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CONSOLIDATED
DIRECTORS'
REPORT

1. Introduction

- ◆ Once again, Indra confirms the achievement of its targets for 2013.
- ◆ Sales were €2,914m, increasing by +2% in local currency vs. 2012. In reported terms (euros), and once adjusted by the disposal of the Services business made in 2013 ⁽¹⁾, sales were at a similar level than previous year, achieving the target of the company for the period.
- ◆ Revenues performance by geographic area was the following:
 - » Spain (39% of total): -11% reported
 - » Latam (28% of total): +22% in local currency (+11% reported)
 - » Europe & North America (20% of total): +12% in local currency (+10% reported)
 - » AMEA (13% of total): -7% in local currency (-8% reported)

The decline in Spain (-11%) is significantly lower than the one registered in 2012 (-18%). The declining in the activity in AMEA is the consequence of the great relevance of a punctual project executed in 2012.

- ◆ Solutions (65% of total) revenues have increased by +3% in local currency (flat in reported figures). Services (35% of total) revenues have increased by +2% in local

currency (-3% reported), growth which would have been 3 p.p. higher excluding the impact from the disposal mentioned previously.

- ◆ All the verticals, excluding Transport & Traffic (which is still negatively affected by weakness in the Spanish market), show a positive growth evolution in local currency (flat in the case of Public Administrations & Health Care), with Energy & Industry (+8%), Security & Defence (+7%), and Financial Services (+6%) showing the strongest performance.
- ◆ Order Intake is 4% above revenues, but declines by -2% in local currency compared with the previous year (-5% reported). Isolating the impact from the contract for high speed train systems in Saudi Arabia (€205m) signed in 2012, order intake would have been up by +4% in local currency.
 - » Order Intake in Latam has increased by +28% in local currency
 - » Order Intake in Spain has declined by -12% in the period, but this rate of decline shows a significant improvement versus the figures achieved in 2012 (-26%).
- ◆ Backlog reached €3,493m (+1%) and represents 1.2 times sales for the year.
- ◆ Recurrent EBIT totals €226m and recurrent EBIT margin reaches 7.8%.

(1) The advanced management business of digital documentation in Spain and Mexico. Revenues in 2013 of this activity reached €19m and were of €49m in 2012. Order Intake totals €19m in 2013 and €28m in 2012

- ◆ The plan to adequate costs and increase the efficiency of Indra's resources for 2013 has implied €28m of extraordinary costs.
- ◆ Net working capital stood at 109 days of equivalent sales (DoS), within the target range communicated to the market for 2013 (100-110 days). Net working capital has been negatively affected by the delays in payments to suppliers by Spanish Regional Governments. The initial plan to normalise those payments has been postponed to 1Q14 (Indra has started to receive payments on February).
- ◆ Capex (tangible and intangible) amounts to €64m, slightly lower than the €70m initially expected.
- ◆ Net financial investments in the period (€14m) includes payments of earn-outs for acquisitions made by Indra in the last few years (mainly an acquisition in Peru in 2009), the payment of contingencies to be deducted from the final price to be paid for Politec in Brasil (€24m), and the disposal of Indra's 12,77% stake in Inversis Bank (€29m).
- ◆ Free cash flow (FCF) during the period has reached €52m after the positive impact (€25m) of the divestment of activities mentioned above.
- ◆ Net debt at the end of the period reached €622m (€634m in 2012), meeting the target of not increasing debt for the year ends. This Net Debt represents a leverage level of 2.2x recurrent EBITDA in the period. In October the company issued for the first time a convertible bond for €250m with 5 years maturity. Such bond diversifies the company's financial structure and extends its average debt maturity.

2. 2014 Target and expected performance

In 2013, as it has been the case for previous years –particularly since 2010–, Indra has undertaken actions to compensate the impact of the severe decline in activity of the Spanish market.

This evolution of what used to be the company's largest market has affected both operating margin and balance sheet. The former mainly due to price pressure and mix impact (with a larger drop in Solutions and in higher added value institutional markets), and the latter due to the lengthening of collection periods from clients and the company's decision to continue developing new product offering internally financed.

Amongst the actions undertaken it is worth mentioning the ones related to the improvement of resources' efficiency (that have required extraordinary expenses in three of the last four years) and the increased positioning in high growth markets such as Latam and AMEA. To achieve it, the company has allocated the required resources to adequate its Solutions' portfolio, completed selective acquisitions and execute relevant projects that required initial investments.

The company has taken, and publicly communicated, decisions to keep financial parameters, specially its net debt, in reasonable levels.

All the above mentioned actions are already bearing fruit, and thus Indra should maintain its free cash flow growth trend, progressively recovering the levels similar to the ones achieved before the current macroeconomic crisis (in 2008 and 2009 free cash flow conversion reached 5% of revenues) in the next years.

Thus, the company's **2014** main and **priority target** is to **generate free cash flow** ⁽¹⁾ **above 100 M€**, laying down the base for progressive growth in the following years.

This target might allow Indra to combine the reduction in net debt with maintenance of adequate shareholders' remuneration.

The free cash flow target is based in the following considerations:

- ◆ Positive organic revenue growth in local currency in 2014, with order intake similar to revenues, in a context of:
 - » Mild economic recovery in the Spanish market, with revenue decline significantly below the one of the last two years (-18% in 2012 and -11% in 2013), foreseen just a small decline. This performance is supported by the change in the trend expected for institutional markets, which have suffered the most during the crisis. In these markets, the company expects to grow in Security & Defense (double digit), a market specially affected by the crisis in the last 5 years (-20% CAGR); mild growth in PPAA & Healthcare and a sharp reduction in the rate of revenue decline in Transport & Traffic (down 35% in 2013).
 - » The macroeconomic developments will affect the rate of development of the company in Latam, although a sharp deceleration it is not expected. The positioning achieved in the region should allow Indra to compensate the performance of each local economy, and to reach double digit local currency growth, supported by solid performance in countries such as Brasil, Mexico, Peru and Colombia (although growth rates will be penalized by currency depreciation).
- » Double digit growth in AMEA, where the company is making important commercial efforts and where important Solutions projects are being developed, mainly in Transport & Traffic, Security & Defense and PPAA & Healthcare.
- » Mild recovery in Europe, where stable revenue performance is expected.
- ◆ Maintaining operating profitability in a level similar to 2013. Although price pressure will continue impairing profitability in the Spanish market (and will not be completely absorbed by the productivity improvement measures implemented), it should be compensated by an increase in profitability in Latam. In that area the company is improving efficiency and increasing the weight of Solutions (with higher profitability) versus Services. Extraordinary expenses, dedicated to optimize management processes, are expected to be reduced significantly versus previous year.
- ◆ During 2014 the company expects to continue its policy of developing Solutions, allocating resources mainly in the Utilities (inCMS), Defense (surveillance and UAV's), rail transportation (control centers) and airlines (revenue accounting). Intangible capex will amount to 40 M€ (of which c.30% will be financed with soft loans and R&D subsidies from Spanish and European administrations) which, together with tangible capex, will imply total capex below 2013 levels (65 M€).
- ◆ Finally, Net Working Capital (measured in equivalent days of sales) is expected to decrease during 2014. This decline will be based on one hand in actions undertaken by Spanish Public Administration to pay overdue debts and to gradually reduce payment periods to suppliers, and, on the other, in the company's management of its projects with a priority focus on cash flow generation.

(1) Free cash flow is defined as cash generated before dividend payment, net financial investments and similar payments, and investment in treasury stock

3. Main Figures

	2013 (M€)	2012 (M€)	Variation (% Reported/Local Currency)
Order Intake	3,028.8	3,193.2	(5) / (2)
Revenues	2,914.1	2,941.0	(1) / 2
Backlog	3,493.3	3,470.3	1
Recurrent Operating Profit (EBIT) (1)	226.2	248.8	(9)
Recurrent EBIT margin (1)	7.8%	8.5%	(0.7)pp
Extraordinary Cost	(27.9)	(31.6)	(12)
Net Operating Profit (EBIT)	198.3	217.2	(9)
EBIT margin	6.8%	7.4%	(0.6)pp
Recurrent Net Profit (1)	138.0	157.3	(12)
Net Profit	115.8	132.7	(13)
Net Debt Position	622.5	633.3	(2)

(1) Before extraordinary costs

Earnings per Share (according to IFRS)	2013 (€)	2012 (€)	Variation (%)
Basic EPS	0.7061	0.8159	(13)
Diluted EPS	0.6972	0.8159	(15)
Recurrent diluted EPS (1)	0.8294	0.9675	(14)

Basic EPS is calculated by dividing net profit by the average number of outstanding shares during the period less the average treasury shares of the period.

Diluted EPS is calculated by dividing net profit, (adjusted by the impact of the €250m convertible bond issued last October, with a conversion price of 14.29 €) by the average number of outstanding shares during the period less the average treasury shares of the period, and adding the theoretical new shares to be issued once assuming full conversion of the bond.

The average number of shares used in the calculation of the EPS and dilutive EPS, in terms of treasury shares, total number of shares, and theoretical shares to be issued related to the convertible bond, are calculated using daily balances.

At the close of December 2013, the company held 103,358 treasury shares representing 0.06% of total shares of the company.

	2013	2012
Total number of shares	164,132,539	164,132,539
Weighted treasury stock	93,096	1,538,122
Total shares considered	164,039,443	162,594,417
Total diluted shares considered	167,682,186	162,594,417

4. Analysis by segments

Solutions

	2013 (M€)	2012 (M€)	Variation %	
			Reported	Local Currency
Order Intake	1,988	2,070	(4)	(2)
Revenues	1,888	1,881	0	3
Book-to-bill	1.05	1.10	(4)	
Backlog / Revs LTM	1.34	1.29	4	

- ◆ Order Intake has been 5% above sales based on Security & Defence, Energy & Industry and Financial Services verticals.
- ◆ Order intake registers a 2% decline in local currency compared with the previous year (-4% reported), mainly due to the impact of the signing of the high speed train contract in Saudi Arabia in 1Q12 (€205m). Excluding this effect, order intake has increased by +9% in local currency.
- ◆ Revenues has increased by 3% in local currency (flat in reported figures). It represents 65% of the total revenues of the Group (64% in 2012) thanks to the good evolution of Security & Defence, Energy & Industry and Financial Services verticals. The behaviour of the market in Spain remains weak (-16%), while Latam and Europe & North America registered double digit growth rates.
- ◆ Order Backlog reached €2,527m (+4%), representing 1.34x LTM sales (4% above the 1,29x registered in 2012).

