

**TELVENT**

The Global RealTime IT Company



**TELVENT**

# **Q4 and FY 2005 Earnings Report**

**March 2, 2006**



## Forward-Looking Statement

This presentation contains forward-looking statements and information relating to Telvent that are based on the beliefs of its management as well as assumptions made and information currently available to Telvent. Such statements reflect the current views of Telvent with respect to future events and are subject to risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of Telvent to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic, political, governmental and business conditions globally and in the countries in which Telvent does business, changes in interest rates, changes in inflation rates, changes in prices, changes in business strategy and various other factors. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or targeted. Telvent does not intend, and does not assume any obligations, to update these forward-looking statements.



# Agenda

**1. 2005 Highlights**



**2. 2005 Detailed Financial Analysis**

**3. Business Outlook and 2006 Guidance**

**4. Appendices**



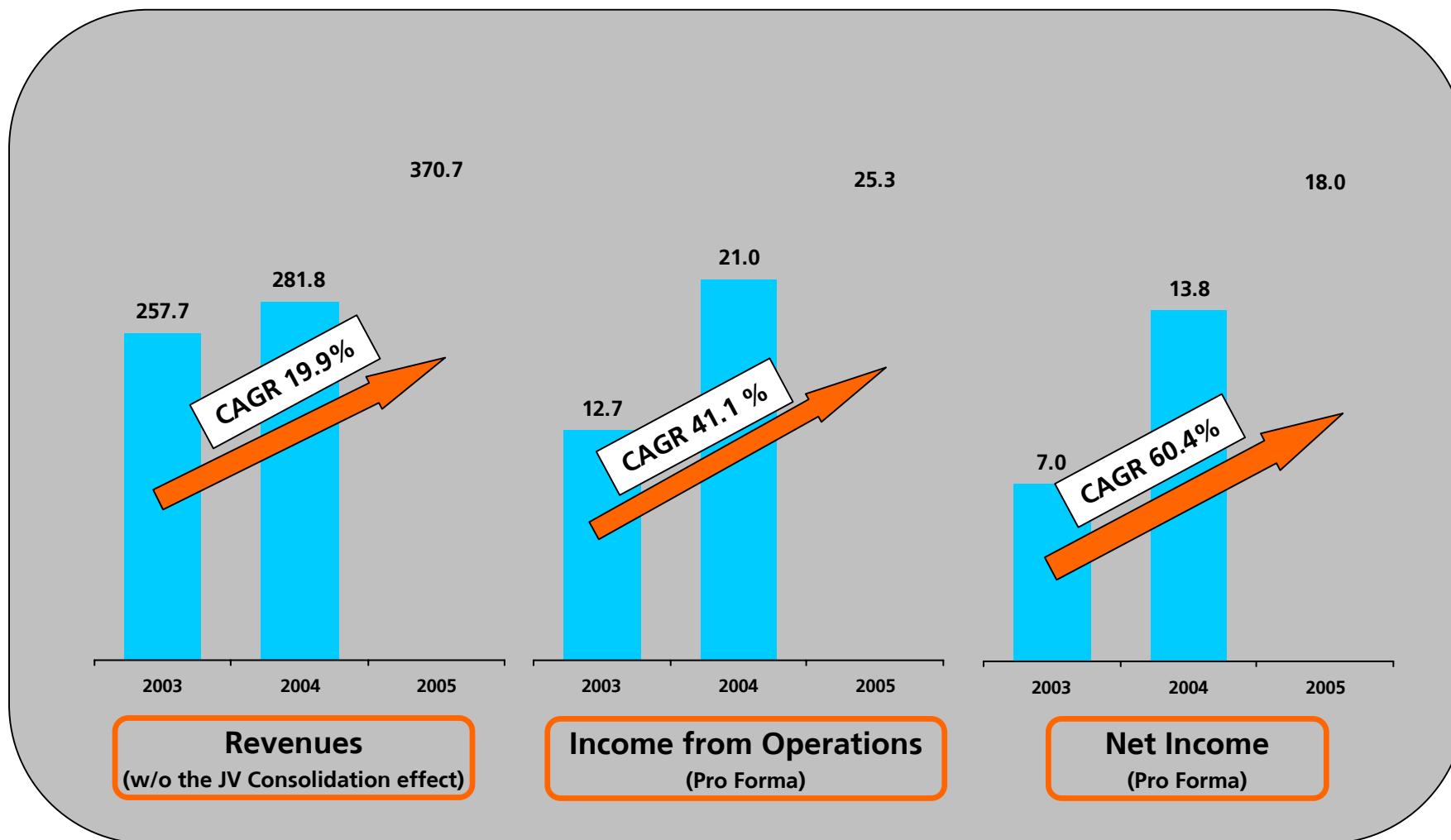
## 2005 Highlights

- ❑ **Met or exceed our key stated goals:**
  - Revenues up to €402.4 million, or 28.7% increase over 2004
  - Pro forma EPS of €0.62
  - Record Bookings of €480.4 million, or 22.6% increase over 2004
- ❑ **Continued top and bottom line growth, with a good combination of organic and growth from acquisitions**
- ❑ **Continued growth from installed base (89% of revenue is recurring), demonstrating our excellence in delivery to our client base**
- ❑ **Important contracts include:**
  - SIMCOT: Control Systems for 11 Pemex Storage Plants (Mexico)
  - PRIDE: Automatic Enforcement System for DGT (Spain)
  - AMRELVA 3: Automatic Energy Metering for Vattenfall (Sweden)
- ❑ **Leveraging industry knowledge and strong delivery skills to expand higher value-added solutions**
- ❑ **Increasing R&D investment**
- ❑ **Ample geographical diversification**



