Ladies and gentlemen: good morning and welcome to the Indra Annual General Meeting.

It is an honor and satisfaction for me to address you again and tell you about what our company has achieved in 2015. I will share with you the actions and initiatives we have embarked upon so far, and will ask you to consider the company’s prospects and future plans.

2015 has been a year of far-reaching changes and difficult yet necessary decisions aimed at the transformation of the company. We have laid the foundations for a future of orderly, sustainable and profitable growth.

We have accordingly undertaken an ambitious range of structural actions and decisions that are transforming most of Indra's business, financial and operational dimensions.

At the start of 2015 our company was facing an uncomfortable financial position, business uncertainty in many of our markets and geographies, and severe challenges threatening our future economic and financial performance. The main priority was to oppose and reverse the trend towards a worsening financial position of the company.

As Chairman & CEO, my role was to describe those challenges and difficulties to you and to the investment community with the utmost clarity and transparency. However, I also wanted to convey, with that same clarity and conviction, that we were entirely confident and certain about the path we had to follow for the company successfully to overcome those many challenges.

With that goal in mind, in July 2015 we gave a detailed presentation to our shareholders and employees of our Strategic Plan for 2015-2018. The Plan, which was our roadmap for transforming and developing the company, consisted of the following elements:

- First, an exhaustive and in-depth diagnosis of the reasons why some of the key parameters of Indra’s business and financial performance had declined in recent years.
- Secondly, a structured framework of strategic guidelines to lend coherence to our initiatives, both those we have taken so far and others that we shall explore in future.
- And ambitious strategic targets for growth, performance and cash generation over the following three years as a result of those initiatives.

Today, with the Strategic Plan, we have an effective tool to ensure that Indra becomes a profitable, financially robust company with a focus on sustainable growth, and that it becomes increasingly attractive to shareholders, customers and employees. The Plan is structured into six major blocks of strategic guidelines that shape the various initiatives: cost reduction and improved competitiveness; product portfolio; sales strategy; delivery model; growth in new businesses; and, finally, cultural change.

I shall now talk about the progress we have made in the key initiatives within each block.

As to the first block of actions – cost reduction and improved competitiveness at Indra – we have carried out many of the most outwardly visible actions in this area. It was critical to focus tightly on competitiveness and efficiency in an increasingly demanding market environment, especially because, for both internal and external reasons, our corporate, commercial and production cost structure had gradually deteriorated and was becoming too heavy for us to compete successfully. The nature of some of our activities calls for a highly flexible cost structure: some of the time, so as to adapt to some of our customers’ increasing demands on price; and some of the time to absorb any loss of business volume.

In terms of headcount, as you know, we have restructuring and optimized our organization, mainly in Spain and Latin America, where during the years of the economic downturn a serious mismatch had built up between present business volume, the sales mix and the employee base.

In Spain, that restructuring has led to a process of layoffs from Indra Sistemas S.A. This process is still ongoing, and has been ratified by a majority of employees' union representatives. Taking this step has involved high costs and sacrifice for the people affected. Believe me, however, when I say it was absolutely necessary to ensure the viability and financial underpinnings of the company, and thus to keep jobs across the organization.

At our various subsidiaries in Latin America, especially Brazil, we undertook cost adjustment plans of a magnitude comparable to that carried out in Spain. Large strides were taken in containing structural costs and overheads, which are enabling us gradually to improve margins in those geographies.
We continue to make progress in reducing production costs and overheads by concentrating suppliers, enhancing purchasing processes and, in general, raising awareness of the importance of cash management.

Also, as you know, in our 2015 accounts we have recognized a number of write-downs. We started to renegotiate and gradually close out onerous contracts and failed projects which Indra had accumulated in previous years, mainly through an underestimate of contractual and offer risks, inadequate execution control and external factors that have also had an effect.

It is in this aspect of the business where corrective action has been most decisive and the transformation is most intense. (a) We have redesigned the mechanisms and procedures we use to measure and manage the risks of tenders and to control project execution. (b) We have made in-depth changes to the governance model for the geographies, specifying the functions of Country Managers as contrasted with those of the heads of business units and corporate areas. (c) In the Tenders Committee we have implemented a new transaction approval procedure using risk-based thresholds, reaching the company's Management Committee. (d) And we have created new functions and mechanisms to improve control over transactions, especially international deals, such as the Execution and Delivery Committee.

The purpose of all this is to completely transform the way in which the company evaluates and manages the risks attaching to bidding for and performing projects, making those processes more rigorous, objective, transparent and more widely shared.

