/w PV cash flows 2008-16E	1,040
o/w PV terminal value	1,854
Net debt 2008E	(154)
Minorities @ 3.5X book value	(163)
Equity value	**2,576**
Num. shares (m)	164
Equity per share (EUR)	**15.70**

Source: CA Cheuvreux

■ Demanding valuation relative to peers

Defensive profile and growth prospects already priced in

At current prices, we believe that the stock's defensive characteristics and growth prospects in a weaker IT spending environment are already priced in. The stock trades at 14X 2009E P/E; implying an 81% premium to the sector. Indra has been de-rated in the past year on the back of macroeconomic concerns and is now trading at a 24% discount to its five-year average valuation. However, this de-rating is minor compared with some of its peers (the average sector de-rating stands at around 50%).

SECTOR: HISTORICAL VALUATION RANGE

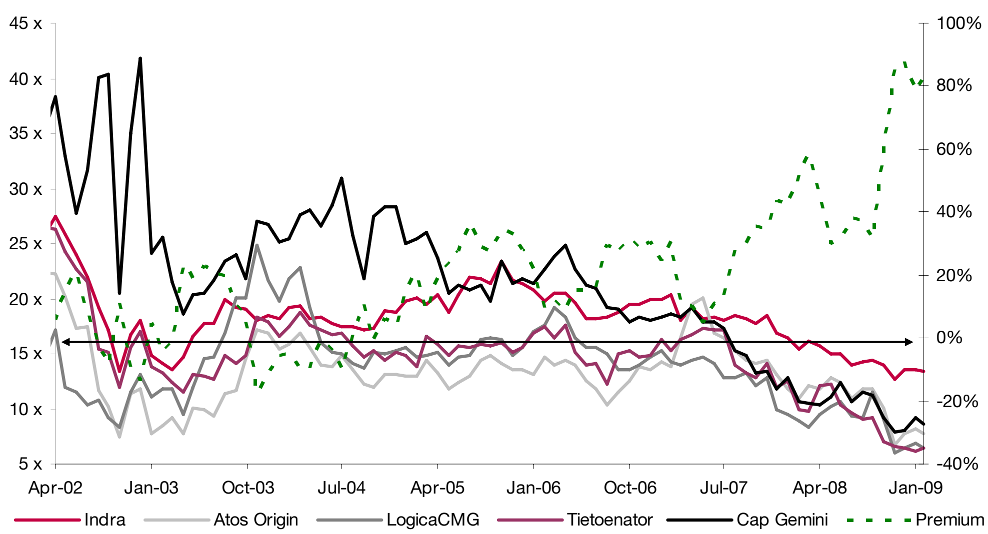
12M FW P/E	Indra	Atos	Capgemini	Logica	Tietoetanor
5Y average	18.2X	13.3X	19.0X	13.8X	14.1X
3Y average	17.3X	12.9X	15.4X	12.3X	12.9X
2Y average	16.2X	12.9X	12.9X	10.7X	11.7X
12M average	14.4X	10.4X	10.1X	8.7X	8.8X
Current (09E)	13.9x	7.7X	8.6X	6.4X	6.5X
De-rating vs. 5Y average	**-23.6%**	**-41.7%**	**-54.8%**	**-53.2%**	**-54.0%**

Source: CA Cheuvreux

Record-high valuation premium leaves no room for error

Although we consider that Indra deserves a significant premium over its peers thanks to its focus on in-house solutions and solid operational diversification, the current valuation gap (81%) is a record high (2Y average premium of 40%, 12M average premium of 55%). Accordingly, and since our 2009E earning are in line with the company's guidance (pointing to 5% EPS growth) we believe that Indra's valuation leaves no room for error at current prices. In our view, the current multiples do not price in the rapidly deteriorating Spanish market (67% of revenues) or the late-cycle nature of the IT industry.

INDRA: P/E PREMIUM VERSUS PEERS



Source: CA Cheuvreux

On current multiples, Indra trades at premiums of 81% and 68% to its peers in terms of P/E for 2009E and 2010E, respectively, and is trading more like a software company, although it is still a services player. Note, however, that Indra has traditionally traded at a premium to European IT comparables in view of the quality and nature of its backlog (with a strong bias to in-house solutions), track record and exposure to the defence business (higher margins than IT). To capture this, the market has historically paid premiums of 26% (5Y average) and, more recently, 55% (12M average) for Indra. At its present premium, we believe that the share price already reflects all Indra's positives.

IT SERVICES: STOCK MARKET MULTIPLES

	P/E (X)			EV/EBITDA (X)			Dividend yield (%)		
	2008E	2009E	2010E	2008E	2009E	2010E	2008E	2009E	2010E
Atos Origin	7.1	8.9	8.7	3.6	4.0	3.5	2.2	3.5	4.0
Tietoenator	7.4	7.3	6.4	4.0	4.2	3.2	6.4	7.5	8.8
Capgemini	7.1	8.1	7.9	4.3	5.0	4.5	4.2	3.9	4.3
Weighted average	7.2	7.7	7.3	4.2	4.7	4.2	4.0	4.2	4.7
Indra	**14.5**	**13.9**	**13.7**	**9.6**	**9.2**	**8.8**	**3.2**	**3.8**	**4.0**

Source: CA Cheuvreux

II— Defensive, but highly exposed to Spain

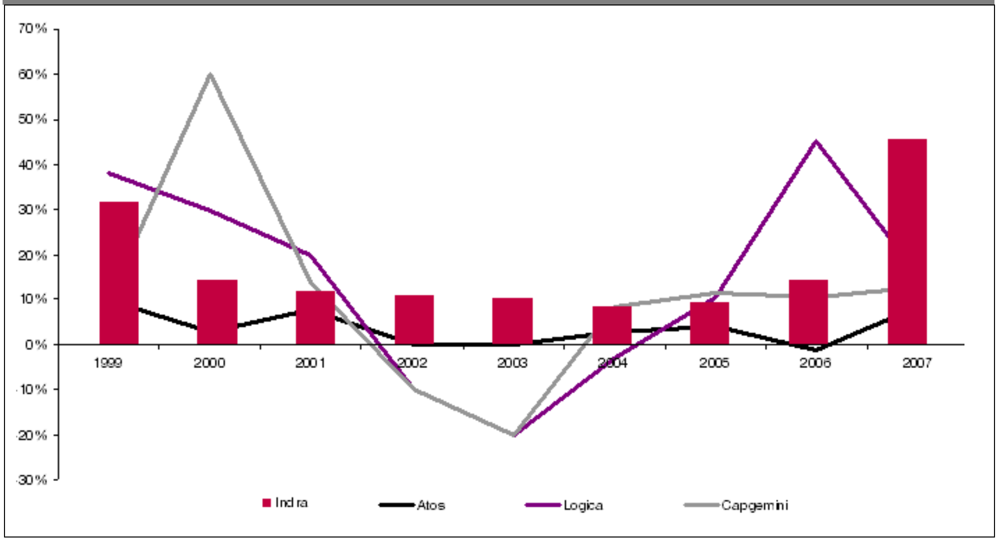
We believe Indra stands out from the peer group thanks to a distinctive business model that provides operational resilience and growth potential. A defensive revenue profile, focus on niche verticals, as well as relative protection from offshore make Indra one of the best placed companies in the sector. However, we see downside risk to our 2009E earnings estimate as IT services remains a late-cycle play and the company is still highly exposed to Spain (67% of revenues).

■ Operational resilience through a distinctive business model

Proven operational strength thanks to value-added products and less of an offshore threat given lower cost arbitrage opportunities and language barriers

We highlight the historical lower downside risk of Indra's earnings compared with its peers thanks to its greater immunity to macroeconomic headwinds and structural changes in the IT services market as a result of its leverage towards value-added solutions (70% of revenues). Indra significantly outperformed its peers in the last downturn (2001-03) and sustained its margins and growth momentum even in a tough macro environment. We believe the company is less vulnerable (but not immune) to the offshore threat and resulting deflation due to: 1) lower cost and billing rates in Spain; and 2) local language barriers, making the Spanish market relatively unattractive to possible offshore competitors. In terms of offerings and revenue mix, we find Indra's business model distinctive vis-à-vis traditional IT services and consulting companies.