Services

	2013 (M€)	2012 (M€)	Variation %	
			Reported	Local Currency
Order Intake	1,041	1,123	(7)	(2)
Revenues	1,026	1,060	(3)	2
Book-to-bill	1.01	1.06	(4)	
Backlog / Revs LTM	0.94	0.99	(4)	

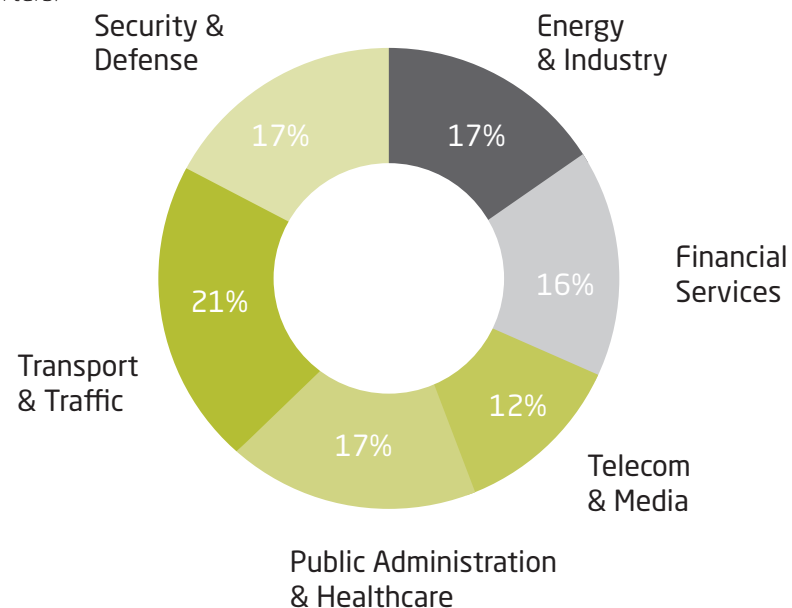
- ◆ Excluding the impact of the disposal of the activity of advanced management of digital documentation in Spain & Mexico, reported revenues would have been roughly flat. Services revenues have been also negatively affected by FX headwinds given the concentration of its international activity in Latam. Excluding both impacts, revenues would have increased by +5%.
- ◆ Order Intake has declined by -2%, but it is still ahead of sales.
- ◆ Order Backlog (€966m) posted a small decrease and it is equivalent to 0,95x LTM sales.

5. Analysis by vertical

	2013 (M€)	2012 (M€)	Variation %	
			Reported	Local Currency
Energy & Industry	479.5	460.4	4	8
Financial Services	470.1	464.4	1	6
Telecom & Media	355.3	369.0	(4)	3
PPAA & Healthcare	503.3	516.9	(3)	(0)
Transport & Traffic	611.1	667.1	(8)	(7)
Security & Defence	494.8	463.2	7	7
Total	2,914.1	2,941.0	(1)	2

- ◆ **Energy & Industry** (+8% in local currency, +4% in reported figures). The vertical has posted strong volumes of activity in Spain (+7%) based on the positive evolution of Indra's proprietary Solutions for the markets of electricity and tourism. Order intake has been also very strong (+24%), especially in Latam & AMEA, which provide solid foundations for additional growth in 2014.
- ◆ Sales at **Financial Services** have registered a +6% increase in local currency in the period (+1% reported). The negative impact from currency depreciations is more evident in this vertical than in other areas given the high weight of Latam in the total sales of the vertical (c.40% of total). The volumes of activity in Spain decreased, but the reduction in the sector's capacity following the ongoing banking consolidation process in Spain would eventually generate additional business opportunities (in areas such as Consultancy, BPO, and operational outsourcing). We highlight the strong evolution of the Insurance segment (+22% reported in the period) based on the development of in-house Solutions.
- ◆ **Telecom & Media** (+3% in local currency). The high weight of its sales in Latam (c.50% of the vertical sales) has negatively impacted its reported figures (sales down by -4%). The market remains under significant pricing pressure.

- ◆ **Public Administrations & Healthcare** has posted a similar revenue figure in local currency than in previous year (-3% reported).
- ◆ **Transport & Traffic** (-7% in local currency and -8% reported). Revenues in Spain continue declining. This is partially offset by the strong evolution In Latam (growth figures in the region >50%) thanks to the ongoing development of infrastructure programs in the region. Indra's Solutions for Maritime & Road Traffic systems have performed very well, especially outside Spain.
- ◆ **Security & Defence** (+7%, both in local currency and reported figures). 80% of the revenues of the vertical are already outside Spain. Spain continues to register a significant decline in sales, but order intake at the end of 2013 has been very strong (+21%) which could anticipate a change in trend for domestic sales in coming quarters.



6. Analysis by geography

Revenues	2013		2012		Variation %	
	M€	%	M€	%	Reported	Local Currency
Spain	1,124.9	38.6	1,257.8	43	(11)	(11)
Latam	830.7	28.5	745.0	25	11	22
Europe & North America	577.3	19.8	524.1	18	10	12
Asia, Middle East & Africa	381.1	13.1	414.1	14	(8)	(7)
	2,914.1	100.0	2,941.0	100	(1)	2

- ◆ The decline in Spanish market has eased compared to the previous year (-11% vs. -18% in 2012), in line with expectations. This rate of decline rate is significantly lower than the one registered in 2012. The pipeline of orders in some verticals could anticipate that the worst is finally behind and although the prospects for 2014 are of still a slight decline, rate of decline should be significantly lower.

The pricing evolution in the Spanish services market continues to reflect the weakness in the final demand. However, the company was able to partially offset this impact with productivity improvements and increasing market share within some clients.

- ◆ Order Intake in Spain has evolved (-12%) in line with revenues, registering a book-to-bill ratio of 0.9x.
- ◆ Latam (+22% in local currency) has been negatively affected by the depreciation of most of the local currencies, which has resulted in revenue growth of +11% in euro terms.

We would like to highlight the good performance in local currency of countries like Mexico (+21%), and Brazil (+17%), as well as the negative impact of the FX evolution in Argentina and Venezuela, whose sales represent less than 3% of the total revenues of the company.

- ◆ Revenues in Asia, Middle East & Africa (AMEA) decrease by -7% in local currency (-8% reported), showing the high activity registered in the previous year with the execution of a project in this region. Excluding this effect, revenues would have had a positive performance.
- ◆ Europe & North America have registered a double digit growth rate (+12% in local currency, +10% reported), highlighting the evolution of Germany (+32%) and UK (+34%) thanks to the positive evolution of the Security & Defence vertical.
- ◆ All geographical areas outside Spain have posted higher level of order intake than sales, with a book-to-bill ratio at 1x (Europe & North America) and 1.2x (AMEA & Latam), showing a positive order intake growth in all the areas (isolating in AMEA the impact of the project of the high speed train systems in Saudi Arabia of €205m signed in 2012).

7. Analysis of the consolidated financial statements (IFRS)

Income Statement:

- ◆ Contribution margin (15,0%), decreased -0,9 pp vs. 2012, partly due to pricing pressure mentioned previously:
 - » Contribution margin in Solutions (16.6%) has decreased 1.0 pp vs. 2012 due to the weakness in the Spanish market, the mix effect of the projects executed during this year, and the large international expansion that has been carry out during the period, which has implied some commercial investments.
 - » Contribution margin in Services was 11.9%, 0.9 pp lower vs. 2012 due to pricing pressure in some verticals and geographies (mainly in Spain).
- ◆ Recurrent operating profit (EBIT before extraordinary costs) reached €226m, being 9% below 2012 mainly as a result of the Spanish market weakness, and in spite of the measurements put in place by the group to improve productivity.
- ◆ Recurrent operating margin (EBIT before extraordinary costs / Sales) stood at 7.8%, in line with the target for the full year of around 8%.
- ◆ During 2013, the other results (€76m) line includes the reversal of the liability for the pending payment for Politec, whose final settlement will take place in 2Q14. At the same time, a number of provisions have been accounted for to satisfy various contingencies related to the acquired company.
- ◆ Indra has incurred in €28m of extraordinary costs, with the goal of improving the productive efficiency of the company, in line with expectations.
- ◆ After these extraordinary expenses, Operating profit (EBIT) reached €198m, 9% lower vs. 2012.
- ◆ Indra has received €29m as a result of the disposal of its 12.77% stake in Banco Inversis S.A. ("Inversis"), with capital gains of approximately €15m before taxes. On the other hand, the disposal of the advanced management activity of digital documentation in Spain and Mexico had a neutral impact on results.
- ◆ Net financial expenses reached €64m compared to €54m in 2012. This increase is mainly due to higher financing costs on the back of the increase in the average interest rate charged in the credit lines renewed, the negative impact from foreign exchange differences given Indra's higher international activity and the nominal effect, with non-cash impact, of the accounting of the convertible bond issued in October 2013.
- ◆ Tax rate stood at 20.4%, slightly lower than the one registered in 2012 (21.8%), due to the evolution of the mix of international activities .
- ◆ Net Profit reached €117m (-9%).
- ◆ Attributable (recurrent) profit (excluding extraordinary costs) reached €138m, decreasing by 12% vs. 2012.

Balance Sheet and Cash Flow Statement:

- ◆ Net working capital reached €868m, equivalent to 109 days of revenues, in line with our expectations for the year.

This figure does not include the impact of the Spanish Government's plan to settle the overdue debt as of May 2013. The execution of this plan has been postponed to 1Q14. Indra has already started to receive some payments in February.

- ◆ The level of tangible and intangible assets reached €64m. Investments in intangible assets (net of subsidies) accounted for €46m and the investments in tangible assets accounted for €18m. The investment in tangible assets is adjusted down by the impact of the disposal of the activity of advanced digital documentation management in Spain and Mexico, resulting in a final figure of investments in tangible assets of €10m during the period.
- ◆ Financial investments (€14m) mainly include the payment of approximately €14m for the 25% of the shares of Com S.A. in Peru (already fully consolidated as Indra owned the remaining 75% of the shares), the payment for several contingencies in Brazil that will be deducted from the price to be paid for Politec (€24m), as well as the disposal of the 12.77% stake in Inversis, which accounted for €29m.
- ◆ Free cash flow during the period has reached €52m (after the positive impact of €25m related to the divestment of the digital documentation activities).
- ◆ Net debt position stood at €622m (vs. €634m in 2012), which represents leverage of 2.2x recurrent EBITDA.

8. Human resources

At the end of the year, total workforce stood at 38,548 employees (1), at the same level as December 2012, with a mixed behaviour among geographies. It is worth highlighting the workforce increase in AMEA.

