

External Audit Report



Auditors' Report on the Consolidated Annual Accounts

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the shareholders of
Indra Sistemas, S.A.

We have audited the consolidated annual accounts of Indra Sistemas, S.A. (hereinafter the Parent Company) and subsidiaries (hereinafter the Group), which comprise the consolidated balance sheet at 31 December 2005, the consolidated statements of income, cash flows and changes in equity for the year then ended and the notes thereto, the preparation of which is the responsibility of the directors of Indra Sistemas, S.A. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on our audit which was conducted in accordance with generally accepted auditing standards in Spain, which require examining, on a test basis, evidence supporting the amounts in the consolidated annual accounts and assessing the appropriateness of their presentation, of the accounting principles applied and of the estimates employed.

The accompanying consolidated annual accounts for 2005 are the Indra Group's first annual accounts prepared in accordance with European Union-endorsed International Financial Reporting Standards (hereinafter EU-IFRS) which require that comparative figures be included for the previous year. Therefore, and in accordance with prevailing Spanish legislation, the consolidated balance sheet at 31 December 2005, the consolidated statements of income, cash flow and changes in equity for the year then ended and the notes thereto include comparative figures for 2004 which result from the application of EU-IFRS in force at 31 December 2005. Consequently, the figures for 2004 differ from those reported in the approved 2004 consolidated annual accounts prepared in accordance with accounting principles prevailing that year. The differences generated as a result of applying EU-IFRS to consolidated equity at 1 January and 31 December 2004 and to consolidated results for 2004 are detailed in note 2. We express our opinion solely on the consolidated annual accounts for 2005. On 18 March 2005 we issued our unqualified audit report on the consolidated annual accounts for 2004, which were prepared in accordance with accounting principles prevailing that year.

In our opinion, these consolidated annual accounts for 2005 present fairly, in all material respects, the consolidated equity and consolidated financial position of Indra Sistemas, S.A. and subsidiaries at 31 December 2005 and the consolidated results of its operations and the changes in consolidated equity and consolidated cash flows for the year then ended, and contain sufficient information necessary for their adequate interpretation and understanding, in accordance with EU-IFRS which have been applied on a basis consistent with that used in the preparation of the figures and information for the preceding year which, as stated in the paragraph above, have been included in the 2005 consolidated annual accounts, exclusively for comparison purposes.

The accompanying consolidated directors' report for 2005 contains such explanations as the directors of the Parent Company consider relevant to the situation of the Group, the evolution of its business and other matters, but is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2005. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Indra Sistemas, S.A. and subsidiaries.

KPMG AUDITORES, S.L.

Signed:

Hilario Albarracín Santa Cruz

24 March 2006