

# **TECNOCOM, Telecomunicaciones y Energía, S.A**

**FIRST HALF 2009  
CONSOLIDATED RESULTS**

## NET PROFIT RISES +19%

- EBITDA reaches M 11.4 €, +18.6%, improving the margin over sales in 130 basic points.
- EBIT reaches M 7.9 €, with a +22.3% growth.

**Madrid, 2009 July 29** – The Company continues to improve significantly its profitability with a margin improvements in all the lines of the Consolidated P&L accounts.

### We highlight the following points:

- In the economic context, the company is rapidly adapting its structure to the current situation. Overhead costs registered a significant improvement, with a 11.7% decrease, thanks to the policies aiming to improve efficiency.
- The EBITDA and the following lines of the P&L, have benefited from this costs savings.
- In the 1H'09, non recurrent costs have reached € 1.5 M. Excluding these costs, EBITDA would have reached € 12.9 M, with a 6.5% margin over sales.
- In a difficult macroeconomic scenario, the Company is increasing its market share, in spite of the decrease of sales. We estimate that the fall of the IT sector reaches approximately -20%.

(M €)	1H'08	1H'09	Var (%)
Sales	211.965	197.335	-6.9%
Gross Margin	54.051	50.652	-6.3%
EBITDA	9.587	11.373	18.6%
EBIT	6.495	7.946	22.3%
Net Profit	4.082	4.870	19.3%

## **1. Financial Information Analysis**

**Sales have decreased a -6.9%, improving the performance of our direct competitors**, in an environment characterized by a strong competition.

Two facts are having an effect in sales. On one hand, the Company is increasing its client's portfolio showing a high customer satisfaction with the service provided and a stable commitment. Tecnocom is gaining market share and is creating the basis for a solid growth, once the macroeconomic scenario improves and investment projects, now delayed, will be reactivated. On the other hand, we are experiencing a strong slow down of investment projects, especially in the Networks & Systems Integration area.

The company is actively managing its projects portfolio, rejecting those that do not cover the minimum profitability required, therefore losing sales volume although not deteriorating the margin over sales.

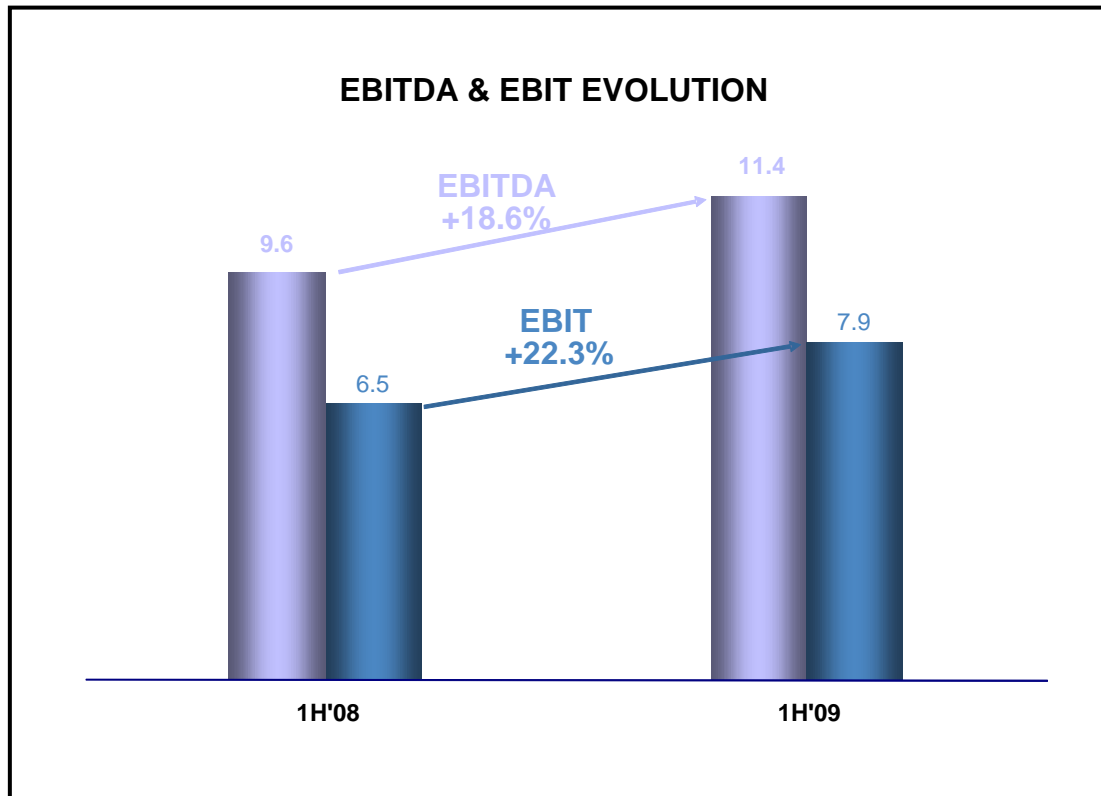
In the next quarters, we have to highlight the significant business opportunities that will come from the Spanish Savings Banks integration process. Tecnocom has a leadership position in the most important ones that will lead the integration process and we expect to participate actively in these projects.