Final Workforce	2013		2012		Variation %
	M€	%	M€	%	
Spain	20,702	54	21,550	56	(4)
Latam	14,893	39	14,201	37	5
Europe & North America	1,663	4	1,720	4	(3)
Asia, Middle East & Africa	1,290	3	1,106	3	17
Total	38,548	100.0	38,577	100	(0)

9. Research and development activities

Indra has continued to dedicate considerable human and financial resources to developing services and solutions to position itself as technological leader in the different sectors and markets in which it operates. The amount earmarked for research, development and innovation activities represents approximately 6.7% of turnover for the year.

10. Main activity-related risks

Indra is exposed to the following main risks:

- » Strategic and economic environment risks
- » Technological risks
- » Risks from management of human capital
- » Financial and administrative risks

- » IT management risks
- » Project management risks
- » Equity risks

Indra has prepared a risks map through which risks are managed. Risks are detected and the necessary guidelines and monitoring and control systems are established to prevent risks and minimise their impact. Risk management is described in more detail in the Corporate Governance report.

11. Share capital structure

At 31 December 2013 the subscribed and fully paid share capital of the Company totals Euros 32,826,507.80, divided into 164,132,539 ordinary shares of Euros 0.20 par value each. Share capital wholly comprises ordinary shares of the same series which consequently confer the same rights and obligations, there being no restrictions to the transferability of the shares. Voting rights are not subject to any statutory restrictions, although a minimum of 100 shares is required for attendance at the General Meeting.

Main shareholders of the Company at 31 December 2013, with over 3% of capital are: S.E.P.I. (20.14%); Corporación Financiera Alba (11.32%); Fidelity Management and Research LLC (9.96%); Invesco LTD (5.52%) and Casa Grande de Cartagena (4.00%).

In 2013 the company issued €250m of convertible bonds with a 5 years maturity (17th of October 2018). The shares underlying the Bonds initially represent approximately 10.7% of Indra's share capital prior to the offering. The initial conversion price of the Bonds is 14.29 Euros per share. On the date that falls 3 years and 21 days from the Issue Date, the company may redeem in advance all (but not part) of the Bonds for their face value plus the interest accrued, if: (a) the market value of the underlying shares

per Bond for a specified period of time exceeds 130,000 Euros; or (b) 10% or less of the principal amount of the Bonds initially issued remains outstanding.

12. Other information

The additional information traditionally presented in this section related to (i) the rules applicable to amendment of the Bylaws; (ii) any restriction on the transferability of securities and any restriction on voting rights; (iii) the authority of the members of the board of directors and, in particular, those related to the ability of issuing or repurchasing shares; (iv) significant agreements entered into by the Company that will become effective, change, or terminate in the event of a change of control of the Company after a public takeover bid; (v) agreements between the company and its administrators and management or employees which involve severance should they resign or dismissed without cause, or if the employment relationship were to end due to a public takeover bid, is included in the Annual Corporate Governance Report (sections B.3, A.10, C.1, C.1.44 and C.1.45 respectively) in accordance with the provisions of article 61 bis of the Stock Exchange Law. This report as stated in following section 14 is an integral part of this Consolidated Directors' Report.

13. Shareholder remuneration

On July 9th 2013, the ordinary dividend of Euros 0.34 gross per share approved by the shareholders at their Annual General Meeting was paid, totalling Euros 55,805 thousand.

(1) La plantilla de la rama de actividad de gestión avanzada de documentación digital desinvertida era de 428 profesionales

The board will propose to the shareholders at their next General Meeting the approval of a gross ordinary dividend of Euros 0.34 per share, with charge to 2013 profit.

14. Annual corporate governance report

Attached to this report, and forming an integral part thereof, is the Annual Corporate Governance Report, pursuant to article 538 of the Spanish Companies Act. The Annual Corporate Governance Report has been published under the format established by the Circular 5/2013 of the Comisión Nacional del Mercado de Valores (National Securities Market Commission).

15. Own shares

As authorised by the shareholders at their Annual General Meeting, at 31 December 2013 the Company holds 103,358 treasury shares amounting to Euros 1,258 thousand.

In 2013 the Company acquired 10,291,495 treasury shares on the stock market (6.27% of official volume for the period) and sold 10,199,178 treasury shares (6.21% of official volume for the period).

16. Subsequent events

No significant events have occurred within the Company subsequent to year end.

ANNUAL CORPORATE GOVERNANCE REPORT

LISTED COMPANIES

Issuer's identification data:	Indra
Year ended:	31 December, 2013
CIF (Tax Id. No.):	A-28599033
Company name:	Indra Sistemas, S.A.
Registered Office:	Avenida Bruselas, 35, Alcobendas, Madrid

THIS DOCUMENT CONTAINS THE ANNUAL CORPORATE GOVERNANCE REPORT SUBMITTED TO THE *COMISIÓN NACIONAL DEL MERCADO DE VALORES* ("SPANISH SECURITIES MARKET COMMISSION" or "CNMV") PURSUANT TO THE FORM PRESCRIBED BY THE CNMV; ADDITIONALLY, THIS REPORT CONTAINS ALL THE COMMENTARIES AND NOTES ON EACH SECTION TO FACILITATE ITS UNDERSTANDING.

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

A - CAPITAL STRUCTURE

A.1 Complete the table below with details of the capital stock of the Company:

Date of last change	Share capital(€)	Number of shares	Number of voting rights
14-09-2007	32,826,507.80	164,132,539	164,132,539

Please indicate whether there are different classes of shares with different associated rights:

Yes No

Class	Number of Shares	Par Value	Number of Votes	Associated Rights
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A.2. Please provide details of the Company's significant direct and indirect Shareholders at year end, excluding any Directors:

Name of Shareholder	Number of Direct Votes	Number of Indirect Votes(*)	Percentage of Total Votes
Sociedad Estatal de Participaciones Industriales, S.A.	33,057,734	0	20.14
Corporación Financiera Alba, S.A.	0	18,587,155	11.32
Lolland, S.A.	0	6,566,248	4.00
FMR LLC	0	16,350,795	9.96
INVESCO LIMITED	0	8,319,395	5.07

(*) CORPORACIÓN FINANCIERA ALBA, S.A. THROUGH:

Name of Direct Shareholder	Number of Direct Votes	Percentage of Total Votes
ALBA Participaciones, S.A.	18,587,155	11.32

(*) LOLLAND, S.A. THROUGH:

Name of Direct Shareholder	Number of Direct Votes	Percentage of Total Votes
Casa Grande de Cartagena, S.L.U.	6,566,248	4.00

(*) FMR LLC THROUGH:

Name of Direct Shareholder	Number of Direct Votes	Percentage of Total Votes
FID LOW PRICED STOCK FUND Y OTROS	16,350,795	9.96

(*) INVESCO LIMITED THROUGH:

Name of Direct Shareholder	Number of Direct Votes	Percentage of Total Votes
INVESCO ASSET MANAGEMENT LIMITED		3.95
INVESCO FUND MANAGERS LIMITED		0.97
INVESCO ASSET MANAGEMENT SA FRANCE		0.14

PLEASE INDICATE SIGNIFICANT CHANGES IN COMPANY SHAREHOLDER (HEREINAFTER "SHAREHOLDER") COMPOSITION DURING THE FISCAL YEAR:

Name of Direct Shareholder	Date of Change	Percentage of Total Votes
Banco Financiero y de Ahorros, S.A.	2/8/2013	Share ownership dropped below 20%
Sociedad Estatal de Participaciones Industriales, S.A.	2/8/2013	Share ownership rose above 20%
Liberbank, S.A.	5/08/2013	Share ownership dropped below 5%

A.3 In the following tables, list the members of the Board of Directors (hereinafter "Directors") with voting rights in the company:

Name of Director	Number of Direct Votes	Number of Indirect Votes	Percentage of Voting Rights
Isabel Aguilera Navarro	28,686	0	0.017
Javier de Andrés González	116,200	0	0.071
Juan Carlos Aparicio Pérez	292	0	0.000
Casa Grande de Cartagena, S.L.U.	6,566,248	0	4.001
Daniel García-Pita Pemán	1,274	47,269	0.030
Luis Lada Díaz	24,260	0	0.015
Juan March de la Lastra	19,391	0	0.012
Santos Martínez-Conde Gutierrez-Barquín	7,497	0	0.005
Adolfo Menéndez Menéndez	767	0	0.000
Javier Monzón de Cáceres	352,895	0	0.215
Monica De Oriol Icaza	22,042	0	0.013
Ignacio Santillana del Barrio	12,203	0	0.007
Rosa Sugrañes Arimany	24,333	0	0.015
Alberto Terol Esteban	17,522	0	0.011
Total percentage of voting rights held by the Board of Directors			4.412

PLEASE COMPLETE THE FOLLOWING TABLES WITH DETAILS OF THE COMPANY'S DIRECTORS WHO OWN COMPANY SHARE OPTIONS:

Name of Director	Number of Direct Option Rights	Number of Equivalent Shares	Percentage of Total Voting Rights	Percentage of Total Voting Rights
---	---	---	---	---

A.4 If applicable, indicate any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business:

Name of Related Party	Nature of Relationship	Brief Description
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A.5 If applicable, indicate any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

Name of Related Party	Nature of Relationship	Brief Description
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A.6 Indicate whether the Company has been notified of any shareholder agreements that may affect it, in accordance with Article 112 of the Ley del Mercado de Valores ("Spanish Securities Market Law" or "LMV").

Yes No

Parties to the Shareholder Agreement	Percentage of Affected Shares	Brief Description of the Agreement
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Indicate whether the Company is aware of any coordinated actions among its Shareholders. If so, provide a brief description:

Sí No

Parties to the Shareholder Agreement	Percentage of Affected Shares	Brief Description of the Agreement
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If any of the aforementioned agreements or coordinated acts have been modified or terminated during the year, please specify expressly:

A.7 Indicate whether any individual or company exercises or may exercise control over the Company in accordance with Article 4 of the LMV. If so, please identify them:

Yes No

Name of Individual or Company

Remarks:

A.8 Complete the following table with details of the company's treasury shares:**AT THE CLOSE OF THE FISCAL YEAR:**

Number of Direct Shares	Number of Indirect Shares (*)	Total Percentage of Share Capital
103,358	---	0,06

(*) THROUGH:

Name of Direct Shareholder	Number of Direct Shares
Total:	

DETAIL ANY SIGNIFICANT CHANGES DURING THE FISCAL YEAR IN ACCORDANCE WITH ROYAL DECREE 1362/2007:

Date of Notification	Total Number of Direct Shares Acquired	Total Number of Indirect Shares Acquired	Total Percentage of Share Capital
15 March 2013	1,700,548	0	
10 May 2013	1,670,935	0	1.036
27 June 2013	1,648,518	0	1.018
29 August 2013	1,649,274	0	1.004
06 November 2013	1,760,173	0	1.005
19 December 2013	1,647,641	0	1.072
Gains/(losses) from disposal of treasury shares during the financial year			758 m€

A.9. Provide a detailed description of the conditions and term of the authority given to the Board of Directors (hereinafter, the "Board") at the Annual Shareholders Meeting (hereinafter, "Meeting") to acquire or alienate treasury shares:

At the Meeting held on 24 June 2010, under Item 5 of the agenda and with a favourable vote of 90,44% of the capital present, the Shareholders agreed:

"To authorise the Board of Directors to buy back the Company's own shares by acquiring them on the stock exchange, either directly or through subsidiaries, as well as preemptive rights to the same by any means allowed by law, with the express authority to sell or cancel them.