HISTORICAL REVENUE TRENDS FOR IT COMPANIES



Source: CA Cheuvreux

Indra has one of the most defensive revenue profiles in the sector as: 1) in-house solutions account for around 70% of revenues, and these could be defensive under pricing and commoditisation pressure; 2) 45% of revenues stem from defence and transport & traffic, a vertical market that calls for expertise that is not as widespread as in other mature verticals; 3) it has limited exposure to services related to third-party software, which is prone to intense competitive pressure; and 4) 60% of revenues come from non-commercial clients, which are less-cyclical than the commercial markets. Indra's distinctive business model –providing solutions developed in-house rather than just services related to third-party software– differentiates it from traditional IT services companies.

■ But not immune to the economic slowdown

Spain still relatively unattractive for offshore vendors, but sharp deterioration expected in all sectors

We believe IT services remains a late-cycle play, vulnerable to corporate spending being scaled back and pricing pressure from offshore vendors in the coming quarters. IT services lags the software sector by 2-3 quarters as systems integrators work on implementing projects once software applications have been purchased. Most of the spending on IT services is maintenance, which is less discretionary and falls only late in the cycle. We expect lower corporate expenditure and weak software license figures to hit IT servicers in the coming quarters in Spain.

Revenues from Spain (67% of total) are at risk

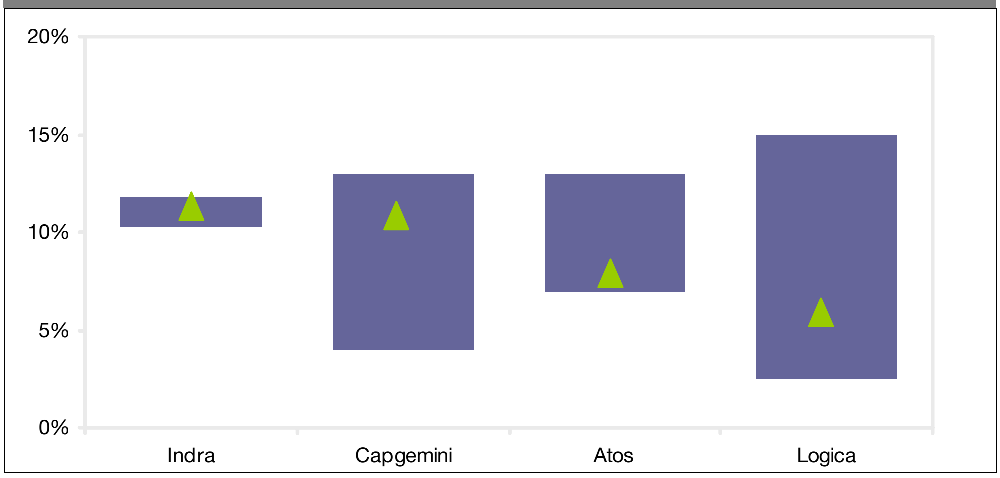
The offshore capacity of IT vendors has been one of the key issues lately, especially with the increasing inroads made by Indian vendors into continental Europe. As clients become more receptive to the offshore model and vendors, incumbent vendors are likely to find it difficult to compete unless they provide a similar value proposition to the offshore players, implying deflated billing rates and profitability. In spite of its distinctive positioning in terms of vertical exposure (shielding Indra somewhat from this structural change) we believe that the risk to Indra's earnings remains on the downside. Moreover, dataflow on the Spanish economy points to an abrupt deterioration in the economic outlook for all sectors at least through 2009. We do not expect the Government's stimulus package to provide significant support for the revenues from the Spanish institutional market in 2009E, which we estimate at 40% of the total, and believe that the biggest risk relates to the 27% of total revenues that come from the commercial market in Spain.

■ Downside risk to 2009 guidance

Corporate spend cuts, Spain & offshore pressure main risks to 2009 earnings

We expect Indra to post growth of 5% in revenues and 5% in EPS for 2009E. Our estimates are in line with the company's guidance (revenues +5-7% and EBIT margin of 11.3-11.5%). At this stage, we believe the visibility on Indra's results for the first part of the year remains good. However, we also think that the risk to our 2009E numbers is on the downside as sector margins have experienced considerable volatility and are currently at floor levels vs. Indra's stability (backlog visibility might decline in 2009E). In our view, the main risks to our 2009E estimates relate to: 1) economic deterioration in Spain (we expect 3% growth for Indra in domestic vertical markets); 2) the scaling back of corporate spending accelerating through 2009; 3) pricing pressure from competitors eroding volumes and/or profitability; and 4) lower growth in international markets (we estimate 10% growth for Indra in its international markets). With the Spanish IT market expected to contract by 5% in 2009E, Indra could push its domestic market share to a demanding 15.1%.

IT SERVICES EBITDA MARGIN VERSUS 10Y HISTORICAL PEAKS AND TROUGHS



Source: CA Cheuvreux

III— Strategy: CF protection or Telvent?

Indra's strategic focus is on retaining its privileged market position in Spain, leveraging on its solid client relations, while growth should come from the internationalization of its in-house services in niche domains. Its solid B/S (0.5X gearing 2009E) and focus on internationalization make Indra a potential consolidator in the sector. Telvent is a possible target. We value Telvent at 8X09E EV/EBITDA (EUR830m) and think a deal could raise Indra's gearing to 2X (demanding giving its CF generation, with a 4% yield).

■ Multi-pronged growth strategy

Growth strategy based on leveraging on client relations and niche expertise

Indra's growth strategy is built on leveraging on its strengths in the domestic market and niche verticals (defence and IT) in international markets. While we believe Indra aims to protect its prominent position in Spain, international markets should be the key motor for growth, as the company plans to grow its defence and IT verticals in US, India, the Middle East and LatAm. In the defence vertical, the key drivers should be: 1) greater importance given to the development of operational and interoperable capabilities; 2) boosting defence budgets in target markets; 3) increasing priority given to intelligence, surveillance and threat detection; and 4) greater priority being placed on communication and command/control capabilities. Growth in IT is driven by: 1) the increasing need for complex systems to manage and automate air traffic; 2) the growth expected in global air traffic management requirements (traffic to double in Asia by 2020); and 3) the political effort to reduce global warming should boost systems for managing public transportation.

LatAm is a major focal point for Indra. Along with defence and IT, the firm plans to leverage on other verticals, such as finance and telecoms, in LatAm. We highlight that many of Indra's existing large Spanish clients (Santander, BBVA, Telefonica) are expanding and/or integrating their operations in LatAm. As most of the region shares a common language with Spain, Indra aims to leverage on its relations with these clients to grow its presence in LatAm.

■ Solid balance sheet but concerns on working capital needs

Low gearing opens door to other CF uses

Indra's cash flow generation is low (a 4% FCF yield). We expect Indra to post net debt of EUR154m for 2008E, implying a 0.5X gearing, dropping to just EUR138m in 2010E (0.4X) as its cash flow should cover capex, working capital and dividend needs over the next few years. In our opinion, its low gearing puts Indra in a position to consider acquisitions as a way to boost its current market share in IT. However, Indra's limited cash flow generation means that multiples discipline is a must to protect the balance sheet in its diversification process. At a maximum gearing of 2X net debt/EBITDA in the event of acquisitions, Indra could have around EUR450m of cash at its disposal. In the current climate, we believe the company might prefer to look at potential M&A candidates rather than other alternatives for cash flow (buybacks, extraordinary dividends, etc.).

INDRA: GEARING 2005-2010E

(in EUR m)	2005	2006	2007	2008E	2009E	2010E
Net debt (cash)	(54.2)	58.9	150.3	154.3	158.2	138.0
Net debt /EBITDA	**(0.3)**	**0.3**	**0.6**	**0.5**	**0.5**	**0.4**

Source: CA Cheuvreux

We expect EUR710m of CF in 08-10E, but WC to weaken further

We expect Indra to generate EUR710m of operating cash flow in 2008-10E, with EUR190m being allocated to capex (approx. 2.5% revenues) and EUR194m to meeting working capital requirements. Our main concern regarding Indra's cash flow generation is the deterioration in working capital in recent years. We believe this deterioration could stem from the increasing weight of verticals linked to public administrations and/or the decreasing weight of those verticals with shorter collection periods (defence).