**There has been a margin improvement at all levels of the P&L accounts** that comes from a significant management effort in all the areas of the Company. In the different business units, we are applying management criteria aiming to compensate the fall of sales volumes with a better use of the resources. As a result, the gross margin has improved 20 basic points.

### **MARGIN IMPROVEMENT**

<b>% over sales</b>	<b>1H'08</b>	<b>1H'09</b>	<b>(%)</b>
Gross Margin	25.5%	25.7%	0.2%
EBITDA	4.5%	5.8%	1.3%
EBIT	3.1%	4.0%	0.9%
Net Profit	1.9%	2.5%	0.6%

Regarding overhead costs, policies aiming to optimize the organization structure have been implemented (improving methods, renegotiating contracts with suppliers...). As a result, these costs have diminished in € 5 M (-11% vs 1H'08).



**EBITDA has reached € 11.4 M (+18.6%)** with a 5.8% margin over sales (4.5% in 1H'08). Costs savings derived from the restructuring policies implemented in 2008 and 2009 are the main reason for the 130 basic points margin improvement.

**These costs savings had a positive effect in all the lines of the P&L accounts:** EBIT reaches € 7.94 M (+22.3%) with a 4% margin over sales (3.1% in the 1H'08).

The financial results include a negative impact from foreign exchange rates of € 0.88 M.

**Net Profit rises +19.3%** up to € 4.87 M, with a 2.5% margin over sales (1.9% in the 1H'08).

We have to highlight that the Company continues to implement policies aiming to improve profitability. In the 1H'09, restructuring costs have reached € 1.5 M. Excluding these costs, EBITDA would have reached € 12.9 M and EBIT € 9.4 M, with a 6.5% and 4.8% margin over sales respectively. A significant effort has been carried out to improve the working capital management, resulting in an average collection period of 82.8 days vs. 85.4 at the end of 2008 and 88.8 days in the 1H'08, that over performs the sector average.

## **2. Sales by business units**

In a difficult macroeconomic environment, the Company is gaining market share (we estimate a 20% average fall in the IT sector), increasing its client's portfolio and strengthening its position for a solid growth, once the situation turns around.

By business units, Consulting&Outsourcing and Managed Services are the least affected thanks to the high recurrence of its revenues. We highlight the renewal of all the contracts and the award of new ones. Efficiency policies have been carried out in order to maintain profitability. The Network and Systems Integration area is the one suffering the most the delays of investment projects decisions, especially in the sale of low margin products.

<b>(M €)</b>	<b>1H'08</b>	<b>1H'09</b>	<b>(%)</b>
Outsourcing&Consulting	89.743	85.638	-4.6%
Managment services	40.884	40.322	-1.4%
Networks&Systems Integratic	81.339	71.375	-12.2%
<b>Total</b>	<b>211.965</b>	<b>197.335</b>	<b>-6.9%</b>

### **Consulting & Outsourcing**

Activity volumes have remained stable compared to last year in a scenario of lower services demand. The revenues decrease comes mainly from price pressure.