Acquisition may be carried out whenever the Board deems convenient up to a maximum of 10% of share capital, at a maximum price of 30 euros per share and with no minimum price limit.

As provided in Article 75.1 of the Ley de Sociedades de Capital ("Spanish Corporations Act" or "LSA"), the acquired shares or option rights to those shares may be subsequently granted to Directors, management personnel and employees of the Company either directly or by exercise of options.

This authorisation is valid for 5 years as of the date of approval and renders null and void the previous authorisation approved at the Annual Shareholders Meeting held on 25 June 2009.

A.10 Indicate whether there are any restrictions placed on transfer of shares and/or any restrictions on voting rights. In particular, indicate the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market.

Yes No

Description of Restrictions:

A.11 Indicate if the Shareholders have resolved at a Meeting to adopt measures to neutralise a take-over bid pursuant to the provisions of Law 6/2007:

Yes No

If so, please explain the measures approved and the terms under which such limitations would cease to apply:

A.12. Indicate if the company has issued shares which are not traded on an EU regulated market.

Yes No

B. ANNUAL MEETING

B.1 Indicate whether there are any differences between the quora established by the Ley de Sociedades de Capital (“Spanish Corporations Act”, hereafter “LSC”) for Annual Meetings and those set by the company and if so, describe them in detail:

Yes No

	% quorum different from that contained in art. 193 LSC for general matters	% quorum different from that contained in art. 194 LSC for special resolutions.
Quorum required on 1st call		
Quorum required on 2nd call		

Description of differences

B.2. Indicate whether there are any differences in the company’s manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

Yes No

Describe how it is different from that contained in the LSC.

	Supermajority different from that established in art. 201.2 LSC for art. 194.1 matters	Other matters requiring a supermajority
% by the company for adoption of resolutions		

Describe the Differences

B.3. Indicate the rules for amending the company’s bylaws. In particular, indicate the majorities required for amendment of the bylaws and any provisions in place to protect shareholders’ rights in the event of amendment of the bylaws.

Shareholders at Meetings have the right to decide all matters attributed to them by law, in particular amendment of the Bylaws, except where, pursuant to applicable law, this power rests in the Board of Directors.

The Bylaws do not contain any provisions regarding adoption of resolutions amending the Bylaws in conflict with that contained in the current version of the LSC. Specifically, in accordance with Article 194 LSC, in order for the Bylaws to be validly amended at either an Annual or at an Extraordinary Meeting, at first call there must be agreement of Shareholders present either in person or by proxy that represent at least 50% of subscribed capital with voting rights; at second call 25% is sufficient.

Additionally, in accordance with Article 201 LSC, in order to modify the Bylaws a two thirds majority of the voting capital in attendance must vote in favour whenever attendance at second call is between 25% and 50%.

B.4. Give details of attendance at annual shareholder meetings held during the year of this report and the previous year:

Date of Annual Meeting	Datos de asistencia		% Remote Voting		Total
	% Physically Present	% Present by Proxy	Electronic Voting	Other	
27/06/2013	37.04	34.75	0.02	1.84	73.65%
21/06/2012	2.55	6.12	0.01	0.81	66.49%

B.5. Indicate if the bylaws contain any restrictions requiring a minimum number of shares to attend annual shareholder meetings:

Yes No

Number of shares required to attend Annual Meetings

B.6. Indicate whether it has been decided that certain decisions which entail a structural modification of the Company (subsidiarisation, buying or selling of essential operating assets, transactions equivalent to liquidation of the Company...) must be submitted for approval at an annual shareholder meeting even when not expressly required under Spanish Commercial Law.

Yes No

B.7. State the address and manner of access to the page on the company website where one may find information on corporate governance and other information regarding annual shareholder meetings that must be made available to shareholders through the company website.

The URL of the Company website is www.indra.es.

Under the "Accionistas e Inversores" tab ["Investor relations" in the English site] one may find, among other hot buttons, "Gobierno Corporativo" ["Corporate governance"] and "Junta General de Accionistas" ["General shareholders meeting"].

C. COMPANY ADMINISTRATIVE STRUCTURE

C.1 Board of Directors

C.1.1 MAXIMUM AND MINIMUM NUMBER OF DIRECTORS ESTABLISHED IN THE BYLAWS:

Maximum Number of Directors	16
Minimum Number of Directors	8

C.1.2 PLEASE COMPLETE THE FOLLOWING TABLE REGARDING DIRECTORS:

Name of Director	Representative	Position on the Board	Date First Named to Board	Last Reelection Date	Method of Selection to Board
Javier Monzón de Cáceres		Presidente	17/12/1992	21/06/2011	Junta General
Daniel García-Pita Pemán		Vicepresidente	25/06/2009	21/06/2012	Junta General
Javier de Andrés González		Consejero Delegado	21/06/2011	21/06/2011	Junta General
Isabel Aguilera Navarro		Vocal	27/06/2005	21/06/2011	Junta General
Juan Carlos Aparicio Pérez		Vocal	26/09/2013	26/09/2013	Cooptación por el Consejo de Administración
Casa Grande de Cartagena, S.L.U	Eusebio Vidal-Ribas Martí	Vocal	21/06/2007	27/06/2013	Junta General
Luis Lada Díaz		Vocal	21/06/2007	27/06/2013	Junta General
Juan March de la Lastra		Vocal	29/07/2009	27/06/2013	Junta General
Santos Martínez-Conde Gutiérrez-Barquin		Vocal	27/06/2013	27/06/2013	Junta General
Adolfo Menéndez Menéndez		Vocal	26/09/2013	26/09/2013	Cooptación por el Consejo de Administración
Mónica de Oriol e Icaza		Vocal	21/06/2007	27/06/2013	Junta General
Rosa Sugrañes Arimany		Vocal	26/06/2008	21/06/2011	Junta General
Alberto Terol Esteban		Vocal	24/06/2010	27/06/2013	Junta General
Ignacio Santillana del Barrio		Vocal	21/06/2011	21/06/2011	Junta General
Total number of Directors				14	

Indicate if any Directors have left the Board during the period subject to this report:

Name of Director	Director Type at Time of Leaving	Date Director Left
Administradora Valtenas, S.L. (Cajastur)	Dominical	27/06/2013
Mediación y Diagnósticos, S.A. (Banco Financiero y de Ahorros, S.A.)	Dominical	30/08/2013
Participaciones y Cartera de Inversión, S.L. (Banco Financiero y de Ahorros, S.A.)	Dominical	30/08/2013

C.1.3 COMPLETE THE FOLLOWING TABLES REGARDING THE MEMBERS OF THE BOARD AND THEIR ROLES:

EXECUTIVE DIRECTORS

Director Name	Committee which Proposed Directorship	Position with the Company
Javier Monzón de Cáceres	Comisión de Nombramientos, Retribuciones y Gobierno Corporativo	Presidente
Javier de Andrés González	Comisión de Nombramientos, Retribuciones y Gobierno Corporativo	Consejero Delegado
Total Number of Executive Directors	2	
Percentage of Board	14.29	

PROPRIETARY DIRECTORS

Name of Director	Committee Proposing Directorship	Name of Significant Shareholder Represented or Proposing Directorship
Casa Grande de Cartagena, S.L.U	Comisión de Nombramientos, Retribuciones y Gobierno Corporativo	Lolland, S.A.
Juan March de la Lastra	Comisión de Nombramientos, Retribuciones y Gobierno Corporativo	Corporación Financiera Alba, S.A.
Santos Martínez-Conde Gutiérrez-Barquín	Comisión de Nombramientos, Retribuciones y Gobierno Corporativo	Corporación Financiera Alba, S.A.
Juan Carlos Aparicio Pérez	Comisión de Nombramientos, Retribuciones y Gobierno Corporativo	Sociedad Estatal de Participaciones Industriales (SEPI)
Adolfo Menéndez Menéndez	Comisión de Nombramientos, Retribuciones y Gobierno Corporativo	Sociedad Estatal de Participaciones Industriales (SEPI)
Total Number of Proprietary Directors	5	
Percentage of the Boar	35.71	

CONSEJEROS EXTERNOS INDEPENDIENTES

Isabel Aguilera Navarro

Born in Sevilla in 1960. Architect and Urban Planner, MBA from the Instituto de Empresa, Degree in Executive Management from IESE. She has spent her career in several IT companies such as Olivetti, HP/Compaq, Vodafone, and Dell, where she was Chair and Chief Executive for Spain, Portugal and Italy; NH Hotels, where she was COO; Google Inc. where she was also General Manager for Spain and Portugal; and General Electric, where she was in charge of Spain and Portugal until May, 2009. Since October, 2011 she has served as Chair of the Social Council of the Universidad de Sevilla. She is also an independent director of Banco Mare Nostrum.

Daniel García-Pita Pemán

Born in 1947. Lawyer. He has spent his entire career at the law firm of J&A Garrigues, which he joined in 1969 and where he is a Managing Partner. He has served as Professor of Business Law at

the Universidad Central de Madrid, a member of the Governing Board of the Madrid Bar Association. Legal Counsel to numerous organisations and member of the Board of important listed companies, Indra among them, where he was non-member Secretary until 2009. Currently he is Director and non-executive Chair of Banco Inversis, S.A. having been elected Independent Director by unanimous consent of the shareholders.

Luis Lada Díaz

Born in 1949. Telecommunication Engineer and Académico de Número of the Royal Academy of Engineering, with a long career in Grupo Telefónica where he has been head of Telefónica Móviles and Telefónica de España. Additionally, he has been a director and leading member of many companies and organizations related to IT.