INDRA: CASH FLOW 2007-2010E

(in EUR m)	2007	2008E	2009E	2010E	2008-10E
Net profit before minorities	154.8	185.2	194.0	197.6	576.8
Depreciation	33.4	38.2	43.6	51.4	133.2
Equity method adj.	(1.5)	0.0	0.0	0.0	0.0
Operating cash flow	**186.9**	**223.4**	**237.6**	**249.0**	**710.0**
Investment (capex)	(72.8)	(60.0)	(65.0)	(65.0)	(190.0)
Working capital variations	(47.5)	(62.2)	(74.7)	(57.2)	(194.1)
Operating FCF	**66.6**	**101.2**	**97.9**	**126.9**	**326.0**
Dividends	(125.9)	(85.2)	(101.8)	(106.7)	(293.7)
Financial investments	(320.0)	(20.0)	0.0	0.0	(20.0)
Capital increase	280.0	0.0	0.0	0.0	0.0
Debt reduction / (increase)	(99.3)	(4.0)	(3.9)	20.2	12.3

Source: CA Cheuvreux

Keeping payout (55%) implies a 4% yield

Assuming that Indra keeps its payout rate at around 55%, the dividend yield should remain stable at 4% over the next few years. Provided there are no major acquisitions in the coming quarters, we feel comfortable with our estimated payout and dividend yield for Indra. Lastly, in the current economic downturn we do not expect any special dividend, as the company should try to protect its cash flow from late-cycle earnings deterioration or could look into potential acquisitions.

INDRA: DIVIDENDS 2005-2010E

(in EUR m)	2005	2006	2007	2008E	2009E	2010E
Cash dividends	77.8	55.4	125.9	85.2	101.8	106.7
Dividends (as % mkt. cap.)	**4.1%**	**2.4%**	**4.1%**	**3.2%**	**3.8%**	**4.0%**
Cash payout	97.3%	53.3%	110.3%	57.6%	56.4%	56.3%

Source: CA Cheuvreux

■ Changes in shareholding structure?

Overhang risk related to Caja Astur (5% stake)

Indra's share overhang risk has increased recently due to: 1) Gas Natural declaring that Unión Fenosa's stake in Indra is non core; and 2) Spanish savings banks' potential divestiture of industrial portfolios to shore up their balance sheets to cope with the real estate crisis. While increasing Indra's free float could be a positive corollary of a divestiture by any current large shareholder, we think the shares would be penalised by news flow, especially in the case of a partial divestiture. However, we doubt that Union Fenosa's stake will come to the market in a disorderly manner or that Caja Madrid will be a forced seller.

INDRA: SHAREHOLDING STRUCTURE

Shareholders	N. Shares (m)	Stake (%)
Caja Madrid	32.1	20.0%
Union Fenosa	28.9	18.0% (*)
Del Pino Family	9.1	5.7%
Caja Astur	8.0	5.0%
Free float	82.3	51.3%
Total	164.1	100.0%

(*) Per Unión Fenosa's latest conference call. Source: CA Cheuvreux

■ Telvent: potential acquisition target?

Telvent makes strategic sense for Indra

In November 2008, Abengoa announced that it was considering the disposal of its 64% stake in its IT business Telvent (quoted on Nasdaq: TLVT.O with expected revenues 09E EUR835m mainly in Europe & U.S. and EBITDA 09E EUR104m). We believe that Indra might be a potential buyer as Telvent would make strategic sense as it would help: 1) increase market share in a rather fragmented business; 2) improve geographical diversification (especially in the US and LatAm); and 3) consolidate niche verticals like transport & traffic (40% of Telvent's revenues) and verticals with solid growth prospects (energy & environment, 53% of Telvent's revenues). However, buying Telvent would represent a major change in Indra's expansion strategy as it has only ever bought in Spain and has never developed major structures outside the country. Finally, we see limited room for potential synergies.

INDRA: CHANGE IN BUSINESS MIX FROM POSSIBLE ACQUISITION OF TELVENT

(% of total)	w/o Telvent	inc. Telvent
Transport and traffic	18%	23%
Telecoms and media	10%	8%
Public admin / healthcare	14%	11%
Finance and insurance	13%	10%
Energy and industry	16%	22%
Defence (IT+systems)	29%	22%
Other	0%	4%

Source: CA Cheuvreux

We consider that buying Telvent would boost Indra's sales by 33%, EBITDA by 32% and EBIT by 29% in 2009E.

INDRA: IMPACT ON INDRA'S 2009 P&L OF ACQUIRING TELVENT

	2009E			2010E		
(in EUR m.)	Previous	New	Diff (%)	Previous	New	Diff (%)
Sales	2,499	3,334	33%	2,588	3,395	31%
EBITDA	321	425	32%	332	422	27%
EBIT	279	360	29%	283	351	24%

Source: CA Cheuvreux

We value Telvent at EUR830m

We believe that Indra might prefer to use its healthy balance sheet (0.4X gearing in 2010E) for potential acquisitions rather than increasing shareholder remuneration. At current prices, Telvent's market cap is EUR375m (6X09E and 7X10E EV/EBITDA). Our valuation of Telvent includes the recent acquisition of DTN and we estimate EV of EUR830m and the equity value of 100% at EUR568m (EUR364m for 64%, a 40% premium to the 6M average capitalisation), implying 8X09E and 9X10E EBITDA. In the table below, we analyze the possible impact on Indra's gearing of acquiring Telvent in various valuation scenarios (6-10X09E EV/EBITDA for Telvent). On this basis, the deal would increase Indra's debt from the current EUR154m (0.5X) to EUR633-898m (1.5-2.1X).

INDRA: IMPACT ON NET DEBT 2009E OF ACQUIRING TELVENT

Telvent valuation (EV/EBITDA 09E)	6X	8X	10X
Telvent valuation (EV/sales 09E)	**0.7X**	**1.0X**	**1.2X**
Estimated EV for Telvent (EURm)	622.8	830.4	1,037.9
Net debt, previous	143.6	143.6	143.6
Net debt, new	636.5	769.3	902.2
EBITDA, previous	321.3	321.3	321.3
EBITDA, new	425.1	425.1	425.1
Net debt/EBITDA, previous	0.4	0.4	0.4
Net debt/EBITDA, new	**1.5**	**1.8**	**2.1**
Net debt/equity	80%	87%	93%

Source: CA Cheuvreux

The deal could increase EPS by 3-10% in 2009E depending on the acquisition multiples and assuming 100% financing via debt. Assuming our EUR830m valuation of Telvent (EV), EPS could be enhanced by around 5%.

INDRA: IMPACT ON 2009E EPS ESTIMATES OF ACQUIRING TELVENT

EV/EBITDA 09E	6X	8X	10X
EV/sales 09E	**0.7X**	**1.0X**	**1.2X**
EBIT	360.2	360.2	360.2
o/w Indra	279.1	279.1	279.1
o/w Telvent	81.1	81.1	81.1
Financial expenses	(44.6)	(53.9)	(63.2)
EBT	315.6	306.3	297.0
Taxes	(85.2)	(82.7)	(80.2)
Minorities	(22.0)	(22.0)	(22.0)
Net profit, new	208.4	201.6	194.8
Net profit, previous	189.7	189.7	189.7
Change (%)	**10%**	**6%**	**3%**

Source: CA Cheuvreux

Finally, although buying Telvent would make strategic sense for Indra, it would also increase gearing to demanding levels (2X debt/EBITDA, or 90% debt/equity) given Indra's cash flow generation (a 4% FCF yield).