In this context, priority has been given to productivity of the resources employed and to costs management. As a result, utilization rates have been superior to 96%.

Outstanding results come from the ERP's and Media Payment solutions, Application Management services partly supported by our software factories network.

We have to point out that we have renewed all the outsourcing contracts and have been awarded with new ones in spite of the negative macroeconomic environment. New projects in LatAm (Peru and Colombia) in the Media Payment Solutions will be carried out. These projects are the result of the new markets expansion plans, especially in the finance sector.

### **Managed Services**

This area has suffered from price pressure that has been partly compensated by the positive evolution of the sales of solutions adapted to our clients needs.

Specifically, banking branches solutions are growing at the same pace as of 2008 confirming the high added value of these kind of solutions for the financial sector.

The margin over sales has improved, showing an improvement of the efficiency as a result of the structure and operational costs management.

During this period we have renewed the totality of the contracts and have been awarded with new ones like the one with the Education Department of the Basque local government or the Cajamar contract associated with the integration of Eurovia Mantenimiento.

Last march 2009, Tecnocom signed a Global Alliance with its industrial reference shareholder Getronics and 5 more companies, some of them participated by Getronics, establishing a unified virtual service provider with dynamic global reach. The Alliance is focused on the provision of workspace management services.

The members of the Alliance are APX, Compucom, Getronics, Getronics Middle East, NTT Data Getronics and ServiceOne Getronics with a combined workforce of more than 40.000 employees. The Alliance is launched on strong foundation: its members already share around fifty international client engagements between them. It has a global coverage adding a certified partners network to the geographical markets of its 7 members. The Alliance is able to promise quality, consistency and agility because of its members' commitment to using common methods, tools and processes. The Alliance offers significant growth opportunities.

## **Network and Systems Integration**

High added value services have remain stable vs. Q1'09, although price pressure coming from offer excess capacity has lead to reject to provide low added value services. As a result, sales have decreased and cost cutting policies have been implemented.

Low margin product sales are experiencing a strong decrease due to the significant investment decisions slowdown. Policies oriented to maintain profitability have been carried out.

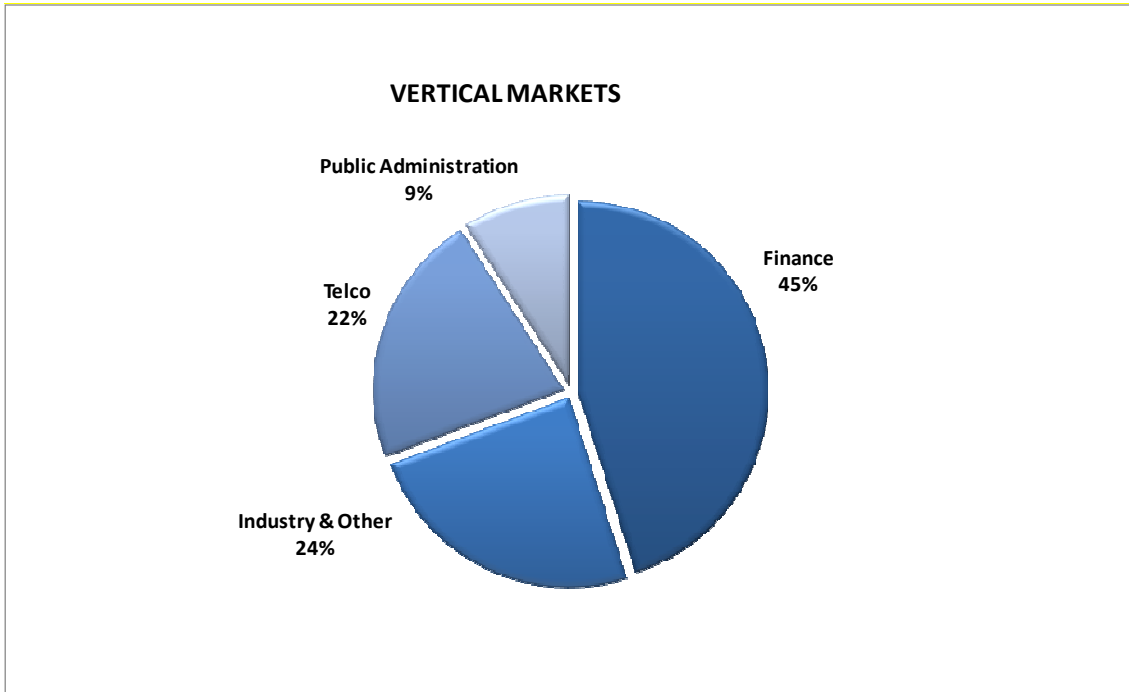
The Telcos area has remain stable in Spain and LatAm, although in the latter there has been some delays in the awards processes that we expect that will be completed in the 2H'09.