He is an advisor to Assia Inc., sole director of Ribafuerte, S.L. and director at Telefónica I+D and Gamesa Corporación Tecnológica, S.A.

Mónica de Oriol e Icaza

Born in 1961. Degree in Economics and Business Administration from the Universidad Complutense de Madrid and a graduate of the London School of Economics. For years she has combined her business career with academic pursuits, as professor at the Universidad Complutense de Madrid, at the Centro de Estudios Universitarios (CEU) and at Saint Louis University in the United States. Since 1989 she has been the chief shareholder and founder of Grupo Seguriber and currently is an Administradora Mancomunada ("Joint Administrator") of the companies which form the group. President of the Círculo de Empresarios since March 2012.

Ignacio Santillana

Born in 1948. Doctorate in Economics. Since December, 2012, Chairman of the Board of Grupo Santillana Ediciones, S.L. and a member of the board of Prisa Radio, and Cadena Ser. While at Grupo Prisa he served as Managing Director. Before that, he spent his career in the United States as Executive Vice President at G.T.E. and at Telefónica, where he served as CFO, CEO of Telefónica Internacional, and General Manager of Telefónica. Earlier, he was Chairman of the Empresa Nacional de Innovación

and Economist at the Asociación Española de la Banca Privada.

Other highlights of his career: Chairman of Nokia España and of its Advisory Committee, Director of Banco Gallego, member of the Advisory Boards of Accenture, Eptisa, AFI y Fundación Albeniz.

Rosa Sugrañes Arimany

Born in 1957. Degree in Business Administration. Founding member and Chairman of the Board of Directors of Iberia Tiles. Was a member of the board of Florida East Coast Industries from 2006 until the company was sold.

Member of the board of Sabadell United Bank in Florida (USA) (Grupo Banco Sabadell) and of Grupo Rosa Gres de Barcelona.

Alberto Terol Esteban

Born in 1955. Degree in Economics and Business Administration from the Universidad Complutense de Madrid. He began his career at Arthur Andersen where he was made partner and headed various projects. He was a member of the Board of Partners of Andersen Worldwide and of the Executive Committee in Europe. He has been Managing Partner of Garrigues-Andersen. He filled the post of head of Europe for Andersen for a year and a half, and was a member of the Worldwide Executive Committee. He was also a member of the Executive Committee for Deloitte, where he was head of Latin America and later of Europe, Middle East and Africa. Currently he is Chairman and CEO of several family businesses and independent director at OHL, S.A. where he is head of the Audit, Compliance and Corporate Social Responsibility Committee, and independent director at AKTUA Soluciones Financieras, S.L.

Number of Independent Directors	7
Percentage of the Boar	50

Indicate whether any Independent Director receives from the Company or any company in the group any amount or benefit other than compensation as a Director, or has or has had a business relationship with the Company or any company in the group during the past year, whether in his/her own name or as a significant shareholder, director or senior executive of a company which has or has had such a relationship.

If such is the case, include a statement by the board explaining why it believes that the Director in question can perform his/her duties as an independent director.

Name of the Director

Mónica de Oriol e Icaza

Description of the Relationship

Rendering of services to Indra by a company with ties to a Director.

Statement of the Board

Director Mrs. de Oriol directly and indirectly controls 58% of the shares and is CEO of Seguriber-Umano group, which provides security services to Indra. This group is the result of a merger between Seguriber and Umano at the beginning of 2012. Mrs. de Oriol was already a controlling shareholder and CEO of Seguriber, as had already been made public. Indra has had separate commercial relationships with Umano since 2006 and Seguriber since 2000. Mrs. de Oriol has been an Independent Director since 2007.

Billing from Seguriber-Umano to Indra in 2012 amounted to 2,881 m€ and 2,582 m€ in 2013. The above referenced billings with Indra amounted to 2,11% of the Seguriber-Umano group's business in fiscal 2012 and 2,46% in fiscal 2013.

Contracts with Indra for these services are done on an annual basis and selection of a provider is done following strict criteria of commercial advantage for the Company and competitive price and quality, such that all services contracted with Seguriber-Umano are under market conditions and without preferential treatment. At the time of assessing continuance and eventual renewal of services rendered by this type of company, one must pay particular attention to the importance that such security services play in the activities and facilities of a company like Indra.

When the contract was renewed in 2013, it was noted that billing volume increased in 2012 due to the unexpected merger of Seguriber and Umano, causing the business relationship that Indra had had since 2000 with Umano became a related party's transaction (billing from Seguriber alone reached 987 m€ en 2011). After study, it was decided that given the nature of these services it was in the Company's best interest to maintain the same level of business with Seguriber-Umano in 2013. For fiscal 2014 a review of these services has been undertaken so that billing from Seguriber-Umano should amount to approximately 1% of its total business.

The Nomination, Compensation and Corporate Governance Committee and the Board have considered these circumstances and believe that, taking into account the reduced proportion of the Seguriber-Umano group's business which Indra represents, the nature and characteristics of security services, as well as the professional profile and other qualities found in Mrs. de Oriol, that this business relationship should not affect her independence in the exercise of her duties as a Director at Indra.

OTHER OUTSIDE DIRECTORS

Name of the Director	Committee which Reported on or Proposed Nomination
.....

Number of Outside Directors
Percentage of the Board
.....
.....

Explain why these Directors are considered neither Proprietary or Independent, and detail their ties with the Company or its management or shareholders:

Name of Director	Reason	Company, Director or Shareholder to whom the Director is Connected
..

Indicate any changes in status that have occurred during the period for each Director:

Name of Director	Date of Change	Prior Status	Current Status
..

C.1.4 COMPLETE THE FOLLOWING TABLE WITH INFORMATION RELATING TO THE NUMBER OF FEMALE DIRECTORS FOR THE PAST 4 FISCAL YEARS, AS WELL AS DIRECTOR TYPE.

	Number of Female Directors				% of Directors for each Type			
	t	t-1	t-2	t-3	t	t-1	t-2	t-3
Executive	0	0	0	0	0	0	0	0
Proprietary	0	0	0	0	0	0	0	0
Independent	3	3	3	3	42.85	42.85	42.85	42.85
Other Outside	0	0	0	0	0	0	0	0
Total	3	3	3	3	21.42	20.13	20	21.42

C.1.5 DESCRIBE THE MEANS, IF ANY, WHICH HAVE BEEN ADOPTED IN ORDER TO ATTRACT A NUMBER OF WOMEN TO THE BOARD OF DIRECTORS WHICH WILL PERMIT BALANCED MEMBERSHIP OF MEN AND WOMEN.

Description of Means

Board Rules provide in Article 20.4.a) that the Nomination, Compensation and Corporate Governance Committee has within its responsibilities that of ensuring that selection procedures for members of the Board of Directors incorporate criteria that favor gender diversity in the composition of the Board.

C.1.6 DESCRIBE THE MEANS, IF ANY, AGREED UPON BY THE NOMINATION COMMITTED TO ENSURE THAT THE SELECTION PROCEDURES DO NOT CONTAIN HIDDEN BIASES WHICH IMPEDE THE SELECTION OF FEMALE DIRECTORS AND THAT THE COMPANY DELIBERATELY SEEKS AND INCLUDES WOMEN WHO MEET THE TARGET PROFESSIONAL PROFILE AMONG POTENTIAL CANDIDATES:

Explanation of Means

Article 21.3 of the Board Rules establishes that any individual proposed for appointment must be of good personal and professional reputation, sufficiently capable of working with dedication and have no interests that are incompatible with the position involved.

Furthermore, Article 9 of the Board Rules states that the Board and the Nomination, Compensation and Corporate Governance Committee must take particular care to apply the criteria and policies intended to increase gender diversity on the Board during the process of selecting individuals to become Directors.

In order to reach that goal, Article 20.4.a) of the Board Rules provides that the Nomination, Compensation and Corporate Governance Committee is responsible for, inter alia, ensuring that selection procedures include criteria conducive to gender diversity on the Board.

Since prior to 2005 the Board has been especially careful to ensure that, when new Directors are to join, particularly Independent Directors, the Company achieve greater gender diversity in its governing bodies.

These criteria set out in the Board Rules were applied for the first time in 2005, with the aforementioned appointment of Ms. Isabel Aguilera as Independent Director. This process continued in 2007 with the appointment of Ms. Mónica de Oriol and in 2008 with the appointment of Ms. Rosa Sugrañes as Independent Directors.

The three female Directors account for 21.42% of the total number of Directors, 25% of external Directors (Independent plus Proprietary), and 42.86% of Independent Directors, which is the category in which the Board is most capable of exercising its influence by applying gender diversity policies.

It is important to note that the Executive Directors, the Chairman, and the CEO are all male. As for Proprietary Directors, the Board of Directors and the Nomination, Compensation and Corporate Governance Committee can only recommend that Shareholders consider assigning women to positions as Directors in representation of their equity interest, although this depends on women holding top-level positions in their respective organisations, as it is in the interest of the Company that Proprietary Directors be selected from the highest levels of its Shareholders' organisations. It is with Independent Directors that the Board and the Nomination, Compensation and Corporate Governance Committee have more capacity to make changes as they can consider a much larger number of potential candidates for the position of Director.

In the event that there are few or no female Directors in spite of any measures adopted, please explain the reasons that justify such a situation:

Explanation of Reasons

C.1.7 EXPLAIN THE FORM OF REPRESENTATION ON THE BOARD OF SHAREHOLDERS WITH SIGNIFICANT HOLDINGS.

The following are Directors who during fiscal 2013 were Board members in representation of the interests of significant shareholders:

- ◆ Casa Grande de Cartagena, S.L.U., represented by Mr. Eusebio Vidal-Ribas, representing the proprietary interests of shareholder Lolland, S.A.
- ◆ Administradora Valtenas, S.L., represented by Mr. Felipe Fernández Fernández, until June, 2013.
- ◆ Juan March de la Lastra, representing the proprietary interests of Corporación Financiera Alba, S.A.
- ◆ Santos Martínez-Conde Gutiérrez-Barquin, since July, 2013, representing the proprietary interests of Corporación Financiera Alba, S.A.
- ◆ Mediación y Diagnósticos, S.A., represented by Mr. Manuel Lagares Gómez-Abascal, representing the Proprietary interests of Banco Financiero y de Ahorros, S.A. (BFA) until August, 2013.
- ◆ Participaciones y Cartera de Inversión, S.L., represented by Mr. Carlos Stilianopoulos until February, 2013, when the shareholder informed Indra of a change in its personal representative to Mr. Gonzalo Alcubilla Povedano, also representing the proprietary interests of BFA until August, 2013.
- ◆ Juan Carlos Aparicio Pérez, representing the proprietary interests of SEPI since September, 2013.
- ◆ Adolfo Menéndez Menéndez, representing the proprietary interests of SEPI since September, 2013.