# Three years of continuous growth

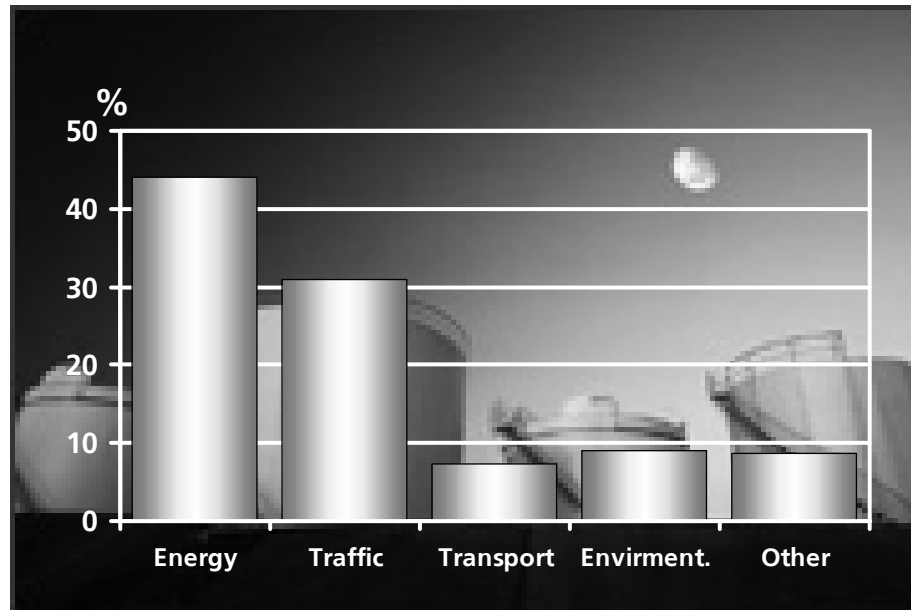
€ in Millions





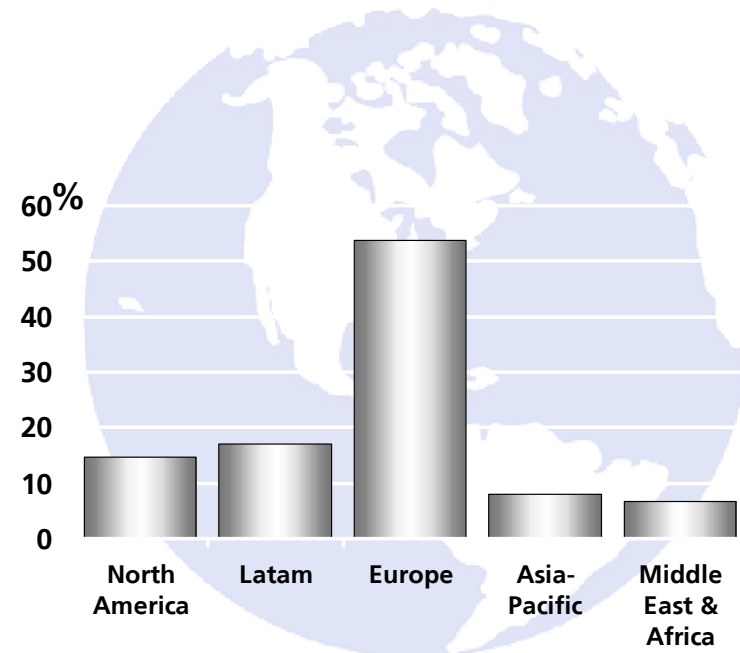
## Diversified Revenue Stream

**By Sector....**



- Growth in all sectors
- Strong Energy and Traffic, representing more than 75% of total Revenues
- Initial success in Health Care, within Other

**.... and by Geography**



- Growth in all geographies
- We continue our expansion in Americas, which represents more than 30% of total Revenues
- Consolidating our position in Asia-Pacific



## 2005 R&D Review

- ❑ **Completed 36 R&D Programs in our Product and Solution Centers**
- ❑ **Increased net R&D investment by €3.9 million or 35.4%, in 2005 to €15.0 million, representing 3.7% of our FY2005 revenues (4.0% of our revenues after eliminating the JV's consolidation effect)**
- ❑ **Energy Sector:**
  - More functionality incorporated to our data acquisition infrastructure: gasCAT and subCAT for the Energy sector
  - Software platform is more integrated and secure thanks to our
    - ✓ new versions of OASyS DNA and ArcFM,
    - ✓ new SmartClient, and
    - ✓ latest release of Responder
- ❑ **Traffic and Transport Sectors:**
  - Automatic Fare Collection System to support contact-less cards and voice recognition
  - Traffic Optimization Systems based on Intelligent Vision technology
  - Completed our Open Electronic Transaction Collection for FreeFlow and initiated SatToll



## 2005 Acquisitions Review

### ❑ Solid Results from Miner&Miner (12 months)

- ✓ Solid revenue growth delivered (36%), and improved profitability
- ✓ Adding one new customer per week
- ✓ Leveraging M&M brand to strengthen Telvent brand in North America
- ✓ Develop plan for integrated utility solution
- ✓ Corporate integration plan on track

### ❑ Building on Almos (6 months)

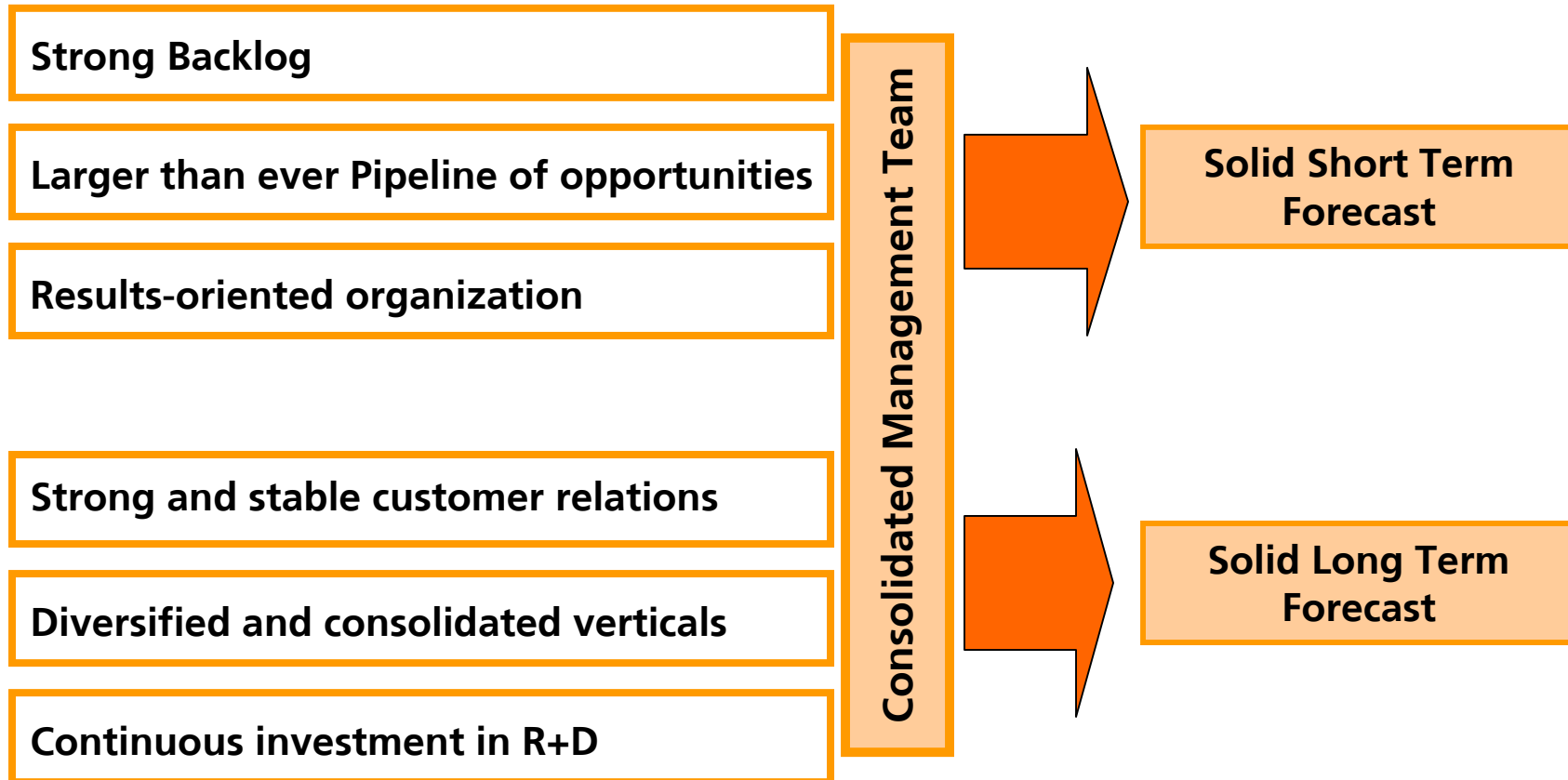
- ✓ Broader portfolio of solutions for the meteorological market
- ✓ Incorporation of Telvent Australia and Telvent Netherlands
- ✓ New customer base
- ✓ Designing product integration plan
- ✓ Corporate integration plan on track

Telvent recently announced that it has acquired the remaining 30% of Miner & Miner