All the projects of the Fase 1 are generating revenues, except for Sol and Plaza de Castilla stations, which delays are due to Public Works. We have to highlight the high availability of the system that allows mobile coverage un 75 kms. of Metro de Madrid subway tunnels. Conversations with mobile operators are being held for a possible extension of the Metrocall network to some important stations that are not covered currently.

## **Backlog evolution**

At 30/06/09 Tecnocom counts with potential opportunities totalling more tan € 800 M. In the 1H'09, we have practically renewed all the services recurrent contracts. Backlog for the next 6 months totals more than € 235 M.

### 3. Revenues by Vertical Sectors



Main changes come from Public Administration, increasing its relative weigh over total sales. Finance has reduced its weigh due to activity fall, although clients portfolio has not been reduced. The remaining sectors have maintained its relative weigh.

SECTOR	1H'09	1H'08
Finance	45.1%	47.1%
Industry & Others	24.2%	24.4%
Telco	21.6%	21.3%
Public Administration	9.1%	7.2%
<b>Total</b>	<b>100%</b>	<b>100%</b>

#### **4. Outlook**

The Company considers current activity levels as a floor that reflects the efforts carried out by our clients to reduce operational costs and long term investments.

Services and investments for technological renewal have been reduced to the minimum required to guarantee the availability and security of the information systems of companies. This level is below the real needs of our clients. Therefore, we expect that once the macroeconomic scenario stabilizes, a significant recovery of the IT sector will take place thanks to the reactivation of investment decisions.

Growth opportunities will come from the Spanish Savings Banks integration process. Tecnocom has a leadership position in the most important ones that will lead the integration process; therefore we expect to participate actively in these projects.

By geographies, LatAm constitutes the growth engine of the Company and will continue to increase its weigh in the next quarters.

We expect to improve our operations profitability and the magnitudes obtained in 2008 thanks to the efficiency policies implemented in two different ways: project profitability management rejecting those that do not cover the minimum required, and internal efficiency improvement policies carried out to improve production processes and methods, and to reduce overhead costs.

Current IT sector and macroeconomic situation will allow the Company to strengthen its competitive position, increasing its client portfolio in need of financial and operational IT suppliers and improving its internal efficiency.

### 1H'09 Consolidated P&L Accounts

M €	1H'08	1H'09	(%)
Sales	212.0	197.3	-6.9%
Gross Margin	54.1	50.7	-6.3%
<b>% over sales</b>	<b>25.5%</b>	<b>25.7%</b>	<b>+20 bps</b>
EBITDA	9.6	11.4	18.6%
<b>% over sales</b>	<b>4.5%</b>	<b>5.8%</b>	<b>+130 bps</b>
Amortizations	-3.092	-3.427	10.8%
EBIT	6.5	7.9	22.3%
<b>% over sales</b>	<b>3.1%</b>	<b>4.0%</b>	<b>+90 bps</b>
Financial Results	-1.8	-2.9	62.8%
Taxes & Extraordinaries	-0.3	0.1	n.a.
Minorities	-0.3	-0.2	-36.8%
Net Profit	4.1	4.9	19.3%
<b>% over sales</b>	<b>1.9%</b>	<b>2.5%</b>	<b>+60 bps</b>

## INVESTOR RELATIONS

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