C.1.8 IF APPLICABLE, PLEASE EXPLAIN THE REASONS FOR THE APPOINTMENT OF ANY PROPRIETARY DIRECTORS AT THE REQUEST OF SHAREHOLDERS WITH LESS THAN A 5% EQUITY INTEREST.

Name of Shareholder	Reason
--	--

Indicate whether the Board has failed to meet any formal requests for membership from Shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met.

Yes No

Name of Shareholder	Explanation
--	--

C.1.9. INDICATE WHETHER ANY DIRECTORS HAVE LEFT THEIR POSTS BEFORE COMPLETION OF THEIR TERMS, WHETHER AND BY WHAT MEANS THE DEPARTING DIRECTOR PROVIDED THE BOARD WITH AN EXPLANATION FOR HIS OR HER DEPARTURE AND, IF THESE REASONS WERE PROVIDED IN WRITING TO THE ENTIRE BOARD, SPECIFY THE REASONS GIVEN:

Name of Director	Reason for Departure
Mediación y Diagnósticos, S.A.	The Director resigned pursuant to article 24.2.f) of the Board Rules after Banco Financiero y de Ahorros, S.A. (Bankia) sold all of its Indra shares to Sociedad Estatal de Participaciones Industriales (SEPI).
Participaciones y Cartera de Inversión, S.L.	The Director resigned pursuant to article 24.2.f) of the Board Rules after Banco Financiero y de Ahorros, S.A. (Bankia) sold all of its Indra shares to Sociedad Estatal de Participaciones Industriales (SEPI).

C.1.10. IDENTIFY THE POWERS DELEGATED TO THE CEO/S, IF ANY:

Name of Director	Brief Description
Javier Monzón de Cáceres	All the powers of the Board except those that may not, by law or by virtue of the Bylaws and Article 5 of the Board Rules, be delegated.
Javier de Andrés González	All the powers of the Board except those that may not, by law or by virtue of the Bylaws and Article 5 of the Board Rules, be delegated.

C.1.11. IDENTIFY ANY MEMBERS OF THE BOARD WHO ARE ALSO DIRECTORS OR OFFICERS IN OTHER COMPANIES IN THE GROUP OF WHICH THE LISTED COMPANY IS A MEMBER:

Name of Director	Name of Group Member	Position
------------------	----------------------	----------

LIST ANY DIRECTORS OF YOUR COMPANY WHO ARE MEMBERS OF THE BOARD OF DIRECTORS OF OTHER COMPANIES LISTED ON OFFICIAL SECURITIES MARKETS OTHER THAN GROUP COMPANIES, AND HAVE COMMUNICATED THAT STATUS TO THE COMPANY:

Name of Director	Name of Listed Company	Position
Luis Lada Díaz	Gamesa Corporación Tecnológica, S.A.	Consejero
Juan March de la Lastra	Corporación Financiera Alba, S.A.	Vicepresidente
	ACS Actividades de Construcción y Servicios, S.A.	Consejero
Javier Monzón de Cáceres	ACS Actividades de Construcción y Servicios, S.A.	Consejero
	Lagardère, S.C.A. (Francia)	Consejero
Alberto Terol	OHL, S.A.	Consejero
	International Consolidated Airlines Group, S.A.	Consejero
Mónica de Oriol	OHL, S.A.	Consejera
Santos Martínez-Conde	Corporación Financiera Alba, S.A.	Consejero Delegado
Gutiérrez-Barquín	ACS Actividades de Construcción y Servicios, S.A.	Consejero
	Acerinox, S.A.	Consejero

C.1.13. INDICATE WHETHER THE COMPANY HAS ESTABLISHED RULES CONCERNING THE NUMBER OF BOARDS ON WHICH ITS DIRECTORS MAY HOLD SEATS, PROVIDING DETAILS IF APPLICABLE:

Yes No

Explanation of the rules

Article 35 of the Board Rules establishes that a Director must devote the time and effort necessary to carry out his functions adequately. Therefore, Directors must inform the Board of any activities that could significantly affect their dedication to the Company. So far as the number of other boards

to which a Director may belong is concerned, the general rule is that the Director may not belong to so many that it interferes with the Director's dedication to the post of Director at Indra. That number may be distinct for each Director, depending upon the personal and professional circumstances of each individual, taking into account principally the following factors: the amount of dedication that each of the other administrative bodies demands, and the demands required by the Director's position in management in any other company.

C.1.14 INDICATE THE POLICIES AND STRATEGIES OF THE COMPANY ARE GENERALLY RESERVED FOR APPROVAL BY THE BOARD AT ITS PLENARY SESSIONS:

	Sí	No
Investment and finance policy	■	
Definition of group structure	■	
Corporate governance policy	■	
Corporate social responsibility policy	■	
Strategic or business plan, annual management goals and budget	■	
Compensation policy and performance evaluation for senior management	■	
Risk control and management policy, as well as regular monitoring of internal information and control systems	■	
Policy on dividends and treasury stock, particularly their limits	■	

C.1.15 INDICATE TOTAL COMPENSATION RECEIVED BY THE BOARD OF DIRECTORS:

Remuneración del consejo de administración (miles de euros) ⁽¹⁾	6,709
Importe de la remuneración global que corresponde a los derechos acumulados por los consejeros en materia de pensiones (miles de euros)	0
Remuneración global del consejo de administración (miles de euros)	6,709

(1) El importe tiene que coincidir con el consignado en el cuadro del apartado D.1 c) del IAR (total ejercicio 2013)

--- Incorporar nota en el apartado H con la finalidad de clarificar el tema de los importes brutos de la retribución en acciones y explicar el descuadre de estos datos con los incluidos en la información semestral a la CNMV.

C.1.16 IDENTIFIQUE A LOS MIEMBROS DE LA ALTA DIRECCIÓN QUE NO SEAN A SU VEZ CONSEJEROS EJECUTIVOS, E INDIQUE LA REMUNERACIÓN TOTAL DEVENGADA A SU FAVOR DURANTE EL EJERCICIO:

Nombre o denominación social	Cargo
Juan Carlos Baena Martín	Director General
Emilio Díaz Expósito	Director General
Emma Fernández Alonso	Director General
Rafael Gallego Carbonell	Director General
Santiago Roura Lama	Director General
Carlos Damián Suárez Pérez	Director General
Juan Tínoa Martín-Peña	Director General
Total Senior Management Compensation (in 1000's of euros)	7,339

Este importe coincide con el dato incluido en la información semestral a la CNMV. Incluye la retribución mediante entrega de acciones en sus cuantías **brutas**.

C.1.17 IDENTIFY ANY DIRECTORS WHO ARE ALSO MEMBERS OF THE BOARD OF DIRECTORS OF SIGNIFICANT SHAREHOLDERS AND/OR ENTITIES WITHIN THE SHAREHOLDER'S GROUP:

Name of Director	Name of Significant Shareholder	Post
Juan March de la Lastra	Corporación Financiera Alba, S.A.	Vicepresidente
	Banca March, S.A.	Vicepresidente
	Artá Capital, S.C.R.C.R., S.A.	Consejero
	Deyá Capital, S.C.R., S.A.	Consejero
Santos Martínez-Conde Gutiérrez-Barquín	Corporación Financiera Alba, S.A.	Consejero Delegado
	Banca March, S.A.	Consejero
	Alba Participaciones, S.A.	Presidente

En relación a este punto se informa que:

- D. Eusebio Vidal-Ribas (representante persona física del consejero de Indra Casa Grande de Cartagena, S.L.) es Consejero-Director General de Casa Grande de Cartagena, S.L.U y ocupa los cargos que se indican en las siguientes sociedades del Grupo de esta Sociedad:

- ◆ Polan, S.A. – Consejero
- ◆ Pactio Gestión, S.G.I.I.C., S.A. – Consejero-Director General
- ◆ Allocation, S.I.C.A.V., S.A. –Consejero
- ◆ Keeper Inversiones, S.I.C.A.V., S.A.- Consejero
- ◆ Chart Inversiones, S.I.C.A.V., S.A.- Consejero

Please detail any relevant relationships, other than those presented immediately above, between members of the board of directors and significant shareholders of the Company and/or of companies within the group:

Name of Associated Director	Name of Associated Significant Shareholder	Description of the Relationship
Casa Grande de Cartagena, S.L.U	Lolland, S.A.	Sociedad dominante del grupo

C.1.18 INDICATE WHETHER THE BOARD RULES WERE AMENDED DURING THE YEAR:

Yes No

Description of Amendment

In its session of 9 May, 2013, the Board of Directors unanimously agreed to amend Article 29 of the Board Rules, subject to approval of changes to Article 27 of the Bylaws by the Shareholders at the next Annual Meeting, which changes would bring about the need for such amendment.

Under Item Six of the Agenda of the Annual Meeting held 27 June, 2013 the above mentioned changes to Article 27 of the Bylaws were approved regarding Board compensation, such that compensation received by Executive Directors by virtue of their contractual relationships with the Company in exercise of duties delegated to them by the Board of Directors be considered part of the compensation received by the Board for all purposes.

As a result of this change to the Bylaws, the Board of Directors agreed to modify sections 1 and 2 of Article 29 of the Board Rules in order to harmonize it with the new wording of Article 27 of the Bylaws.

Pursuant to Article 528 of the Ley de Sociedades de Capital ("Spanish Corporations Act" or "LSC"), Shareholders were informed of the changes to the Board Rules at the Meeting held 27 June, 2013.

This amendment of the Board Rules was communicated to the CNMV and filed with the Registro Mercantil de Madrid ("Madrid Business Registry") and immediately upon communication to the CNMV the new version of the Rules in effect was made available for review on the Company web page (www.Indra.es) under the section for Shareholders and Investors, Corporate Governance area.

C.1.19 SPECIFY THE PROCEDURES FOR SELECTION, APPOINTMENT, RE-ELECTION, EVALUATION AND REMOVAL OF DIRECTORS: THE COMPETENT BODIES, STEPS TO FOLLOW AND CRITERIA APPLIED IN EACH PROCEDURE.

1. Selection

Article 21.3 of the Board Rules establishes that any individual proposed for appointment must be of good personal and professional reputation, sufficiently capable of working with dedication, and have no interests that are incompatible with the position involved. Section 4 of this article provides that within the scope of their duties, the Nomination, Compensation and Corporate Governance Committee must rigorously examine those persons nominated to fill the post of independent director. Furthermore, Article 9 of the Board Rules gives the following qualitative compositional requirements for the Board of Directors:

- That external Directors represent a substantially larger component than Executive Directors.
- That the group of external Directors should include as Proprietary Directors representatives of major Shareholders.