## Good Basis to Believe in the Future





# Agenda

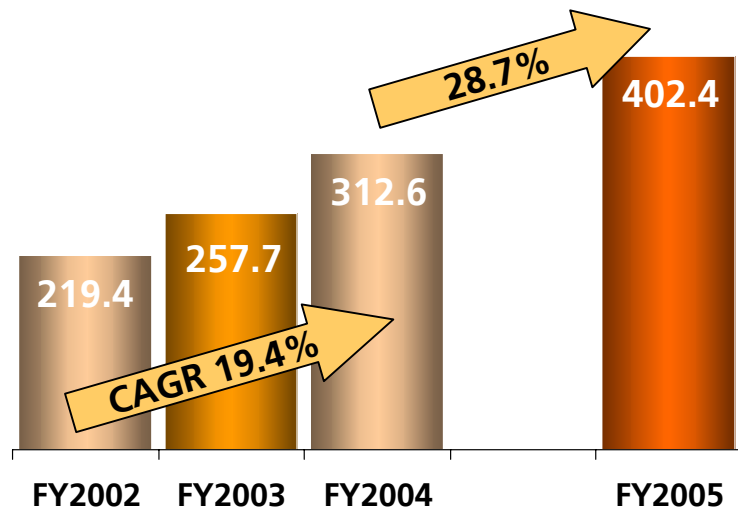
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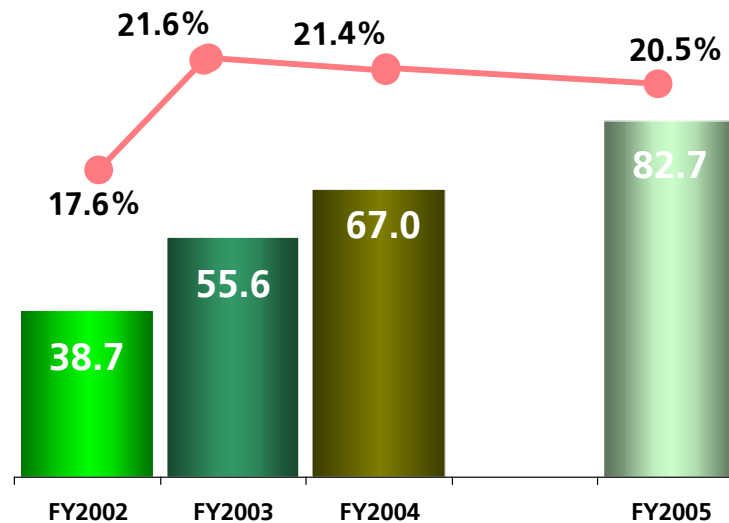


€ in Millions

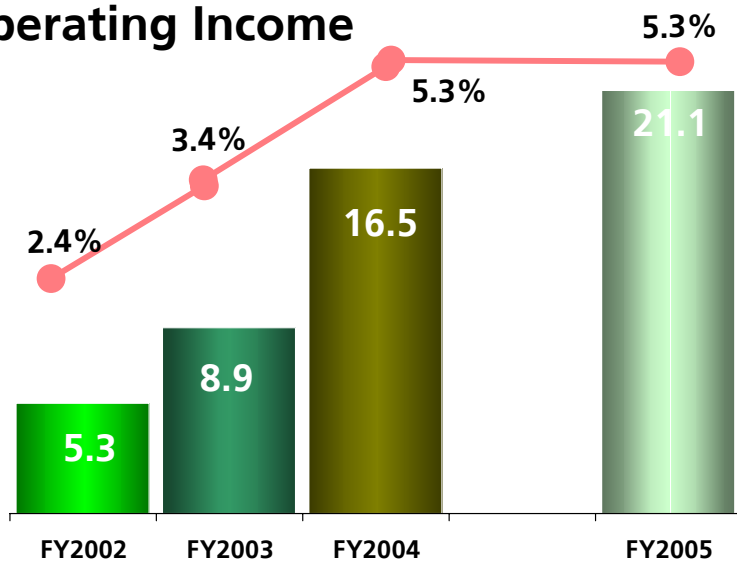
## Revenues



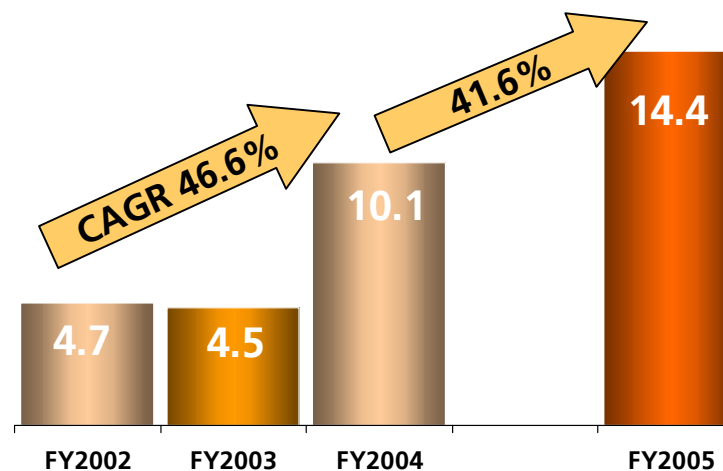
## Gross Profit



## Operating Income



## Net Income





## Successful Q4 2005

- ❑ **Revenues of €131.0 million, representing 15.6% year-over-year growth**
- ❑ **Pro forma Net Income up 43.6% to €6.1 million, or Pro Forma EPS of €0.21 per diluted share**
- ❑ **Cash Flow from Operating activities of €36.9 million. Net Cash position of €58.1 million at December 31, 2005**
- ❑ **Record bookings for the period of €160.8 million, representing 29.8% growth year-over-year**



## Successful FY05

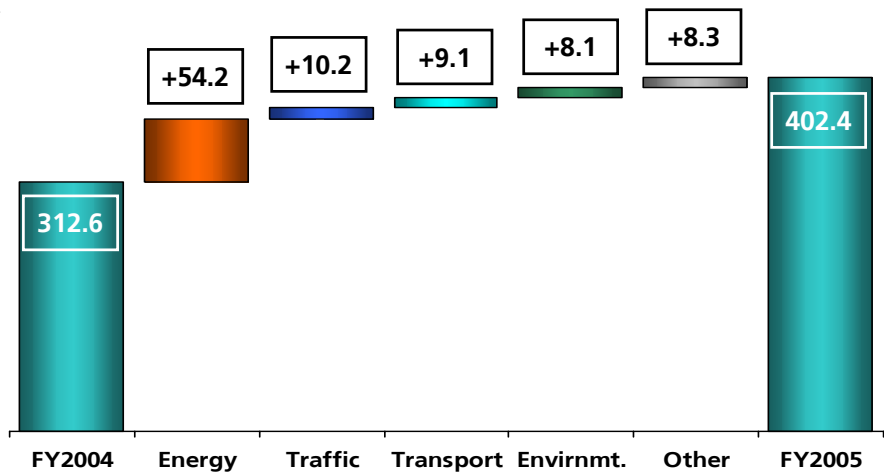
- ❑ **Top-line growth exceeds guidance. Revenues grow 28.7% to €402.4 million. Organic growth of 21.9%**
- ❑ **Gross margin within the guidance range although down year-over-year. Pro forma operating margin of 6.8%**
- ❑ **Pro forma Net Income up to €18.0 million, or 31.0% year over year**
- ❑ **Pro forma EPS of €0.62 (29,247,100 shares), versus €0.63 in 2004 (21,775,752 shares)**
- ❑ **Cash Flow from Operating activities of €2.6 million. Net Cash position of €58.1 million at December 31, 2005**
- ❑ **Record FY2005 Bookings: €480.4 million, a 22.6% year-over-year increase**
- ❑ **Backlog of €388.9 million at the end of 2005, a 40.1% year-over-year increase**