In a company that carries out more than 20,000 projects simultaneously it is inevitable that we will occasionally run into execution difficulties or incur unforeseen risks when bidding that lead to financial loss. But the new models of governance, functioning, and bid authorization, and the new newly implemented control mechanisms, are precisely designed to structurally reduce the company's risk profile and to drastically mitigate the risk of failed projects.

I shall now talk about the product portfolio, the sales strategy and the delivery model. In these areas we are taking steps to ensure that our businesses strategically increase their capacity to generate higher earnings and margins while strengthening our commercial and competitive position. We want to improve our portfolio of products and projects, focus our business strategy on higher value-added clients and products, and continue gradually to evolve our production and delivery model.

We have set in motion plans for the commercial transformation of the vertical businesses to streamline the product portfolio and define the best go-to-market strategy for each sector and geography. In these dimensions, we have made progress in the packaging and standardization of our key products, especially in the vertical Information Technology markets.

As a result of this new business approach and a focus on building partnerships with long-term customers we are reinforcing bonds with many historic key accounts and adding visibility to our targets as to new accounts at the global scale. We are keeping up with our targets to a reasonable extent. We shall continue to work on this in all our key geographies, identifying new customers to drive our offering thanks to our Commercial Plans, which we have been rolling out over the past few months in the main chosen countries.

We have also designed, and are now in the process of implementing, a new innovation model, which will enable us to strategically enhance our ability to generate and capture attractive ideas for our new product offering. The new innovation model must amplify and reinforce our connection with the ebullient technological innovation ecosystems that are spreading across the globe: digital start-ups, entrepreneurs, research groups and even employees, all of whom can be a valuable source of ideas. Our innovative stance will preserve our strong technological leadership amid the disruptive technological changes that are taking place, within which, at Indra, we shall be playing a central role, together with our clients.

In our search for the operational excellence to which we aspire, we have designed and are setting in motion the first elements of the global operational Transformation Plan, with initiatives such as the new Execution and Delivery Committee, a new model for assigning and managing resources, and new tools to monitor and track the use of human resources across the different projects. Our aim is to achieve a more focused and orderly management of operations to maximize operational efficiency and have tools at hand that enable us to keep improving efficiency going forward.

We still have a lot of work ahead for our global production model to evolve towards a more competitive mix, introducing re-industrialization, outsourcing and automation levers where possible.

At the same time as we complete the reorganization, cleanup and structural improvement of our efficiency, we need to leverage the growth potential of our businesses.

A highlight in this respect was the launch last February of Minsait, an Indra business unit that encompasses the portfolio of technology and consultancy solutions in the Digital Transformation business.

Minsait aims to accelerate the development and market availability of solutions and services in the Digital world, all of which are present on our customers' strategic agendas. It operates with a differential methodology, a wider portfolio of business solutions, a proprietary sales and delivery model designed to generate short-term impact, and a flexible organizational structure based on multidisciplinary teams formed by specialists with highly specific profiles.
Minsait rounds out the offering of the rest of Indra's high-value vertical sectors by helping them to focus on their customers' key businesses. Minsait will therefore be one of the main drivers of our growth.

Our ambition to achieve growth is not limited to digital businesses, however. It extends to all core businesses.

We are confident that, having laid the foundations of a properly reformed and efficient organization with improved risk management mechanisms, we shall be in a strong position to grasp the global opportunities that Indra's high capability will place before us, and translate them into orderly and profitable growth. Indra will now be highly alert to potential strategic alliances that will boost our go-to-market capability and even create opportunities to enrich our product range and our client base via inorganic transactions, which we have not ruled out, in so far as our financial position will stabilize.

Finally, these initiatives can be undertaken successfully only if there is also a cultural change. The company – including ourselves, the management, and all our people – must successfully complete the toughest transformation of all, which is the transformation of our behaviors, processes, priorities and objectives. We are an organization employing almost 40,000 people, who are widely diverse in terms of country of origin, professional role, culture, and background. It is a priority to advance on all fronts in an evolution of the company's culture to focus it on the values that are fundamental to our success. A culture where we focus our work on raising returns for shareholders and on increasing cash generation.

A culture of integrity, rigor and accountability in project execution, and of robust shared assessment of risks. We must recognize our employees' performance and talent in a differential way, while providing them with career tracks, training plans and compensation that make the right fit with their profile and with their objective contribution.

