

Indra held its Annual General Meeting today

FERNANDO ABRIL-MARTORELL: “WE HAVE THE FOUNDATIONS TO SUCCESSFULLY START A NEW STAGE”

- **Having closed out its restructuring period, Indra will present this fall a new Strategic Plan for maximizing value creation opportunities.**
- **The Strategic Plan's purpose for the IT market is to continue moving forward in raising profitability and efficiency, and focus the business in areas of greater value and growth. The objective for Defense & Security is to modernize and improve capabilities for delving into changes that have already been made, to harness the elevated potential for growth and the positive prospects in this context. The new Plan contemplates an increase in Defense & Security investments, particularly in technologies that will reinforce Indra's leadership in radars, electronic defense, and command and control.**

Madrid, 29 June 2017.- Fernando Abril-Martorell, Indra’s Chairman and CEO, stated in his speech during the company's Ordinary Shareholders’ Meeting, that “we have the foundations to successfully start a new stage. This is a watershed moment as we close out a stage of restructuring and now stand before a window of opportunities to create value. This is an exhilarating juncture for a company such as ours, in a technology sector that is the focal point for investors and society in general”.

Indra’s Chairman & CEO pointed out that we are starting to see the specific outcomes of actions taken in the company in recent years. After indicating that “Indra became stronger during 2016 by improving the profitability and cash generation of its businesses”, he assured that “we are today a more stable, solid and profitable company. We are emerging in top form to modestly elevate our aspirations and set more ambitious goals for the future”.

Abril-Martorell indicated that “with the restructuring already finished and the company moving forward on the correct path, we believe that it is essential to design a strategic medium-term horizon for identifying new sources to create value for our shareholders”. In this regard, he pointed out that this fall Indra will present a new Strategic Plan containing the challenges of the two markets and the company's business types: T&D (Transport and Defense) and IT (Information Technology).

Addressing Defense & Security, he assured that “there is a significant expanse of fertile ground for growth and improvement in a key business for the present and future of Indra. The challenge lies in harnessing the elevated potential for growth and the positive prospects in the geo-strategic context. The objective herein entails modernizing and improving our operating and commercial capabilities to delve into the changes already in place and continue boosting our activities in this new cycle”. The recent appointment of a new Market Director with such a rich technological and digital background “enables us to face new strategic challenges of this market with prospects of success”, he asserted.

Indra’s Chairman & CEO underscored the Defense & Security transformation process initiated by the company in 2016, which contemplates a complete program of initiatives aimed at modernizing the commercial, management and manufacturing strategy models, and he alluded to Indra's new production manager incorporated back in September 2016 to implement best practices in industry, supply chain and *lean manufacturing*.

Abril-Martorell added that the context of the new Strategic Plan “also contemplates an overall increase in Defense & Security investments and, in particular, technologies that will reinforce our leadership in radars, electronic defense, and command and control”.

Turning to the IT market, “which has undergone intense measures of transformation, the reflection should help us consolidate our improvements, continue making strides in raising profitability and efficiency, and strategically steer the business toward areas of greater value and growth”, he added.

In this scenario of value creation, he expressed his confidence that “the acquisition of TecnoCom will prove to be a driving force for Indra if we integrate the company the right way”, stressing that the initial phases are already underway to integrate the corporate and business structures.

Indra's Chairman and CEO recapitulated that the acquisition of TecnoCom significantly improves the company's operating leverage and also entails an elevated potential for operational and revenue synergies, yielded from a more solid competitive positioning in terms of geography, client base and offer.

Transformation combined with growth

Abril-Martorell summarized the actions undertaken to transform the company in 2016. Addressing the steps taken in the plan to reduce costs and improve Indra's competitiveness, he stated that restructuring and optimization of the organization “enabled us to recover some of the lost competitiveness and gradually gain ground on margins in regions such as Latin America”. Regarding the portfolio of products and solutions, he indicated that “we have drawn up plans for a transformation that will allow us to move forward in all processes of standardizing and packaging our *end-to-end* solutions and even in promoting our own products, in both Transport and Defense as well as IT Technology markets”.

“As we complete the phase of reorganization, cleanup and structural improvement of our efficiency, we are resolved to harness the inherent potential for growth of our businesses”, said Indra's Chairman & CEO. “Together with traditional businesses, we maintain the maximum focus and efforts on startup and consolidation stage of Minsait, Indra's business unit that is fusing technology and consulting solutions in the Digital Transformation business, which is prominently high on the strategic agendas of all our customers”.

Abril-Martorell added that Minsait “is developing a broad portfolio of business solutions, a proprietary sales and delivery model designed to generate impact, and building a specific expertise in topics of significant potential such as cybersecurity, Big Data, Internet of Things or Industry 4.0”. This combination of industry knowledge, customer understanding, and a mastery of the different digital technologies “should enable Indra (with the appropriate partnerships forged between units and markets) to multiply its capabilities to reach new customers and projects, which could be accelerated with inorganic opportunities that fit in our strategy and significantly enrich our offer”.

Cultural change and a robust corporate governance system

Indra's Chairman & CEO assured that the initiatives taken in the company “can only be executed and successfully implemented with a cultural change that steers the fostering of new principles, values and ways of doing things”. And he pointed out that Indra will continue to focus on “guiding our work to increase profitability and generating cash; boosting the technological leadership of our products and solutions through a renewed commitment to innovation; striving for excellence in management and maximum operating efficiency to constantly improve our competitiveness; cultivating a culture of integrity, rigor and responsibility when executing projects, adequate assumption of individual responsibilities and shared risk assessments; and recognizing the results and talent of our employees with a differentiated approach, providing them with career planning, training and remuneration in line with their objective contribution”.

Along these lines, he mentioned some initiatives developed such as the Corporate University, Career Planning, Junior Talent Recruitment Plan, the new risk management mechanisms for offers and project execution control, “which has helped us gain a portfolio of projects of greater quality”, the creation of a specific risk management unit reporting directly to the Board's Audit Committee, and the fostering of a culture of compliance at Indra.

Abril-Martorell reiterated that “keeping a corporate robust governance system is paramount for any company” and made reference to the most recent initiatives adopted at Indra in this regard, underscoring the significantly elevated degree of compliance with the Recommendations of Good Governance at the company.

Improved profitability in 2016

Indra's COO Javier de Andrés went over the company's 2016 performance, highlighting that Indra "has managed to reverse the deterioration in profitability sustained over recent years". In this regard, he emphasized the 2016 net profit of €70 million against the 2015 loss of €641 million.

De Andrés referred to the company's improved financial situation, underlining a generated Free Cash Flow of €184 million in 2016 compared with the negative €50 million in 2015, and the substantial reduction of company leverage, with a 25% reduction of Net Debt.

Indra's COO reviewed the progress made by Indra within the framework of its operational transformation plan, aimed at securing operating management that is much more aligned with the strategic priorities of the company.

In this regard, he outlined the initiatives designed to yield a more efficient and orderly portfolio, improvements in efficiency and competitiveness in the delivery and production models, and the progress made in mechanisms to assess and manage project risks during the offer and execution stages alike.

De Andrés also shined a light on the consolidation of the new operating model across geographical, business and corporate areas, that improves operations control while also shoring up and simplifying their capabilities to respond, likewise mentioning the outstanding restructuring efforts made in strategic regions, particularly in Latin America and especially in Brazil.

Approval of all the proposed resolutions

Indra's shareholders approved the financial statements and management report of the Board of Directors, and adopted all the resolutions laid before them by the board by a wide majority.