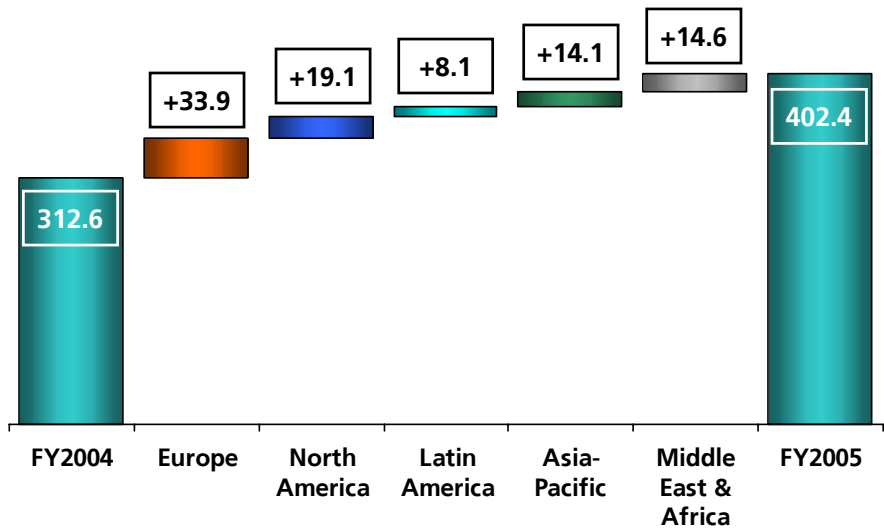
# Revenue Growth Contribution by Sector and Geography