We have taken many actions to help us make progress in this regard, and new human resources and organization and processes projects that are now in development will see the light in the coming months. I shall comment on a few of them:

• You may recall that at last year's Annual General Meeting we talked about how the company's policy on director and executive remuneration would be changed to bring it into line with international standards and the recommendations set out in Spain's new Listed Companies Good Governance Code. That policy, which was voluntarily laid before the shareholders at last year's AGM, allows for linking executive remuneration to the achievement of demanding targets. The proportion of long-term remuneration rises with respect to short-term pay, and share-based payment increases with respect to cash. In the wake of that change, we have cascaded the changes throughout the scheme of variable compensation for the company's entire management team, while bringing it into alignment with the priorities of the Strategic Plan. Using the new model, we can put greater emphasis on, and create a stronger incentive to follow, those factors that will enable us genuinely to achieve our collective goals as a company: deal-making, cash flow, profitability and the completion of strategic transformation projects. Now our entire team has a clear and complete view of the objectives for 2016 and of how to achieve the incentives associated with them, by means of a clearer and more performance-led process: in short, a more meritocratic scheme.

• As to processes, one of the most substantial initiatives for change relates to the new organizational and operational model for Indra's corporate functions: the Global Business Services (GBS) Project. The corporate spin-off that that project involves will be laid before you today for your approval as item 4 on the agenda. The project is set to be implemented in the coming months, and will introduce a new model for providing corporate services to Indra's business units. The new structure will equip us with a map of standard processes and systems to meet the business units' needs, by supporting the coordination and integration of functions and activities and improving efficiency, quality and control.

In accordance with Recommendation 3 of the Listed Companies Good Governance Code I would also like to talk about the corporate governance initiatives taken since the last Annual General Meeting, at which, as you will recall, significant measures were adopted, such as: (i) the policy on director remuneration; (ii) the adaptation of the qualitative composition and independence of the board; and (iii) the adaptation of the bylaws and of the regulations of the company's meeting of shareholders. All these steps were taken to comply with changes in the law, with the recommendations of the Listed Companies Good Governance Code and with international standards.

In the second half of 2015 and the first half of 2016 we have continued to make improvements to our corporate governance scheme. The highlights are:

• The adoption of a restatement of the rules of procedure of the board that brings them into line with the changes approved by the 2015 AGM to the bylaws and to the regulations of the meeting of shareholders.

• The adoption by the board, in accordance with the Listed Companies Good Governance Code, of corporate policies on communications with shareholders, investors and proxy advisors, on board member selection, and on corporate social responsibility.
At the proposal of the nomination, remuneration and corporate governance committee the board has decided to apply a more stringent independent director replacement interval than the statutory one of twelve years, in order gradually to anticipate the replacement of board membership. That policy, which will apply from 2017 onwards, consists of not proposing the re-election of any independent director who has already held that position during three mandates as delimited in the bylaws.

I shall now report to you on Indra's degree of compliance with good governance recommendations in 2015.

As you will know if you have read the Annual Corporate Governance Report, which was published in April alongside the financial statements, our degree of compliance with good governance recommendations is very high. In 2015, Indra was non-compliant with only one of the 64 existing recommendations: specifically, Recommendation 48, which provides that companies with a large market capitalization should have a nomination committee that is separate from the remuneration committee. The company has not thought it appropriate to separate its existing nomination, remuneration and corporate governance committee into two distinct committees because it takes the view that this would be unjustified in light of the volume of matters to be dealt with annually.

By way of conclusion, in 2015 and over the first few months of 2016 we have implemented a considerable number of initiatives and launched many transformation projects. Other initiatives within the Strategic Plan, by their very nature, require longer development and implementation timeframes; they will be completed in late 2016 and throughout 2017. To structure the full range of strategic projects and ensure that they all move forward on schedule, and to keep a focus on implementation, we have created a project office to coordinate and support our monitoring of our progress. That office will identify any stumbling blocks in the roll-out of the projects, and suggest potential solutions.

I am pleased to say that we are beginning to see the specific outcomes of our efforts. However, there is still a lot to do. There are major challenges ahead, including additional sacrifices. We must continue to take difficult decisions in a highly uncertain environment, but I think we have successfully reversed the adverse trends and that the landscape that lies before us is a more promising one, because we have laid strong foundations for profitable growth.

In fact, our cash generation in 2016 so far has improved with respect to the equivalent period last year, we have reduced net debt, and in the past few quarters the company's net return is back in the black.

These encouraging results after a year of difficult decisions indicate that the company is on the right track. The markets think so, too: in relative terms, Indra's stock price has performed strongly with respect to the IBEX as a whole, both in 2015 and in the first six months of 2016.

I think we now have an Indra that is more robust and better organized. We can now come forward with a financially stronger and better balanced company, with improved governance, control and risk management, a tighter focus on priorities and strategic strengths, and closer alignment with what our shareholders and investors want. I would therefore like to end my speech by giving thanks to the management team and all Indra's professionals for the extraordinary efforts and performance they have put in day after day to transform and improve our company and make it more competitive. And I should like to thank all of you for your continued confidence in us.

Many thanks.