IV– EPS growing at a 3% CAGR in 2009-10E

We believe Indra's earnings visibility will decline in the coming quarters as we consider IT services to be a late-cycle business. Thus, we expect 2009 figures to be in line with company guidance (up 1% vs. previous estimates) but lower our estimate by 9% for 2010E. While we believe its distinctive business model will provide some earnings support, we see margin erosion from stiffer competition and declining pricing power.

■ EPS: fine tuned for 2008E & raised by 1% for 2009E

EPS raised 1% for 09E and cut by 9% for 10E

We fine tune (-1%) our EPS estimates for 2008E and increase them by 1% for 2009E in line with the company's guidance. However, we cut our EPS by 9% in 2010E to reflect: 1) decreasing pricing power as rising offshore competition hits profitability (EBIT margin down to 10.9% in 2010E from 11.3% 2008E); and 2) a slowdown in domestic revenues (67%) as a result of declining corporate expenditure, confirming the late-cycle nature of the IT business.

INDRA: REVISED EARNINGS 2008-2010E

	2008E			2009E			2010E		
(in EUR m)	Old	New	Change	Old	New	Change	Old	New	Change
Revenues	2,361	2,381	1%	2,439	2,499	2%	2,615	2,588	-1%
EBIT	269	268	0%	274	279	2%	306	283	-8%
Net profit	182	181	-1%	187	190	1%	213	193	-9%
EPS (EUR)	1.11	1.10	-1%	1.14	1.16	1%	1.30	1.18	-9%

Source: CA Cheuvreux

EPS slowdown in 2009-10E on late-cycle earnings

+3% EPS CAGR in 09-10E

For 2008E, we estimate revenues of EUR2,381m (+10%), EBIT of EUR268m (+20% and an 11.3% EBIT margin) and net profit of EUR181m (+22%). For 2009E, we believe that Indra's current earnings visibility (1.08X book-to-bill ratio in Q408E) could help it to meet its guidance, indicating 5% growth in revenues, an 11.2% EBIT margin and a 5% increase in EPS. In 2010E, we expect EPS up +2% on the basis of weaker results from Spanish vertical markets and margin deterioration (with the EBIT margin slipping to 10.9% in 2010E from 11.2% in 2009E) as offshore competitors achieve increasing pricing power.

INDRA: P&L ESTIMATES 2007-2010E

(in EUR m)	2007	% 08/07	2008E	%09/08	2009E	%10/09	2010E
Revenues	**2,167.6**	**9.8%**	**2,380.6**	**5.0%**	**2,499.0**	**3.6%**	**2,587.9**
EBITDA	256.9	19.4%	306.6	5.3%	322.9	3.5%	334.2
EBIT	**223.5**	**20.1%**	**268.4**	**4.1%**	**279.4**	**1.2%**	**282.8**
Financial results	(12.7)	18.4%	(15.1)	-7.5%	(14.0)	-10.9%	(12.4)
Extraordinaries	0.0	n.m.	0.0	n.m.	0.0	n.m.	0.0
Pre-tax profits	212.2	19.4%	253.3	4.8%	265.4	1.9%	270.4
Taxes	(57.4)	18.7%	(68.1)	4.8%	(71.4)	1.9%	(72.7)
Minority interests	(7.0)	n.m.	(4.5)	n.m.	(4.5)	n.m.	(4.5)
Net profit	**147.8**	**22.2%**	**180.7**	**4.9%**	**189.5**	**1.9%**	**193.2**
EPS (EUR)	0.92	22.2%	1.10	4.9%	1.16	1.9%	1.18
Clean EPS (EUR)	0.93	20.2%	1.12	4.9%	1.17	1.9%	1.20

Source: CA Cheuvreux

39% of revenues from commercial markets

■ Vertical diversification means defensive revenue profile

In our view, Indra has a more defensive profile as regards revenues than its peers owing to: 1) its high exposure to the defence (29%) and IT (18%) vertical markets, niche areas requiring expertise that it is not as widespread as for other mature verticals; and 2) public administrations accounting for 14% of revenues, which, together with defence and IT, means that 61% of Indra's revenues come from institutional non-commercial clients.

Indra's main vertical markets are: 1) **Defence** (29%, the most important). Indra provides technology for various defence requirements such as flight simulators, electronic warfare, defence systems, ground surveillance, etc. and is the market leader in Spain. We expect the division to remain key for long-term growth. 2) **Traffic & transport** (18%) with two brand offerings: a) air traffic management systems, generating around 50% of revenues; and b) ground traffic control system like high-speed train control and ticketing systems, generating the remaining 50%. 3) **Public administration and healthcare** (14%), which includes the development and maintenance of various information systems for public institutions. 4) **Finance and insurance** (13%). 5) **Telecoms and media** (10%). 6) **Energy and industry** (16%). The last three verticals (F&I, T&M and E&I) generate 39% of the company's total revenues and constitute the commercial segment of revenues.

INDRA: REVENUES BY VERTICAL MARKET 2007-2010E

(in EUR m)	2007	% 08/07	2008E	%09/08	2009E	%10/09	2010E
Commercial markets	**844.3**	**10.6%**	**934.0**	**5.4%**	**984.9**	**3.9%**	**1023.8**
Weight	**38.9%**	**0.7%**	**39.2%**	**0.5%**	**39.4%**	**0.4%**	**39.6%**
o/w Telecoms & media	214.7	13.7%	244.2	8.0%	263.7	6.0%	279.6
o/w Finance & insurance	275.7	13.8%	313.7	7.0%	335.7	4.0%	349.1
o/w Energy & industry	353.9	6.3%	376.1	2.5%	385.5	2.5%	395.1
Public admin / healthcare	296.1	12.3%	332.6	3.6%	344.5	3.0%	354.9
Transport & traffic	394.2	10.8%	437.0	6.5%	465.4	4.0%	484.0
Defence (IT & systems)	633.0	7.0%	677.0	4.0%	704.1	3.0%	725.2
Total sales	**2,167.6**	**9.8%**	**2,380.6**	**5.0%**	**2,499.0**	**3.6%**	**2,587.9**

Source: CA Cheuvreux

67% of revenues come from Spain

■ Growth to come from overseas (+8% CAGR in 2009-10E)

A significant part of revenues (67%) are generated in Spain, where Indra has built a leading position with around a 14% share of a rather fragmented market (the top five players control less than 40% of the market). Although we believe the company has done well to defend its market share in Spain, overreliance on a single country could increase the risk to revenue growth. We estimate around 60% of Spanish revenues (41% of the total) stem from institutional clients (defence, public administrations, IT) with the remaining 40% (27% of total revenues) coming from more cyclical commercial sectors. While institutional clients are more resilient, we see downside risk in the commercial sectors as corporate spend will be scaled back as a result of the Spanish economy's deterioration. Management has focused on diversifying its revenue profile and strategy towards high-growth regions such as LatAm and Asia. We expect growth in international markets (33% revenues) to almost double the domestic rate (CAGRs 2009-10E of +8% for international markets vs. +3% in Spain).