- That in order to establish a balance between Proprietary and Independent Directors, focus should be on the Company shareholder structure, considering the importance of equity stake as well as the degree of permanence and strategic company connections with the holders thereof.

- That the Board, along with the Nomination, Compensation and Corporate Governance Committee, should be especially vigilant that criteria and policies used in the selection of Directors promote gender diversity.

Additionally, in crafting proposals for reelection and appointment of directors that it submits to Meetings, the Board, after a favourable report from the Nomination, Compensation and Corporate Governance Committee, evaluates the following criteria in its selection of candidates:

- They include sufficient knowledge, experience and ability in the following areas: (i) knowledge of the sectors in which the Company operates; (ii) finance and economics; (iii) management of highly qualified human resources; (iv) the general economic environment and geographic markets most important to the Company; and (v) management and entrepreneurship.

- Ability for dedication required for the fulfilment of the role post.

2. Appointment and Re-election:

As established in Article 21 of the Board Rules, members are nominated, re-elected or ratified by the Shareholders at Meetings or by the Board in application of the provisions set forth in the LSC and the Bylaws.

Proposals for the appointment, re-election and removal of Directors submitted by the Board to Meetings for Shareholder consideration, and any decisions taken by the Board pursuant to its co-opting powers must be based on a proposal by the Nomination, Compensation and Corporate Governance Committee in the case of Independent Directors and a report from the Committee in any other cases.

If the Board does not follow the recommendations expressed by the Nomination, Compensation and Corporate Governance Committee, it must explain its reasons and enter them into the record in the minutes.

Any individual proposed for appointment must have a good personal and professional reputation, sufficient capacity to commit to the post, and no interests incompatible with the position involved.

The criteria applicable to Directors also apply to natural persons representing artificial person Shareholders.

The Board and the Nomination, Compensation and Corporate Governance Committee should be extremely rigorous when considering individuals proposed for positions as Independent Directors.

Under Article 21 of the Board Rules, the Board shall present each proposal for the appointment or re-election of its members to the Shareholders at Meetings to vote on separately. Any re-election of Directors shall undergo formal review equal to that applied when appointing new Directors.

3. Evaluation:

Pursuant to Article 14 of the Board Rules, the Board performs an annual evaluation of its proceedings and the quality of its work, as well as those of its committees. For this purpose, each of these bodies performs its own evaluation and prepares a report on its activities and actions during the year, which is then submitted to the Board. The Report on the Activities of the Audit and Compliance Committee for 2013 will be published, along with the rest of the information made available to Shareholders, upon first call of the Annual Shareholders Meeting.

In order to carry out the evaluation for fiscal 2012, the Board contracted with the independent advisor Egon Zehnder, which firm also carried out the same evaluation for fiscal 2008.

The process consisted in (i) the completion of a thorough questionnaire relating to the structure, composition and workings of the Board and its committees, which were evaluated individually for each board member and (ii) an interview with each Director conducted by an advisor.

The evaluation process ended with a satisfactory opinion of its performance and the quality of the Board's work and that of its committees in fiscal 2012, and a recommendation to analyze the recommendations contained in the report from Egon Zehnder.

Furthermore, the Board must issue an annual evaluation of the work performed by its Chairman both in this capacity and, separately, as CEO, if applicable.

On the basis of the assessment carried out, the Board unanimously issued a very satisfactory opinion on the performance of the Chairman of the Board in fiscal 2012.

4. Termination of Directors:

As established in Article 24 of the Board Rules, Directors are relieved of their duties upon removal at a Meeting, when they announce their resignation from or are fired by the Company, and when their terms expire.

If, in exceptional circumstances, the Board proposes that an Independent Director be removed before the end of his or her term, this proposal must be accompanied by good justification and a prior report from the Nomination, Compensation, and Corporate Governance Committee. If the member in question does not step down at the Board's request, the relevant proposal for removal shall be submitted to the Shareholders at a Meeting.

Article 24 of the Board Rules establishes that the Company must explain the reasons for the removal of any Directors before completion of their terms in the Annual Corporate Governance Report.

C.1.20 INDICATE WHETHER THE BOARD OF DIRECTORS HAS CONDUCTED AN EVALUATION OF ITS PERFORMANCE DURING THE FISCAL YEAR:

Yes No

If so, explain to what degree its self evaluation has promoted significant changes in its internal organisation and to procedures applicable to its activities:

Description of Changes

As indicated in Section C.1.19 above, during fiscal 2013 the Company performed an evaluation of the Board and its committees for fiscal 2013, taking advantage of external advisors Egon Zender. This evaluation process concluded with a satisfactory evaluation regarding the efficacy and quality of the work performed by the Board and its committees. Internal organisation and procedures were unchanged.

C.1.21 INDICATE THE SITUATIONS IN WHICH DIRECTORS ARE REQUIRED TO RESIGN:

As established in Article 24 of the Board Rules, Directors, notwithstanding the capacity in which they have been appointed, must hand in their resignation when requested by the Board, under the following circumstances:

- a) When circumstances arise which are incompatible with, prohibit, or require resignation from service on the Board in accordance with law.
- b) When a Director has seriously breached his or her obligations as a Director, or has committed an act or omission inconsistent with the duties of diligence and responsibility required in order to perform the Director's duties.

c) When continuation of the Director in his or her position may jeopardize the interests of the Company or adversely affect its standing or reputation or the functioning of the Board.

d) When the reasons for which the Director was appointed cease to exist.

e) When the Director cannot maintain the necessary dedication to perform his or her duties effectively.

f) When a Shareholder represented by a Proprietary Director sells its entire equity interest or reduces its interest to a level that requires a decrease in the number of Proprietary Directors representing the Shareholder.

g) Before the commencement of criminal or administrative action is taken by the Securities Market supervisory authorities when such action may involve disciplinary proceedings for serious misconduct, if this event may seriously affect the standing and reputation of the Company.

h) Should a change occur in the conditions or circumstances concerning an Independent Director that may strip the Director of independent status.

i) In the event that an Executive Director leaves his management post for any reason when membership on the Board is predicated on the Executive Director's status as a senior manager.

Any Director to whom any of the above situations apply must notify the Company as soon as the Director becomes aware of the circumstances.

C.1.22 INDICATE WHETHER THE CHIEF EXECUTIVE FUNCTION OF THE COMPANY IS HELD BY THE CHAIRMAN OF THE BOARD OF DIRECTORS. IF SO, PLEASE EXPLAIN THE MEASURES TAKEN TO LIMIT THE RISK OF CONCENTRATED POWER HELD BY ONE SINGLE PERSON:

Yes No

Measures to limit risks

Articles 11.6 and 12 of the Board Rules establish that a Vice-Chairman must be appointed from among the Independent Directors, with the authority to:

- (i) Call meetings of the Board or include new items on the agenda;
- (ii) Call the Board once a year, or include an item on the agenda for a session, to assess the performance of the Chairman in this capacity and as chief executive of the Company. The Chairman must be absent from the meeting when this evaluation is discussed and the meeting is to be chaired by the Vice-Chairman;
- (iii) Co-ordinate and attend properly to any concerns expressed by external Directors and, particularly, Independent Directors.

Article 14 of the Board Rules states that the Chairman must call a Board meeting if it is formally requested by a Vice-Chairman or by one-third of the Directors of the Board. If the Chairman is absent or does not comply with the aforementioned request, any Vice-Chairman or a number of Directors constituting at least one-third of the Board may call a meeting of the Board.

Any Director may propose issues for discussion by the Board and demand the inclusion of items on the agenda at any meeting called, as set forth in Article 14 of the Board Rules.

The Board of Directors has named a Chief Executive Officer to whom it has delegated the same powers as the Chairman of the Board.

Oversight functions of the Board's committees as well as the fact that, with the exception of the Executive Committee, they are made up of external Directors only, the majority of whom, as well as their Chairman, are Independent (Articles 19 and 20 of the Board Rules).

Indicate and, if applicable, explain whether rules have been established to empower an Independent Director to request that a meeting of the Board be called, or that new items be included on the agenda, in order to coordinate and reflect the concerns of external Directors and to manage the evaluation thereof by the Board of Directors.

Yes No

Explanation of the Rules

As explained in the preceding section, and pursuant to the Board Rules, any Director may propose issues for discussion by the Board and demand the inclusion of items on the agenda for any meeting called. Furthermore, any Vice-Chairman, including the Vice-Chairman appointed from among the Independent Directors, may formally request that the Chairman call a meeting of the Board and, if the Chairman is absent or does not comply with this request any Vice-Chairman may call a meeting of the Board.

The Board Rules provide that the Vice-Chairman of the Board appointed from among the Independent Directors should co-ordinate and voice the concerns of external Directors and particularly, Independent Directors, and is authorised to call a meeting of the Board once a year or include an item on the agenda for a session to evaluate the performance of the Chairman in this capacity and as chief executive of the Company.

C.1.23 ARE SUPERMAJORITIES OTHER THAN THOSE ESTABLISHED BY LAW REQUIRED FOR ANY SPECIFIC DECISION?

Yes No

If so, please describe any differences:

Description of Differences

C.1.24 EXPLAIN WHETHER THERE ARE ANY SPECIFIC REQUIREMENTS, OTHER THAN THOSE RELATING TO DIRECTORS, TO BE APPOINTED CHAIR OF THE BOARD OF DIRECTORS.

Yes No

Description of Requirements

C.1.25 PLEASE SPECIFY WHETHER THE CHAIRMAN HAS A CASTING VOTE:

Yes No

Matters Where the Chairman has a Casting Vote

All, except for sessions which, as stipulated in the Board Rules, the Chairman must not attend or in which the Chairman must abstain from voting.

C.1.26 INDICATE WHETHER THE BYLAWS OR THE BOARD RULES ESTABLISH ANY LIMIT AS TO THE AGE OF DIRECTORS:

Yes No

Age Limit for Chairman

Age Limit for CEO

Age Limit for Directors

C.1.27 INDICATE WHETHER THE BYLAWS OR THE BOARD RULES ESTABLISH ANY LIMIT ON THE TERM OF INDEPENDENT DIRECTORS OTHER THAN THAT REQUIRED BY LAW:

Yes No

Term Limit

The Company has established specific criteria for the maximum term of office of Independent Directors, as well as their renewal; however, it must be understood that this matter is not apt for bright line rules contained in the Board Rules or the Bylaws

Specifically, in accordance with Article 22 of the Board Rules on the regular rotation of Board membership, at the beginning of 2005 the Board agreed to apply the following criteria pursuant to recommendations submitted by the Nomination, Compensation and Corporate Governance Committee: Independent Directors may not hold positions on the Board for longer than four terms (fixed at 3 years each), and that rotation of Board membership be accomplished on a gradual and ongoing basis.