€ in Millions

Sector



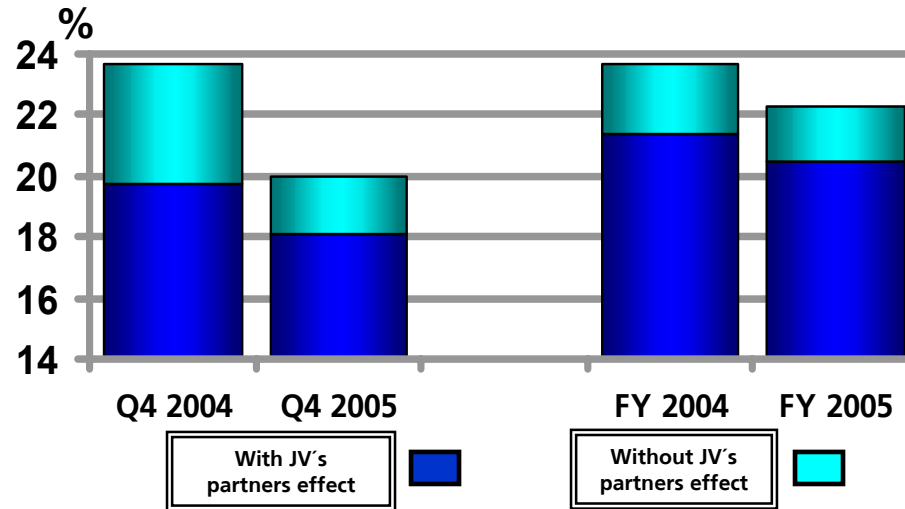
Geography



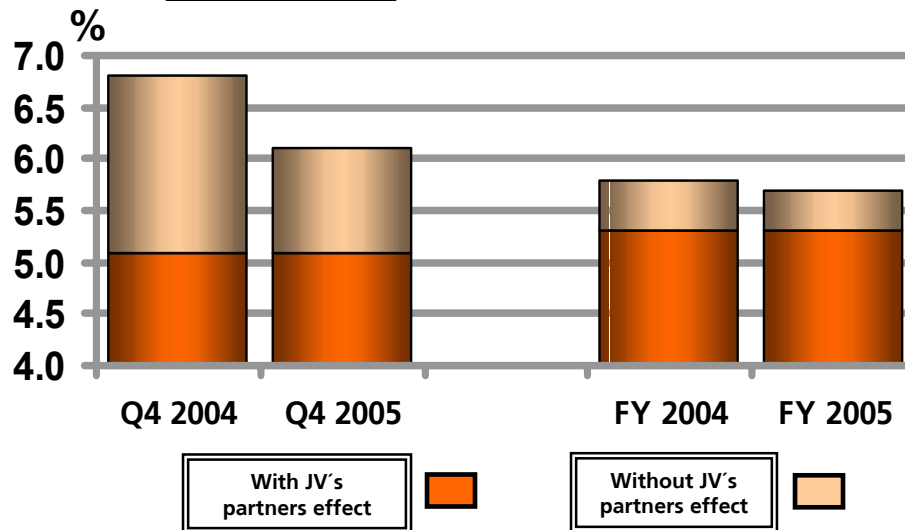


# Joint Venture consolidation impact in our profitability

## Gross Margin



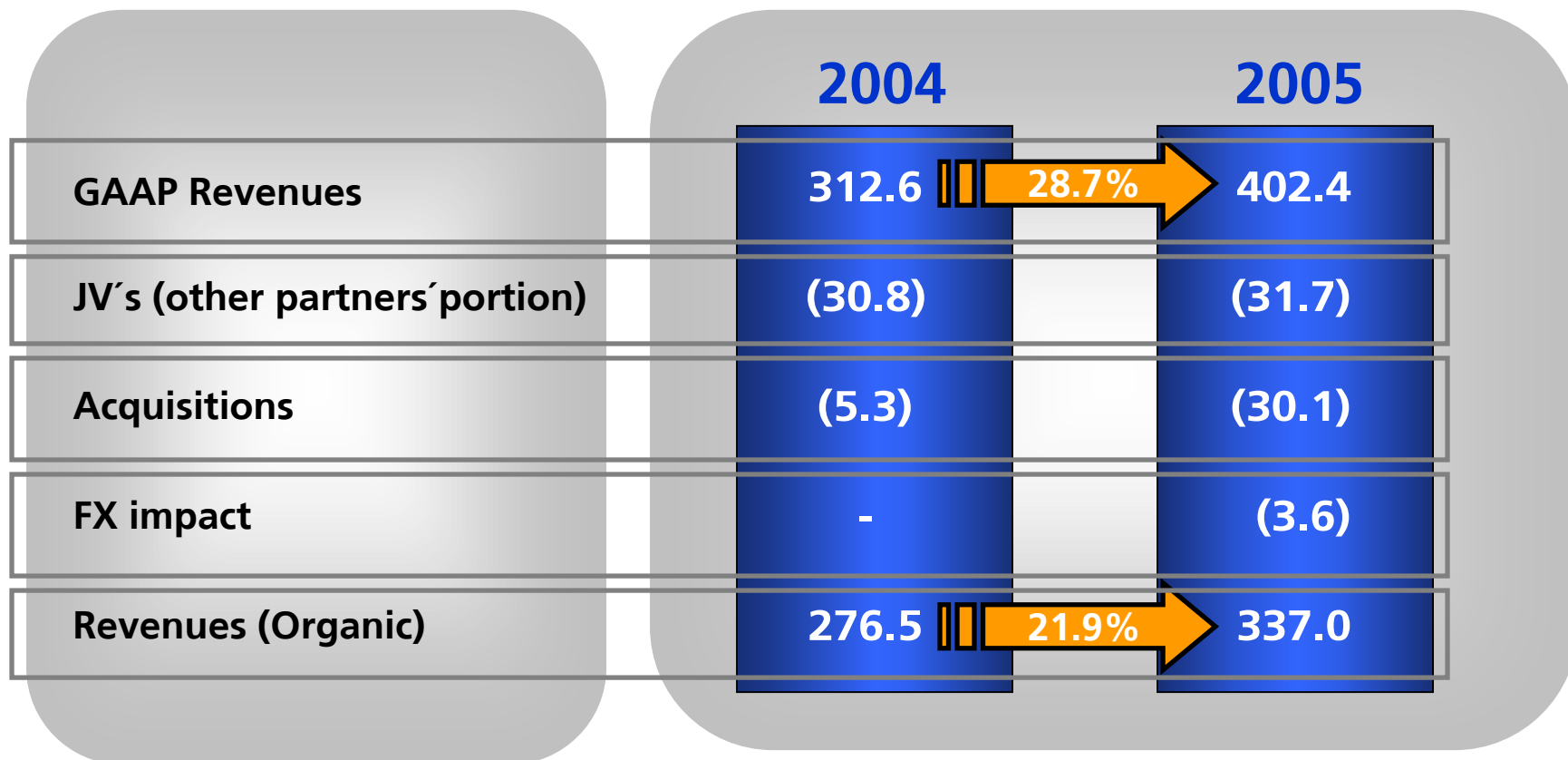
## Operating Margin





# Business (Revenues) Growth

€ in Millions







# Unaudited P&L Account

€ in Millions, except EPS

	FY				Pro Forma			
	2005		2004		2005		2004	
	€	% o/R	€	% o/R	€	% o/R	€	% o/R
<b>Revenues</b>	<b>402.4</b>		<b>312.6</b>		<b>370.7</b>		<b>281.8</b>	
Cost of revenues	319.7	79.5%	245.6	78.6%	288.2	77.7%	214.9	76.3%
<b>Gross profit</b>	<b>82.7</b>	<b>20.5%</b>	<b>67.0</b>	<b>21.4%</b>	<b>82.5</b>	<b>22.3%</b>	<b>66.9</b>	<b>23.7%</b>
General and administrative	25.3	6.3%	21.4	6.9%	23.9	6.4%	19.2	6.8%
Sales and marketing	13.0	3.2%	10.1	3.2%	13.0	3.5%	10.1	3.6%
Research and development	15.0	3.7%	11.1	3.5%	15.0	4.0%	11.1	3.9%
Depreciation and amortization	8.2	2.0%	7.9	2.5%	5.5	1.5%	5.6	2.0%
<b>Total operating expenses</b>	<b>61.5</b>	<b>15.3%</b>	<b>50.5</b>	<b>16.2%</b>	<b>57.3</b>	<b>15.5%</b>	<b>46.0</b>	<b>16.3%</b>
<b>Income from operations</b>	<b>21.1</b>	<b>5.2%</b>	<b>16.5</b>	<b>5.3%</b>	<b>25.2</b>	<b>6.8%</b>	<b>20.9</b>	<b>7.4%</b>
Financial (expense), net	(3.4)	0.8%	(2.3)	0.7%	(2.7)	0.7%	(2.5)	0.9%
Other income, net			0.1				0.1	
<b>Total other income (expense)</b>	<b>(3.4)</b>	<b>0.8%</b>	<b>(2.2)</b>	<b>0.7%</b>	<b>(2.7)</b>	<b>0.7%</b>	<b>(2.4)</b>	<b>0.9%</b>
Income before income taxes	17.7	4.4%	14.2	4.6%	22.4	6.1%	18.5	6.6%
Income tax expense (benefit)	3.0	0.7%	4.7	1.5%	4.2	1.1%	5.5	1.9%
<b>Net income before minority interest</b>	<b>14.7</b>	<b>3.7%</b>	<b>9.5</b>	<b>3.0%</b>	<b>18.2</b>	<b>4.9%</b>	<b>13.0</b>	<b>4.6%</b>
Loss/(profit) attributable to minority interest	(0.4)	0.1%	0.7	0.2%	(0.2)	0.1%	0.7	0.3%
<b>Net income</b>	<b>14.4</b>	<b>3.6%</b>	<b>10.1</b>	<b>3.2%</b>	<b>18.0</b>	<b>4.9%</b>	<b>13.8</b>	<b>4.9%</b>
<b>Earnings per share</b>	<b>0.49</b>		<b>0.47</b>		<b>0.62</b>		<b>0.63</b>	
Basic and diluted net income per share								
<b>Weighted average number of shares outstanding</b>	<b>29,247,100</b>		<b>21,775,752</b>		<b>29,247,100</b>		<b>21,775,752</b>	
Basic and diluted								

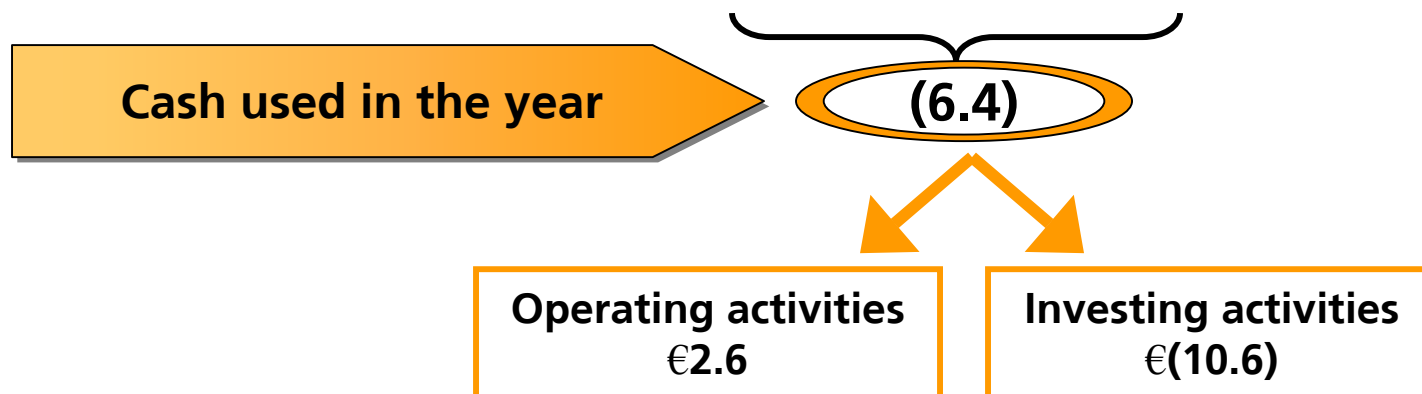


# Net Cash Position

€ in Millions

- Net cash position of €58.1 million at the end of 2005. Net cash position of €64.5 million at the end of year 2004

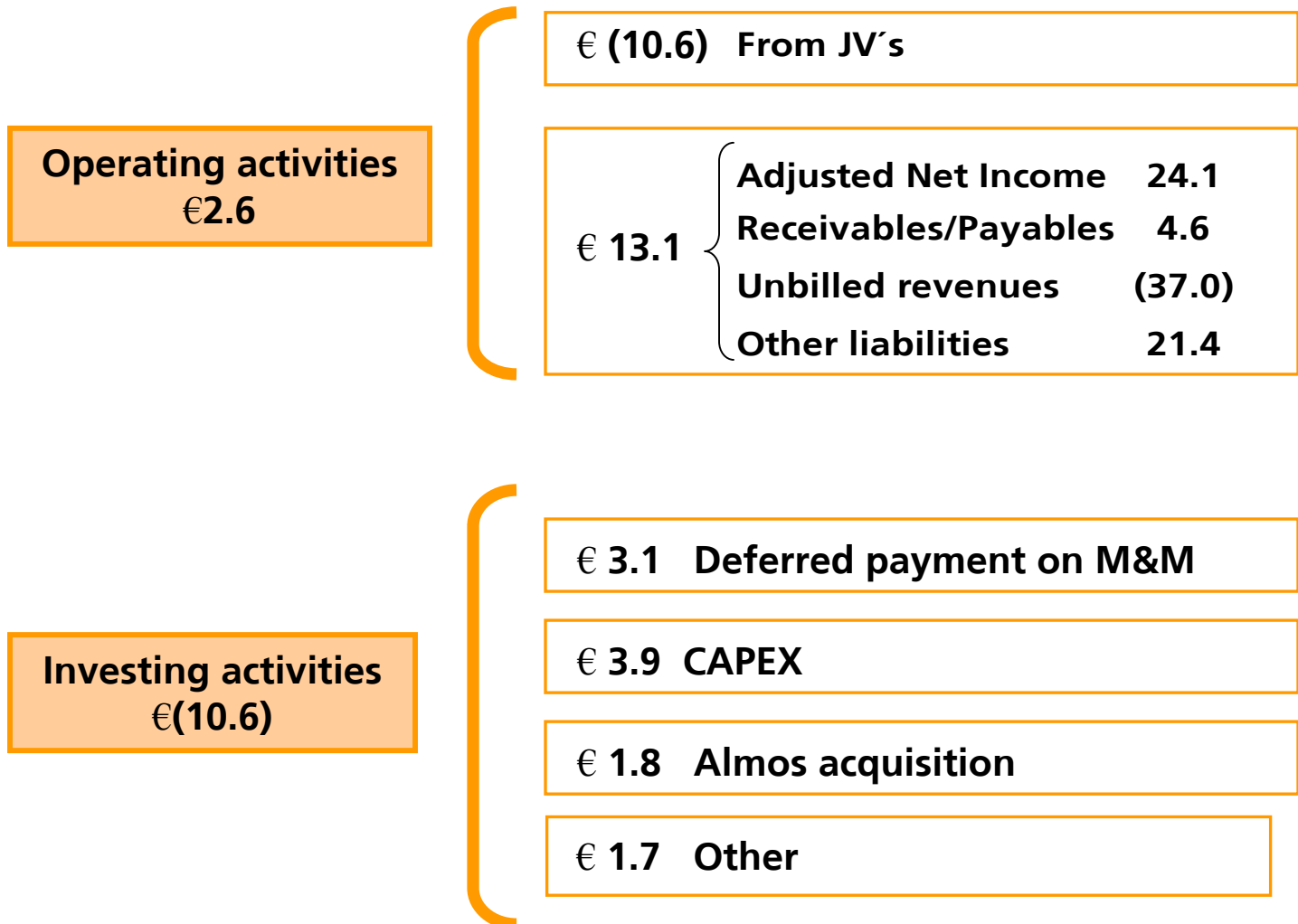
	As of December 31, 2005	As of December 31, 2004
Cash and cash equivalents	83.2	88.5
Due from/to related parties, net	22.7	20.8
Short-Term Debt	(32.5)	(28.0)
Long-Term Debt	(15.3)	(16.8)
<b>Net Cash</b>	<b>58.1</b>	<b>64.5</b>