INDRA: REVENUES BY REGION 2007-2010E

(in EUR m)	2007	% 08/07	2008E	%09/08	2009E	%10/09	2010E
Domestic market	1,498.1	7.1%	1,605.0	2.5%	1,645.1	2.5%	1,686.3
Weight	**69%**	**n.m.**	**67%**	**n.m.**	**66%**	**n.m.**	**65%**
International markets	669.6	15.8%	775.6	10.1%	853.8	5.6%	901.7
o/w Europe	353.7	5.5%	373.1	5.0%	391.8	5.0%	411.3
o/w US	46.8	21.8%	57.0	10.0%	62.7	10.0%	69.0
o/w LatAm	179.4	17.3%	210.5	10.0%	231.6	10.0%	254.7
o/w other	89.6	50.6%	135.0	24.3%	167.8	-0.7%	166.7
Total sales	**2,167.6**	**9.8%**	**2,380.6**	**5.0%**	**2,499.0**	**3.6%**	**2,587.9**

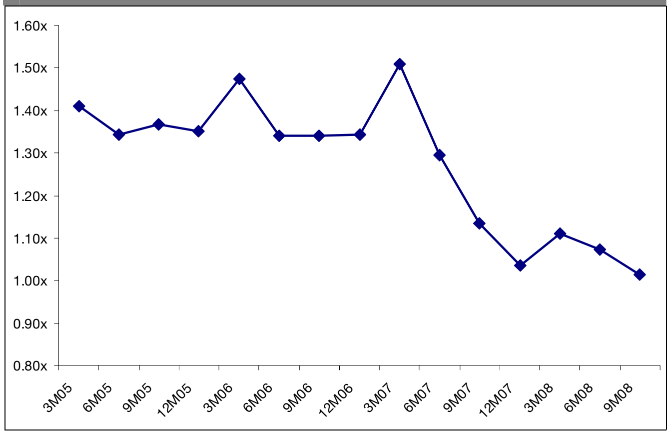
Source: CA Cheuvreux

■ Book-to-bill ratio and backlog set to deteriorate

Backlog covers c40% of total revenues budgeted for 2009

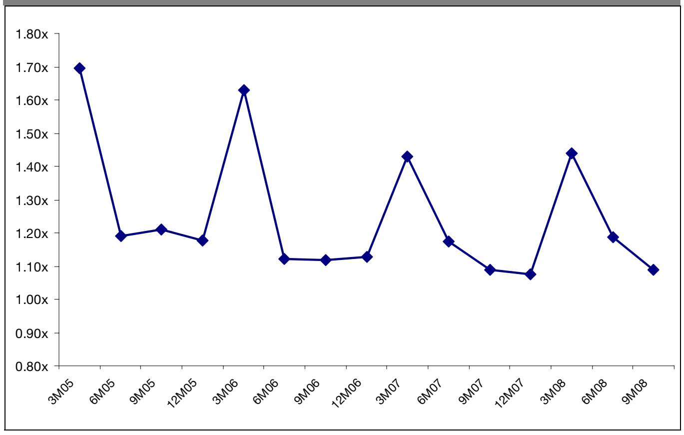
We expect some deterioration in the book-to-bill ratio and backlog in the coming quarters as a result of economic slowdown (especially in Spain). However, we believe that niche businesses and international activities will protect the company from a sharp deterioration in its earnings visibility. The total backlog at the end of 9M08 was 1.01X the 12M forward estimated revenues and on track to meeting the company's growth target. We estimate that the backlog covers c40% of the revenues budgeted for 2009.

ORDER BACKLOG TREND



Source: CA Cheuvreux

BOOK-TO-BILL RATIO TRENDS

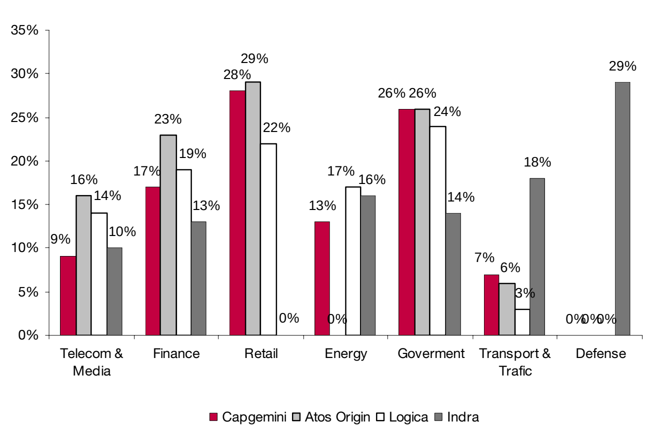


Source: CA Cheuvreux

■ EBIT margin to stay in double digits

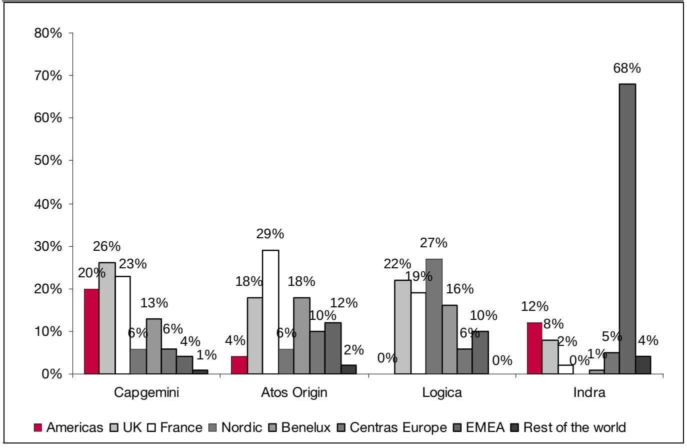
Indra has maintained its healthy industry-leading margins (11% EBIT margin vs. peers' c6%) in tough macro conditions. While high margins are normal in the solutions business, Indra has maintained strong margins in services, too (probably helped by the consolidation of Azertia and Soluziona). We believe that Indra's distinctive business model and multi-pronged strategy based on geographical and vertical diversification should protect it against severe margin erosion in the coming years. However, we believe that the economic slowdown in Spain will reduce Indra's pricing power and, therefore, some margin erosion looks likely over the next few years.

VERTICAL DIVERSIFICATION IN IT COMPANIES



Source: CA Cheuvreux

GEOGRAPHICAL DIVERSIFICATION IN IT COMPANIES



Source: CA Cheuvreux

Personnel expenses represent 45% of opex

There are two major opex components as the company reports: 1) personnel expenses (44% of total opex); and 2) the indirect cost of materials consumed (55% of the total). As a percentage of total revenues, personnel expenses have risen in recent years owing to: 1) the effect of acquisitions; and 2) Indra growing faster in verticals such as telecoms and public administrations, which require higher headcount intensity than defence and IT. We expect this trend to continue going forward in view of Indra's strategic profile.

INDRA: OPEX & EBIT 2007-2010E

(in EUR m)	2007	% 08/07	2008E	%09/08	2009E	%10/09	2010E
Revenues	2,167.6	9.8%	2,380.6	5.0%	2,499.0	3.6%	2,587.9
Opex	**1,924.3**	**8.5%**	**2,087.6**	**4.9%**	**2,189.7**	**3.5%**	**2,267.4**
o/w Personnel expenses	840.4	11.0%	932.9	5.0%	979.2	3.6%	1,014.1
o/w Supply costs, external and operating	1,083.9	6.5%	1,154.7	4.8%	1,210.4	3.5%	1,253.3
EBIT	223.5	20.1%	268.4	4.1%	279.4	1.2%	282.8
EBIT margin (%)	**10.3%**	**n.m.**	**11.3%**	**n.m.**	**11.2%**	**n.m.**	**10.9%**

Source: CA Cheuvreux

Long-term EBIT margin of c.11%

We forecast operating margins will contract by 10bp from 11.3% in 2008E to 11.2% in 2009E mainly due to lower earnings and limited operational leverage as a result of offshore competition. In our view, synergies from the consolidation of Azertia and Soluziona (EBIT margins well below Indra's standards) were responsible for a significant proportion of the profitability increase at Indra since 2007. We forecast long-term margins of 11.0% with increasing market fragmentation and offshore pricing pressure.

INDRA: PROFITABILITY IMPROVEMENTS FROM ACQUISITIONS

(in EUR m)	2006	2009E
o/w Indra (pre-deals)	1,331	1,750
o/w Soluziona	411	475
o/w Azertia	208	274
Group revenues	**1,950**	**2,499**
Indra (pre-deals)	12.0%	12.2%
Soluziona	6.5%	10.0%
Azertia	5.4%	10.0%
Group EBIT margin	**10.2%**	**11.2%**

Source: CA Cheuvreux

Our DCF Valuation

WACC

Risk-free rate	4.5%
Risk premium	4.0%
Beta	1.14
Cost of equity	9.0%
Gearing in market value	5.0%
Credit spread	1.5%
Cost of debt	6.0%
Tax rate	26.0%
WACC	**8.8%**

IMPLICIT BETA AND WACC AT THE CURRENT SHARE PRICE

Implicit Beta	1.08
Implicit WACC	8.6%

DCF SUMMARY

(EUR m)	2008	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
EBITDA	307	323	334	364	394	404	414	425	435
Tax on EBITA	(72)	(75)	(76)	(81)	(88)	(90)	(92)	(95)	(97)
Change in WCR	(62)	(75)	(57)	(41)	(37)	(37)	(37)	(37)	(37)
Capex	(60)	(65)	(65)	(63)	(65)	(67)	(69)	(71)	(73)
Financial investments	(20)	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Operating FCF	92	108	136	179	205	211	216	222	228
Discounted free cash flow	0	99	115	139	146	138	130	123	116

(EUR m)	FCF growth	DCF value	% EV	x/EBITDA	x/EBITA
Years 1-8	+12.5%	1,007	34.8%		
Terminal value	+2.5%	1,884	65.2%	8.5	10.2
Enterprise value		2,891	100.0%	9.0	10.8

DCF VALUE

Enterprise value	2,891
Financial assets and associates	(163)
Pension provisions	0
Other provisions	0
Net financial debt	(154)
Minority interests	0
Dilution	0
Shareholders' equity	2,574
/ Number of Shares (m)	164.13
/ Potential number of new shares (m)	0.00
Per Share, fully diluted (EUR)	15.68
Last Price (EUR)	16.37

SENSITIVITY OF OUR VALUATION TO CHANGES IN THE WACC/ DISCOUNT RATE AND IN GROWTH TO INFINITY

(EUR)	Discount rate or WACC (%)			
		8.3	8.8	9.3
Growth rate to infinity (%)	2.0	16.2	14.8	13.6
	2.5	17.3	15.7	14.3
	3.0	18.6	16.7	15.2

Environmental, Social & Governance Issues

■ CORPORATE GOVERNANCE HIGHLIGHTS

1. Does the company disclose its corporate governance policies or guidelines?	No
2. Does the company have a combined chair/CEO?	No
3. Percent independent directors	60.00%
4. Do all executive board members own shares after excluding options held?	Yes
5. Do all common or ordinary equity shares have one-share, one-vote, with no restrictions?	Yes
6. Is there a single shareholder or shareholder group which controls a majority of the voting power of the company?	No
7. Do shareowners have a right to act in concert through written communication?	No
8. Do shareholders have a right to convene an EGM with 10% or less of the shares requesting one?	Yes
9. Is the company currently under investigation for accounting irregularities?	No
10. Has the company adopted a shareholder rights plan ("poison pill")?	No
11. Potential dilution from stock options outstanding + not yet granted under old or new plans	0.00%
12. Disclosure on CEO remuneration details (amount detailed if disclosed)	

The information contained in this table is written and presented under the sole responsibility of GMI. CA Cheuvreux does not accept any responsibility for any loss which may arise from reliance on information contained in this table

Source: GMI

■ CORPORATE GOVERNANCE ANALYSIS

Indra's main shareholders are: Caja Madrid, with 20%, Unión Fenosa, with 15%; Casa Grande de Cartagena with 5.68%; and CajAstur with 5%. The company is unaware of the existence of any agreement or pact among shareholders pursuant to which they might act in concert.

■ E&S ISSUES FOR THE IT SECTOR

1 Shortage of skilled employees: the company needs to pay attention to its attractiveness to obtain skilled people and to retain the key elements (future employment needs vs. adapted future academic resources)

Analysis for Indra

We believe the bulk of key top managers of Indra has an average of more than 10 years at the company. Besides, we highlight the companies' gender diversity policy. In this regard, the Board and the Nomination, Remuneration and Corporate Governance Committee shall take special care to see that in selecting people to perform the role of Director, principles and policies applied are geared towards ensuring appropriate gender diversity among Board members.

2 M&A: management of people, integration in a single entity and key success to be kept. How does the company mange successive M&A? What are the impacts for the team cohesion?

Analysis for Indra

We believe Indra has a good track record in M&A. Indra acquired Azetia and Soluziona in 2007 and we believe it could manage to double these companies' profitability beyond 2010. We see no negative team cohesion as a result of this deal given the niche nature of the different solutions and services provided by the company.

3 Software publishers can, through their products, influence their clients' business. Does the company provide any products that could make their clients' business more sustainable?

Analysis for Indra

Indra's in-house Solutions in niche verticals (defence, transport, public administration or finance) could help its client to achieve a better operational position and increase market share versus competitors. Thus, we believe that Indra has made, in some cases, a more sustainable business for their clients.

Indra

FY to 31/12 (Euro m)	2002	2003	2004	2005	2006	2007	2008E	2009E	2010E
Profit & Loss Account									
Sales	**873.6**	**981.4**	**870.3**	**1,202.2**	**1,406.8**	**2,167.6**	**2,380.6**	**2,499.0**	**2,587.9**
% Change	*12.8%*	*12.3%*	*-11.3%*	*38.1%*	*17.0%*	*54.1%*	*9.8%*	*5.0%*	*3.6%*
Staff costs	(274.4)	(291.1)	(316.6)	(352.0)	(458.9)	(856.9)	(932.9)	(979.3)	(1,014.1)
Other costs	(485.6)	(561.2)	(628.4)	(690.4)	(763.5)	(1,053.8)	(1,141.1)	(1,196.8)	(1,239.6)
EBITDA	**113.6**	**129.1**	**(74.7)**	**159.8**	**184.4**	**256.9**	**306.6**	**322.9**	**334.2**
% Change	*18.5%*	*13.6%*	*NS*	*NS*	*15.4%*	*39.3%*	*19.3%*	*5.3%*	*3.5%*
Depreciation	(17.6)	(20.0)	(19.5)	(17.5)	(20.8)	(33.4)	(38.2)	(43.6)	(51.4)
EBITA	**96.0**	**109.1**	**(94.2)**	**142.3**	**163.6**	**223.5**	**268.4**	**279.4**	**282.8**
% Change	*14.9%*	*13.6%*	*NS*	*NS*	*15.0%*	*36.6%*	*20.1%*	*4.1%*	*1.2%*
Goodwill amortisation before OP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill amortisation [impairment test]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non recurring operational items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**96.0**	**109.1**	**(94.2)**	**142.3**	**163.6**	**223.5**	**268.4**	**279.4**	**282.8**
Net financial items	0.2	4.6	4.4	4.5	(1.4)	(12.7)	(15.1)	(14.0)	(12.4)
Non recurring financial items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other exceptional items	(12.2)	(17.6)	(5.6)	(0.7)	0.0	0.0	0.0	0.0	0.0
Tax	(14.4)	(18.8)	(22.8)	(37.9)	(44.2)	(57.4)	(68.1)	(71.4)	(72.7)
Associates [contribution]	(0.5)	0.6	(6.3)	(0.8)	0.0	0.0	0.0	0.0	0.0
Discontinuing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill amortisation	0.0	(4.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit [loss] before minorities	**8.1**	**73.8**	**(124.5)**	**107.4**	**118.0**	**154.8**	**185.2**	**194.0**	**197.7**
Dividend to preferred shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	(8.1)	(2.1)	(4.5)	(3.4)	(3.8)	(7.0)	(4.5)	(4.5)	(4.5)
Net attributable profit [loss]	**0.0**	**71.7**	**(129.0)**	**104.0**	**114.2**	**147.8**	**180.7**	**189.5**	**193.2**
Restatement [impairment test]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adj. for exceptional items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net attrib. profit [loss], restated	**0.0**	**75.9**	**(129.0)**	**104.0**	**114.2**	**147.8**	**180.7**	**189.5**	**193.2**
% Change			*NS*	*180.7%*	*9.8%*	*29.5%*	*22.2%*	*4.9%*	*1.9%*
Cash Flow Statement									
Cash flow	**86.1**	**112.8**	**102.0**	**124.9**	**138.8**	**188.3**	**223.4**	**237.6**	**249.0**
% Change	*22.1%*	*31.0%*	*-9.6%*	*22.4%*	*11.2%*	*35.6%*	*18.7%*	*6.3%*	*4.8%*
Change in WCR	26.3	(5.6)	(5.6)	(58.6)	(64.5)	(47.5)	(62.2)	(74.7)	(57.2)
Capex	(28.0)	(18.4)	(14.6)	(17.3)	(38.0)	(72.8)	(60.0)	(65.0)	(65.0)
o/w Growth capex	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash flow	**84.4**	**88.8**	**81.8**	**49.0**	**36.4**	**68.0**	**101.2**	**97.9**	**126.9**
Financial investments	(80.0)	20.9	(0.0)	(62.4)	(124.4)	(312.0)	(20.0)	0.0	0.0
Net buyback of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend paid	(10.0)	(12.6)	(16.4)	(68.0)	(55.4)	(128.0)	(85.2)	(101.8)	(106.7)
Capital increase	0.0	0.0	0.0	0.0	0.0	280.0	0.0	0.0	0.0
Other cash flow	(31.9)	3.1	1.1	(55.3)	0.0	170.6	0.0	0.0	0.0
Dec. [inc.] in net debt	(37.4)	100.2	66.5	(136.7)	(143.4)	78.6	(4.0)	(3.9)	20.2
Balance Sheet									
Shareholders' equity [group share]	255.3	337.0	401.5	283.0	345.7	696.6	792.2	879.8	966.3
Minority interests	34.1	35.8	35.8	19.7	26.3	42.0	46.5	51.0	55.5
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	99.2	89.6	93.6	68.4	75.1	97.0	97.0	97.0	97.0
Net debt [cash]	(36.6)	(136.8)	(205.2)	(54.2)	58.9	150.3	154.3	158.2	138.0
Gearing [%]	NS	NS	NS	NS	15.8	20.3	18.4	17.0	13.5
Capital invested	**352.0**	**325.6**	**325.7**	**316.9**	**506.0**	**985.9**	**1,089.9**	**1,186.0**	**1,256.8**
Goodwill	82.9	60.5	62.9	108.7	184.6	424.3	424.3	424.3	424.3
Intangible assets	90.3	70.3	28.1	38.6	63.2	97.1	78.0	56.2	30.5
Tangible assets	56.7	57.3	67.2	68.4	94.0	131.2	172.1	215.3	254.6
Financial assets	78.9	88.7	113.1	33.8	32.4	37.0	57.0	57.0	57.0
Associates	0.0	0.0	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0
Working capital requirement	43.2	48.8	54.4	67.4	131.9	296.3	358.5	433.2	490.4
WCR as a % of sales	4.9	5.0	6.3	5.6	9.4	13.7	15.1	17.3	18.9
Capital employed	**352.0**	**325.6**	**325.7**	**316.9**	**506.0**	**985.9**	**1,089.9**	**1,186.0**	**1,256.8**