# Cash Flow analysis

€ in Millions

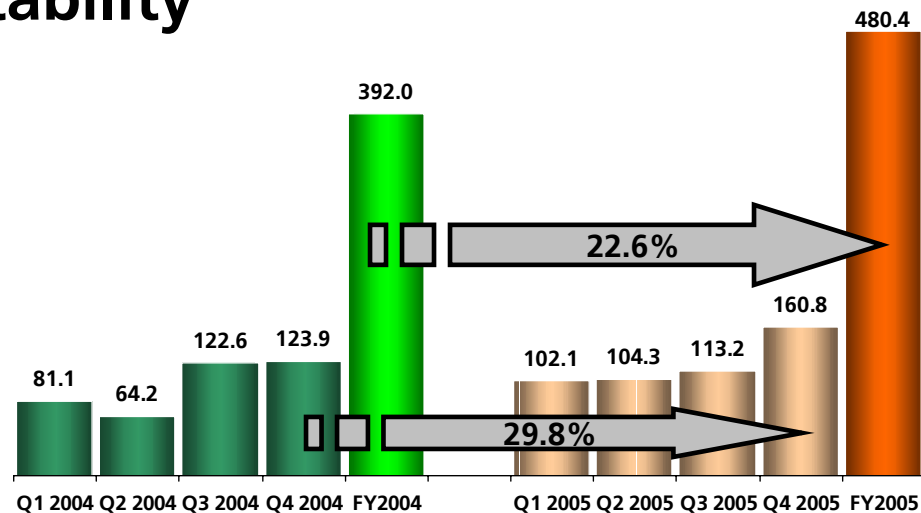




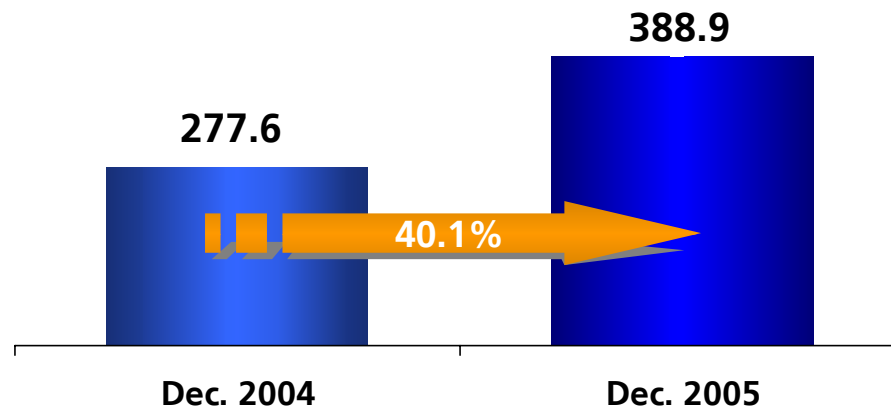
# Revenue Visibility and Stability

€ in Millions

**Bookings**



**Backlog**



**Strong visibility going forward, based on Backlog, Bookings, and Pipeline**

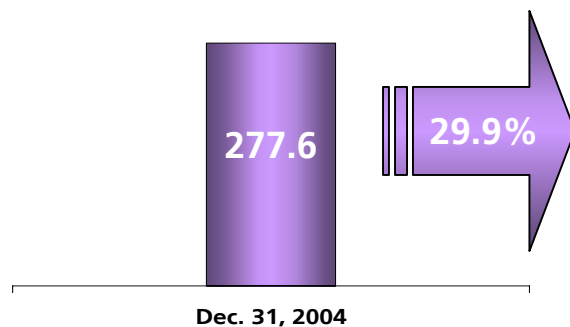
Note : Backlog figures are presented in US GAAP



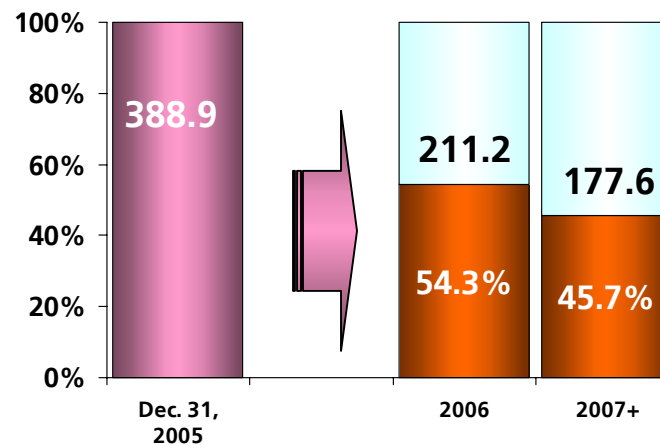
# Backlog Guidance

€ in Millions

As of December 31, 2004



As of December 31, 2005



**Revenue Visibility and Stability**

**Note 1: These financial projections update and replace our previous guidance**



## FY2005 Actual vs. Guidance

		FY 2005 Guidance	FY 2005 Actual
Revenues (organic)	▲	12% - 14%	21.9%
Gross Margin	% (o/R)	22% - 24%	22.3%
Income from Operations	% (o/R)	6% - 7%	5.7%
Pro Forma Net Income	€ Millions	16.7 - 17.5	18.0
Pro Forma EPS	€	0.57 - 0.60	0.62
Shares Outstanding		29,247,100	29,247,100

Note 1: These financial projections reflect revised guidance announced on October 24, 2005

Note 2: Guidance considered after eliminating the effect of the JV's consolidation



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## 2006 Business Outlook

### □ Industry Verticals: Diversification through growing sectors

#### ✓ Energy:

Energy consumption growing in every country, thus increasing expected demand for electricity, oil and gas. New infrastructure being built and greater efficiency and security requirements

#### ✓ Traffic:

Increasing traffic congestion generates higher demand for optimization systems and new infrastructure, most of which we expect will be financed through toll and enforcement systems