Indra

FY to 31/12 (Euro)	2002	2003	2004	2005	2006	2007	2008E	2009E	2010E
Per Share Data (at 9/2/2009)									
EPS before goodwill	0.00	0.52	(0.84)	0.74	0.80	0.93	1.12	1.17	1.20
% Change			*NS*	*188.7%*	*7.6%*	*16.8%*	*20.2%*	*4.9%*	*1.9%*
EPS, reported	0.00	0.48	(0.84)	0.70	0.78	0.92	1.10	1.16	1.18
% Change			*NS*	*183.8%*	*11.9%*	*17.0%*	*20.2%*	*4.9%*	*1.9%*
Goodwill per share	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend per share	0.08	0.11	0.52	0.39	0.78	0.50	0.52	0.62	0.65
Cash flow per share	0.59	0.77	0.66	0.89	0.97	1.19	1.38	1.47	1.54
% Change	*21.5%*	*29.3%*	*-13.8%*	*34.6%*	*8.9%*	*22.4%*	*16.7%*	*6.4%*	*4.8%*
Book value per share	1.6	2.1	2.1	1.4	1.5	3.7	4.3	4.7	5.2
No. of shares, adjusted	151.530	153.520	154.400	154.400	148.470	164.130	164.130	164.130	164.130
Av. number of shares, adjusted	148.330	150.320	154.400	148.470	145.870	161.440	164.130	164.130	164.130
Treasury stock, adjusted	3.200	3.200	0.000	8.210	2.600	2.700	2.700	2.700	2.700
Share Price [Adjusted]									
Latest price	6.48	10.17	12.57	16.51	18.61	18.58	16.19	16.37	16.37
High	10.75	11.38	12.88	18.47	19.19	20.85	18.92	16.96	-
Low	5.05	6.12	9.85	12.07	13.92	16.70	12.90	15.33	-
Average price	8.33	8.73	10.92	15.44	16.49	18.74	16.93	16.02	-
Market capitalisation	961.2	1,528.8	1,940.8	2,451.2	2,763.0	3,001.3	2,613.7	2,642.7	2,642.7
Enterprise value	924.6	1,392.0	1,735.6	2,397.0	2,821.9	3,151.6	2,930.7	2,963.7	2,943.5
Valuation									
P/E	NS	20.9	NS	22.3	23.3	20.0	14.5	13.9	13.7
P/E before goodwill	NS	19.7	NS	22.3	23.3	20.0	14.5	13.9	13.7
P/CF	10.9	13.3	19.0	18.5	19.2	15.7	11.7	11.1	10.6
Attrib. FCF yield [%]	8.8	5.8	4.2	2.0	1.3	2.3	3.9	3.7	4.8
P/BV	4.0	4.9	6.0	11.4	12.0	5.0	3.8	3.5	3.1
Enterprise value / Op CE	3.4	5.9	8.2	8.5	6.0	3.3	2.8	2.6	2.5
Yield [%]	1.2	1.1	4.1	2.4	4.2	2.7	3.2	3.8	4.0
EV/EBITDA, restated	8.1	10.8	NS	15.0	15.3	12.3	9.6	9.2	8.8
EV/EBITA, restated	9.6	12.8	NS	16.8	17.2	14.1	10.9	10.6	10.4
EV/Sales	1.06	1.42	1.99	1.99	2.01	1.5	1.2	1.2	1.1
EV/Debt-adjusted cash flow	10.8	12.9	17.6	19.7	20.2	16.0	12.5	12.0	11.4
Financial Ratios									
Interest cover	NS	NS	17.0	NS	NS	NS	NS	NS	NS
Net debt/Cash flow	NS	NS	NS	NS	0.4	0.8	0.7	0.7	0.6
EBITDA margin [%]	13.0	13.2	NS	13.3	13.1	11.9	12.9	12.9	12.9
EBITA margin [%]	11.0	11.1	NS	11.8	11.6	10.3	11.3	11.2	10.9
Net margin [%]	0.9	7.5	NS	8.9	8.4	7.1	7.8	7.8	7.6
Capital turn [Sales/ Op. CE]	3.2	4.1	4.1	4.2	3.0	2.3	2.3	2.2	2.2
Gearing [%]	NS	NS	NS	NS	15.8	20.3	18.4	17.0	13.5
Payout ratio [%]	0.0	23.1	(62.3)	55.7	99.6	54.6	47.2	53.7	55.2
Return [%]									
Pre-tax RoCE	35.2	46.1	NS	50.3	34.5	23.6	26.0	24.7	23.6
RoCE after tax	35.2	46.1	NS	37.2	25.1	17.2	19.0	18.1	17.2
ROE [%]	NS	23.8	NS	45.0	39.6	23.7	25.7	24.1	22.2
Return on equity, restated	NS	23.8	NS	45.0	39.6	23.7	25.7	24.1	22.2

Important Disclosures

APPLICABLE DISCLOSURE CLAUSES

Company	Closing Price	Rating	Disclosures
Indra	EUR16.37	3/Underperform	E

A - One or more companies in the Crédit Agricole S.A. group owned more than 1% of the total issued share capital of the Company as of the end of the second most recent month preceding the publication date of this report.

B - One or more companies in the Crédit Agricole S.A. group owned more than 5% of the total issued share capital of the Company as of the end of the second most recent month preceding the publication date of this report.

C - The Company owned more than 5% of the total issued share capital of Crédit Agricole SA as of the end of the second most recent month preceding the publication date of this report.