#### ✓ Transport:

Electronic collection for public transportation systems to handle customer demands

#### ✓ Environment:

Meteorological analysis to forecast impact on energy and traffic systems

#### ✓ Healthcare:

Early stage in Healthcare

### □ Geographical Areas: Diversification between developed/developing countries

- ✓ Consolidated organization in Spain
- ✓ Increasing our presence in North America
- ✓ Solid bases in Mexico, Brazil and Argentina
- ✓ Growing presence in China
- ✓ New presence in Australia





## FY2006 Guidance

		<b>FY 2006 Guidance</b>
<b>Revenues (organic)</b>		<b>10% - 12%</b>
<b>Gross Margin</b>	<b>% (o/R)</b>	<b>22.5% - 24.5%</b>
<b>Income from Operations</b>	<b>% (o/R)</b>	<b>6.5% - 7.5%</b>
<b>Pro Forma Net Income</b>	<b>€ Millions</b>	<b>21.7 – 22.8</b>
<b>Pro Forma EPS</b>	<b>€</b>	<b>0.74 - 0.78</b>
<b>Shares Outstanding</b>		<b>29,247,100</b>

**Note1: These financial projections update and replace our previous guidance**

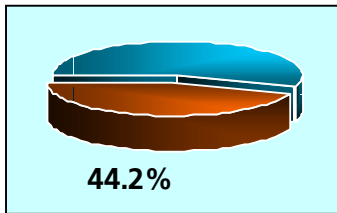
**Note 2: Guidance considered after eliminating the effect of the JV's consolidation**



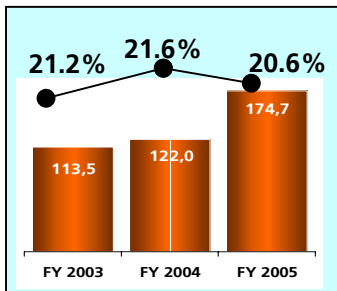
# Appendices



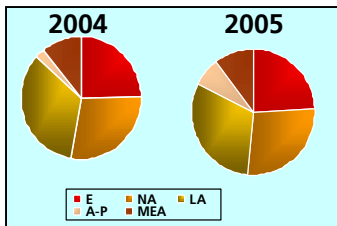
Percentage of Total



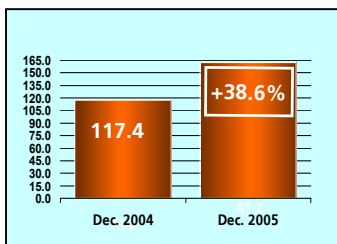
Revenue and Gross Margin (w/o JV's consol. effect)



Geographical Diversification



Backlog



## Energy

### Business:

- Oil, Gas and Electrical
- Complete solutions that address data acquisition, control and advanced operational and business applications
- Products: A complete family of RTU's, OASyS DNA IT Infrastructure, ArcFM Enterprise GIS applications and Industry-Specific suites of applications that connect real-time operations with business processes

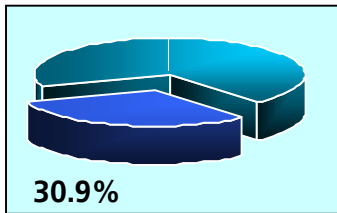
### FY2005 Review

- Growth in the Electric Sector, mainly in Spain (REE and Endesa), and LatAm (Ande - Paraguay), and in the Oil and Gas Sector, mainly in Mexico (Pemex Refinación-Simcots). Slow development in Brazil.
- 30% of growth in North America from Miner&Miner business. Margin erosion on traditional business (25% to 22%) due to higher international business component and turn-key projects. Higher margins overall (26% to 31%) due to IT Services and better than expected contribution from GIS (Miner&Miner)
- In general, Gross Margins lower due to the greater mix of lower margin turn-key Contracts and the impact of the Simcot Project for Pemex (Mexico)

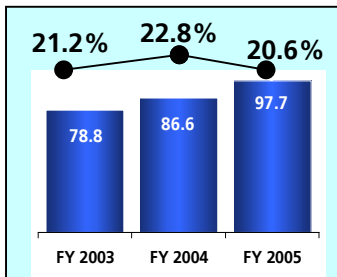
### Outlook

- Good expectations in the Electrical Sector (Vattenfall). Expect similar trends in Spanish utilities. Good opportunities in Australia (Oil&Gas, Electric), with new gas pipeline construction projects
- In North America, good bookings for Q1-Q2, due to more solid forecast in Oil&Gas (domestic) and Electric (US\$12 million Talisman renewal expected for Q1, and large three year outsourcing contract). M&M business expected to continue strong, getting significant projects with Responder (building references)
- Increased backlog due to the new accumulated order bookings and from the M&M customer base. This is expected to allow us to continue experiencing positive results in 2006

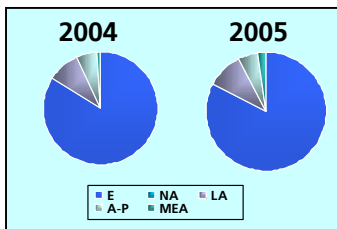
Percentage of Total



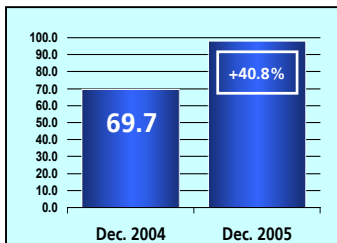
Revenue and Gross Margin (w/o JV's consol. effect)



Geographical Diversification



Backlog



## Traffic

### Business:

- Urban Traffic Control Systems
- ITS (Intelligent Transportation Systems) and Electronic Toll Collection Systems
- Complete solutions that address the capture of the field data, control systems, advanced operational applications and enforcement applications

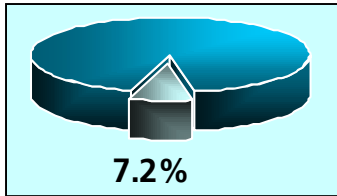
### FY2005 Review

- Good general business performance in Spain (maintenance Contracts renewals, El Toyo, and enforcement opportunities), China (ITS for Beijing Highway systems – Olympics 2008, and urban traffic control systems contract finalization in Fushun and Whuan, and new contract execution in Urumqi and Erdos), Vietnam (Urban traffic control system contract finalization in Ho Chi Minh), and the Middle East (Beirut), contributed to the 12.4 percent increase in revenues
- Gross Margins lower due to the effect from our naval traffic activity (with very low margin), and specifically the incorporation of a new SCADA software platform in our Tabasa tunnels control system. Additionally, renewals of our maintenance contracts for Rosario and Buenos Aires in Argentina carried higher than expected costs

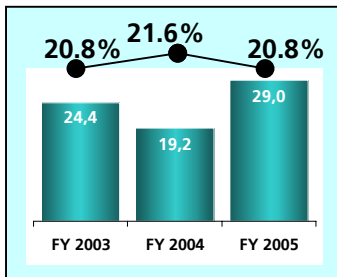
### Outlook

- Good expectations around enforcement systems (radar signal processing and red-eye technology), for the Spanish Traffic Authority
- Digital City concept anticipated to expand to new cities in Spain.
- Due to our R&D efforts, in 2006 will expect the release of our new free-flow technology that should be the basis for new opportunities arising in the ITS market in Canada, USA, Australia and Europe
- US Traffic Market non-organic strategy

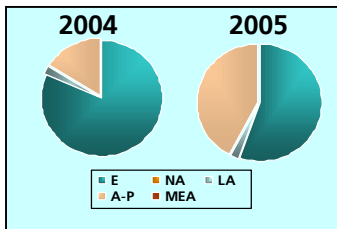
Percentage of Total



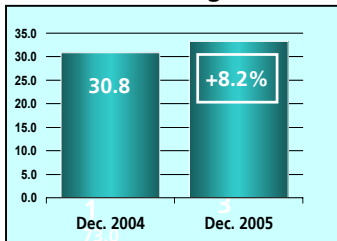
Revenue and Gross Margin (w/o JV's consol. effect)



Geographical Diversification



Backlog



## Transport

### Business:

- Infrastructure Management Systems & Fare Collection Systems for Railway, Metro and Bus markets
- Complete solutions to support transport operators and transportation authorities
- Products: infrastructure management solutions based on our OASyS platform to improve operation and guarantee safety of vehicles, trains and users. Fare collection systems and back office solutions to help operators manage fare issues and support authorities deploying fare integration policies

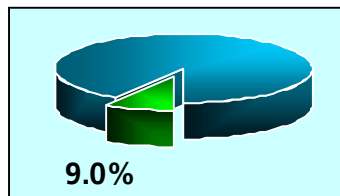
### FY2005 Review

- Good general business performance in China (Tianjin Subway), and Spain (Metro de Madrid access control and fare collection systems). During 2005, we consolidated our leadership position in the fare collection market in Spain (with more than a 50% market share). Also, the final consolidation of large parking's ticketing business
- In the railway activity, we are seeing a reactivation of investment, with new opportunities in our niche markets: CTC's, Telecontrol Systems, Public Information Systems and Telecommunications
- R&D efforts: e-Trans, Mobifast, Web-park

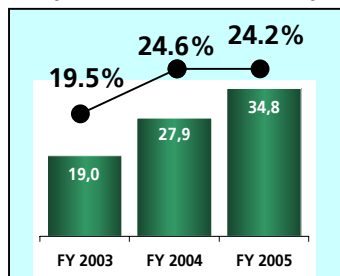
### Outlook

- Continue to develop our business potentials in the different activities in which we have invested our R&D programs: large parking lots with web-Park
- Consolidation of our International expansion: fare collection systems in Latin America and China; CTC's and Telecontrol Systems in Asia-Pacific and Latin America
- New activities and markets: Regional Fare Integration market; Back Office and Business applications; BOT opportunities

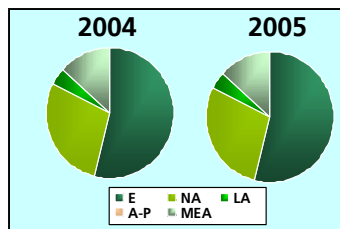
Percentage of Total



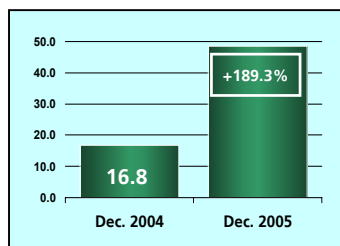
Revenue and Gross Margin (w/o JV's consol. effect)



Geographical Diversification



Backlog



## Environment

### Business:

Complete IT solutions for Weather, Integral Water Cycle, and Environmental Protection

- Road Weather Information Systems (RWIS), Meteorological Applications for Aeronautical needs, National Weather Observation Networks and Weather Nowcasting & Forecasting Systems
- Automatic Hydrological Control & Flood Warning Systems, Water and Waste Water Control Systems
- Air Quality & Continuous Emissions Monitoring Networks and Environmental Decision Support Systems

### FY2005 Review

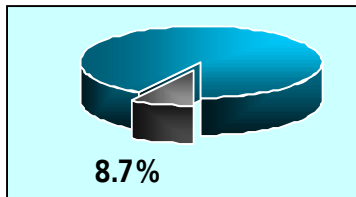
- Significant revenue growth in Spain due to the recurrent business with the INM, and the contribution of the current SAIH projects with the Administration. Revenue growth in North America thanks to good performance of traditional SCADA business with Water utilities, and the contribution in H2 of the Province of Alberta RWIS project. Likewise, our Environment activity in MEA Region has increased 80% over full year 2005, due to the contribution of Water SCADA projects in Jordan and Qatar, as well as the meteorological projects in progress for the Civil Aviation of Kuwait
- Revenues in LatAm have dropped substantially following completion of the contract for the modernization of the Bolivian Meteorological Service (Senamhi), as well as the delay in the awarding of some expected relevant contracts that were expected to contribute to revenues in 2005

### Outlook

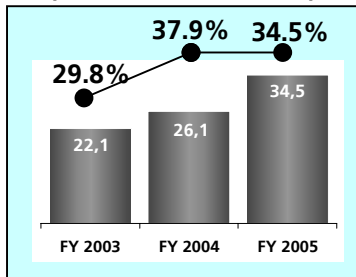
- Almos Systems has given access to strategic operation bases in new geographical areas of big potential growth, such as Asia-Pacific (Australia), and Europe (Benelux)
- Good business prospects in Spain: Meteo Systems, Weather Radar Systems, and Saih's, that should result in significant revenues in 2006 and beyond
- New RWIS opportunities in Canada and US, with an outsourcing/concessions scheme. In LatAm, strong expected opportunities for Environmental Early Warning Systems and Hydrometeo. In the MEA Region, our current strong presence in Meteorology and Water segments is expected to be leveraged to increase our market position in this area



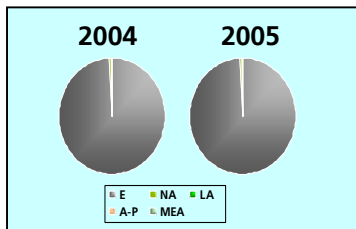
Percentage of Total



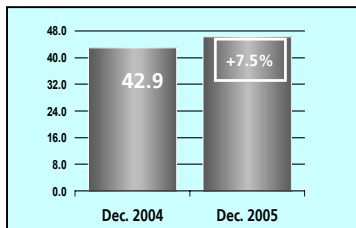
Revenue and Gross Margin (w/o JV's consol. effect)



Geographical Diversification



Backlog



## Other

### Business:

- Healthcare IT (22% of Other)
- Public Administration: E-Government and Homeland Security (12.3% of Other)
- Managed Services for a variety of customers (65.5% of Other)

### FY2005 Review

- 32.2% increase in this sector is an aggregate of continuous steady growth in Healthcare IT and Public Administration activities
- Healthcare: HIS and Digital Medical Image with Radiological Digital Network for the Andalusian Hospital market, and the Applications Maintenance of the back office of CatSalut, in Catalonia. The corrective and evolutive support and maintenance for 28 hospitals. RIS-PACS (Radiology Information Systems, Picture Acquisition and Communication Systems) has started in various hospitals in Spain. In Catalonia we have delivered the Clinical Workstation for Colon Cancer Screening for the Catalan Institute for Oncology.
- In 2005, our revenues in Public Administration both the Regional and State Public Administration grew due to the digital signature projects for the Andalusia Government, that helped us establish our strategic presence in the Ministry for Public Administrations, and our Almeria Digital City Project, the largest in the sector. In addition, the City of Granada has signed a 4 year contract for the technological renovation of the Municipal Information System
- In Homeland Security, we started a project with the General Directorate of National Police (Ministry of Interior) for the Border Control to supply technology for the verification of the authenticity of passports and ID cards of Spain

### Outlook

- Spain: healthcare activity based on maintenance and infrastructure contracts for Hospitals, and leading projects in RIS-PACS. In Public Administration, our TiWorks platform is poised to be the basic platform for e-Government within the Ministry for Public Administrations, supplying the components of electronic Signature as a horizontal platform for all the Government Agencies in Spain. Homeland Security: our initial contract, will give us experience for future competition
- In Canada, we envision strong similarities to the Spanish public health organization. Our presence in Canada will contribute in making and monitoring business.
- In LatAm, first contacts driven by Spanish companies (Dominican Republic (Indotel)), for the implementation of several citizen portals for an expected number of more than 15 city halls, representing more than 3 million dollars in business in the following years.



# Q&A