D - One or more companies in the Crédit Agricole S.A. group held, as of the end of the second most recent trading day, a net sales position higher than 1% of the total issued share capital of the Company.

E - The trading portfolio of one or more companies in the Crédit Agricole S.A. group contained shares of the Company as of the end of the second most recent trading day.

F - Crédit Agricole Cheuvreux and/or a company in the Crédit Agricole S.A. group is a market maker or a liquidity provider for the financial instruments of the Company.

G - Calyon and/or a company in the Crédit Agricole S.A. group has been involved within the last three years in a publicly disclosed offer of or on financial instruments of the Company.

H - Calyon and/or a company in the Crédit Agricole S.A. group has concluded or is party to a non confidential agreement relating to the provision of investment banking services (except publicly disclosed offers mentioned under G) to the Company during the past 12 months or that has given rise during the same period to the payment of compensation or to the promise to get a compensation paid.

I - This research has been communicated to the Company and following this communication, its conclusions have been amended before its dissemination.

J - A director or a board member of the Crédit Agricole S.A. group is an officer, director, or board member of the Company.

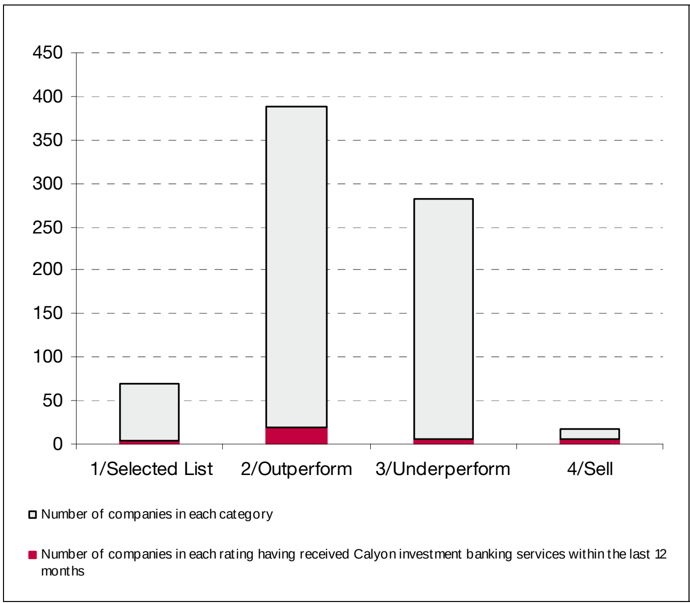
SPECIFIC DISCLOSURE CLAUSES

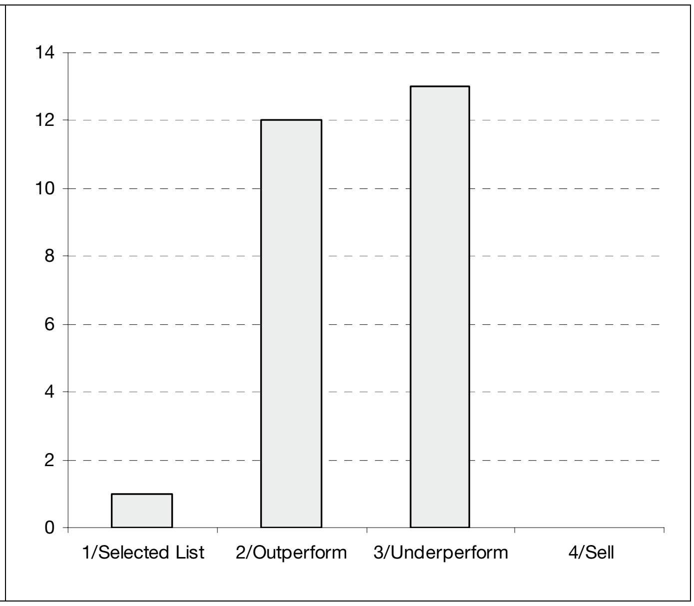
None

CHEUVREUX'S RATING AND TARGET PRICE SYSTEM

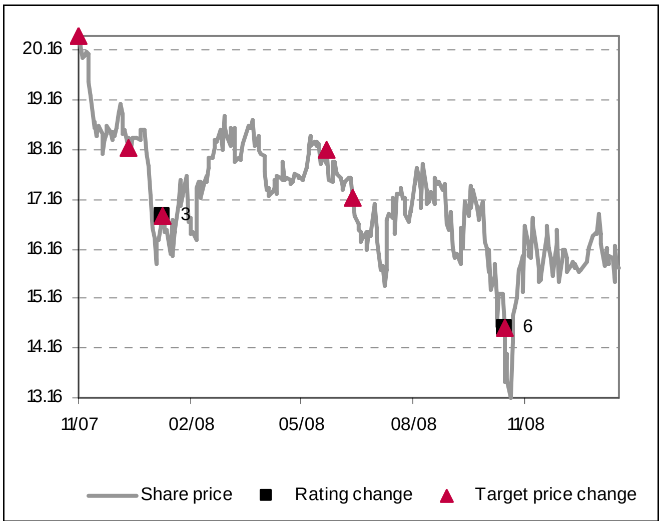
Ratings are built for a 6 to 12 month time horizon.	
1/Selected List	Expected to outperform the market and is in our country selected list
2/Outperform	Expected to outperform the market
3/Underperform	Expected to perform at best in line with the market
4/Sell	Expected to underperform the market substantially
No Rating or Suspended	The investment rating and target price have been suspended. Such suspension is pursuant to Cheuvreux's policy in circumstances when Cheuvreux's parent company, Calyon, is acting in an advisory capacity in a merger or strategic transaction involving this company or when Calyon or Crédit Agricole has a beneficial interest in this company and in certain other circumstances.
Target price methodology	Cheuvreux's target prices are derived from one or more of the following methodologies: DCF, SOP, peer comparison and EVA.
Quote definitions	Unless specified, all quotes that appear on Institutional research reports are closing prices the last business day.

OVERALL RATING BREAKDOWN (AS AT 31/12/2007)	RATING BREAKDOWN IN THE SECTOR (AS AT 31/12/2007)





SHARE PRICE TREND AND DATES OF CHANGES IN RATING AND/OR TARGET PRICE



DATES OF CHANGES IN TARGET PRICE AND/OR RATING

	Date	Rating	Target price
1	07/11/2007		EUR21.50
2	17/12/2007		EUR20.63
3	14/01/2008	2/Outperform	EUR19.90
4	29/05/2008		EUR20.20
5	19/06/2008		EUR19.10
6	21/10/2008	3/Underperform	EUR16.24

LOCAL REGULATORY AUTHORITIES

Country	Cheuvreux legal entity	Regulatory authority
Austria	Crédit Agricole Cheuvreux – Vienna Branch	Finanzmarktaufsicht (FMA)
France	Crédit Agricole Cheuvreux SA	Autorité des Marchés Financiers (AMF)
Germany	Crédit Agricole Cheuvreux Niederlassung - Frankfurter Branch	Bundesanstalt für Finanzdienstleistungsaufsicht (Bafin)
Greece	Credit Agricole Cheuvreux - Athens branch	Hellenic Capital Market Commission
Italy	Crédit Agricole Cheuvreux Italia SIM SpA	Commissione Nazionale per le Societa e la Borsa (Consob)
Netherlands	Crédit Agricole Cheuvreux - Amsterdam Branch	Autoriteit Financiële Markten (AFM)
Spain	Crédit Agricole Cheuvreux Espana SV SA	Comisión Nacional del Mercado de Valores (CNMV)
Sweden	Crédit Agricole Cheuvreux Nordic AB	Finansinspektionen
Switzerland	Crédit Agricole Cheuvreux - Zurich Branch	Swiss Federal Banking Commission (SFBC)
Turkey	Credit Agricole Cheuvreux Menkul Degerler A.S.	Capital Markets Board of Turkey (CMB)
UAE	Crédit Agricole Cheuvreux - Middle East Branch	Dubai Financial Services Authority (DFSA)
UK	Crédit Agricole Cheuvreux International Ltd	Financial Services Authority (FSA)

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