Application of these criteria has resulted in the following changes of Independent Directors: 2005, appointment of Ms. Isabel Aguilera as an Independent Director, replacing Mr. Moya Francés; 2007, appointment of Ms. Mónica de Oriol and Mr. Luis Lada, replacing Mr. Manuel Azpilicueta and Mr. Juan Carlos Ureta; 2008, appointment of Ms. Rosa Sugrañes replacing Mr. Francisco Constans; 2009, appointment of Mr. Daniel García-Pita replacing Mr. Pedro Ramón y Cajal; 2010, appointment of Mr. Alberto Terol replacing Mr. Joaquín Moya-Angeler; and 2011, appointment of Mr. Ignacio Santillana replacing Mr. Manuel Soto.

C.1.28 INDICATE WHETHER THE BYLAWS OR BOARD RULES ESTABLISH SPECIFIC RULES FOR THE DELEGATION OF VOTES AT BOARD MEETINGS, HOW THEY ARE TO BE DELEGATED AND, IN PARTICULAR, THE MAXIMUM NUMBER OF DELEGATIONS THAT A DIRECTOR MAY HAVE, AND WHETHER A DIRECTOR IS REQUIRED TO DELEGATE TO A DIRECTOR OF THE SAME TYPE. IF SO, PLEASE BRIEFLY DESCRIBE THE RULES.

In addition to applicable legislation, Article 15.2 of the Board Rules stipulates that, if a Director is unable to attend a meeting, the Director should try to submit a proxy, preferably with voting instructions, unless, in the Director's opinion, this would not be appropriate. The proxy may be sent by e-mail, letter, fax, telegram or any other valid means where transmission is verifiable. Independent Directors should try to entrust their proxies to another Director with the same status. In any event, Directors should limit absences to unavoidable circumstances.

C.1.29 INDICATE THE NUMBER OF MEETINGS HELD BY THE BOARD OF DIRECTORS DURING THE YEAR, AND IF APPLICABLE, THE NUMBER OF TIMES THAT THE BOARD MET WITHOUT THE CHAIRMAN BEING PRESENT.

Please specify the number of meetings held by each committee of the Board during the fiscal year:

Number of Board Meetings	11
Number of Board Meetings without the Chairman	2 (*)

Number of meetings held by the Executive Committee	11
Number of meetings held by the Audit Committee	
Number of Meetings held by the Appointment and Compensation Committee	9
Number of meetings held by the Appointment Committee	12
Number of meetings held by the Compensation Committee	-

C.1.30 INDICATE THE NUMBER OF MEETINGS HELD BY THE BOARD OF DIRECTORS DURING THE YEAR IN WHICH ALL OF ITS DIRECTORS WERE PRESENT. FOR THE PURPOSES OF THIS SECTION, PROXIES GIVEN WITH SPECIFIC INSTRUCTIONS SHOULD BE CONSIDERED AS ATTENDANCE:

Attendance of all Directors	11
% of attendance over total votes during the fiscal year	100%

C.1.31 INDICATE WHETHER THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS SUBMITTED TO THE BOARD FOR APPROVAL WERE PREVIOUSLY CERTIFIED:

Yes No

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the Company for preparation by the Board:

Name	Position
Javier de Andrés	COO
Juan Carlos Baena Martín	CFO

C.1.32 EXPLAIN ANY MEASURES ESTABLISHED BY THE BOARD OF DIRECTORS TO PREVENT THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS PREPARED BY THE BOARD FROM BEING SUBMITTED TO THE ANNUAL SHAREHOLDERS MEETING WITH A QUALIFIED AUDIT OPINION.

Article 42.2 of the Board Rules establishes that the Board of Directors must prepare the financial statements in such a way that there is no cause for a qualified opinion by the auditor. It also stipulates that the Board must explain the content and scope of any differences to the Shareholders if there is a qualified opinion.

The Audit and Compliance Committee also carries out comprehensive and detailed oversight of the preparation of financial statements and of the audit process from the initial planning stage, holding the necessary meetings and conversations with the audit firm regarding the audit and obtaining, if applicable, specific reports from the audit firm dealing with the audit's chief points, its development and its progress. The Audit and Compliance Committee also evaluates the management team's response to recommendations by the external auditors and mediates any differences between the two parties with regard to the principles and criteria applied to the preparation of the financial statements.

Before the financial statements are prepared by the Board, the Audit and Compliance Committee issues a report or recommendation to the Board, where one of the main factors considered is to expressly identify any aspects that may potentially lead to a qualified opinion in the auditors' report, making any relevant recommendations to avoid a qualified opinion being issued.

C.1.33 IS THE SECRETARY OF THE BOARD ALSO A DIRECTOR?

Yes No

C.1.34 EXPLAIN THE PROCEDURES FOR APPOINTMENT AND REMOVAL OF THE SECRETARY OF THE BOARD, SPECIFYING IF SAID APPOINTMENT AND REMOVAL ARE BASED ON A REPORT BY THE NOMINATION COMMITTEE AND APPROVED BY THE BOARD IN PLENARY SESSION.

Appointment and Removal Procedure

Article 13 of the Board Rules establishes that appointment, compensation and removal of the Secretary must be approved by the Board after a report by the Nomination, Compensation and Corporate Governance Committee. Furthermore, as established in Article 20 of the Board Rules, one of the duties of the Nomination, Compensation and Corporate Governance Committee is to issue reports on proposals for appointment or removal of the Secretary or Vice-Chairman of the Board.

The duties of the Secretary and legal counsel to the Board must be exercised by the individual designated by the Board. Membership on the Board is not required in order to be Secretary of the Board. When the Secretary is also the legal counsel, a legal professional of known competence and experience should be chosen.

The appointment of Mr. Pedro Ramón y Cajal in June, 2009 as Secretary of the Board was approved by the Board of Directors in plenary session, taking into account a favourable report from the Appointment, Compensation and Corporate Governance Committee.

	Yes	No
Does the Appointment Committee issue reports on appointments?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Does the Appointment Committee issue reports on removals?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Are appointments approved by the Board in plenary session?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Are removals approved by the Board in plenary session?	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Is it the duty of the secretary of the board particularly to oversee good governance recommendations?

Yes No

Note

Pursuant to Article 13.3 of the Board Rules, the Secretary of the Board must ensure that actions and resolutions taken by the Board and its Committees are legal in subject and in form, as well as that good governance rules and procedures are observed.

C.1.35 INDICATE ANY MEASURES ESTABLISHED BY THE COMPANY TO ENSURE THE INDEPENDENCE OF ITS EXTERNAL AUDITORS, FINANCIAL ANALYSTS, INVESTMENT BANKS, AND RATING AGENCIES.

Article 19.4 (f) of the Board Rules establishes that one of the duties of the Audit and Compliance

Committee is to establish measures to safeguard the independence of the external auditor, specifically:

- (i) to propose that the Board file a relevant event report when there is a change of auditor, along with a statement regarding any disagreements that arose with the outgoing auditor and, if applicable, their substance;
- (ii) to ensure that the Company and the auditor comply with applicable law regarding the provision of non-audit services;
- (iii) to analyze the reasons in the event of resignation by the external auditor.

Furthermore, Article 42 of the Board Rules establishes measures to ensure auditor independence, expressly stipulating that:

- The Board shall not commission firms to audit the Company's financial statements if the fees it would pay for all items would account for over 10% of the total income of the audit firm for the prior year.
- The Board must publish, with the frequency and content established by applicable law, the fees paid by the Company to the audit firm for nonaudit services.
- The professional in charge of the audit and of the external audit team must rotate periodically, as established by applicable law and in accordance with criteria established from time to time by the Board upon proposal by the Audit and Compliance Committee.

Pursuant to the Ley de Auditoría ("Audit Law"), prior to issuance of each fiscal year's auditors' report on financial statements, the Audit and Compliance Committee issues an annual report on the independence of the external auditors of the Company wherein non-audit services rendered to the

Company are discussed.

C.1.36 INDICATE WHETHER THE COMPANY CHANGED ITS EXTERNAL AUDITOR DURING THE YEAR. IF SO, PLEASE IDENTIFY THE INCOMING AND OUTGOING AUDITOR:

Yes No

Outgoing Auditor **Incoming Auditor**
If there were any disagreements with the outgoing auditor, please provide an explanation:

Yes No

Explanation of Disagreements

C.1.37 INDICATE WHETHER THE AUDIT FIRM PROVIDES ANY NON-AUDIT SERVICES TO THE COMPANY AND/OR ITS GROUP AND, IF SO, THE FEES PAID AND THE CORRESPONDING PERCENTAGE OF TOTAL FEES INVOICED TO THE COMPANY AND/OR GROUP:

Yes No

C.1.38 INDICATE WHETHER THE AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE PRECEDING YEAR CONTAINS A QUALIFIED OPINION OR RESERVATIONS. IF SO, PLEASE EXPLAIN THE REASONS GIVEN BY THE CHAIR OF THE AUDIT COMMITTEE TO EXPLAIN THE CONTENT AND EXTENT OF THE AFOREMENTIONED QUALIFIED OPINION OR RESERVATIONS.

	Company	Group	Total
Amount invoiced for non-audit services (1,000's of euros)	215	75	290
Amount invoiced for nonaudit services/ Total amount invoiced by the audit firm (in %)	33%	9%	19%

Yes No **Explanation of Reasons****C.1.39 INDICATE THE NUMBER OF CONSECUTIVE FISCAL YEARS THE CURRENT AUDIT FIRM HAS BEEN AUDITING THE FINANCIAL STATEMENTS OF THE COMPANY AND/OR GROUP. FURTHERMORE, INDICATE THE NUMBER OF FISCAL YEARS AUDITED BY THE CURRENT AUDIT FIRM AS A PERCENTAGE OF THE TOTAL NUMBER OF FISCAL YEARS THAT THE FINANCIAL STATEMENTS HAVE BEEN AUDITED:**

	Company	Group
Number of Consecutive Years	22	22
Number of years audit by the current audit firm/ number of years the Company has been audited (in %)	96%	96%

C.1.40 INDICATE WHETHER THERE IS A PROCEDURE WHEREBY DIRECTORS MAY CONTRACT WITH OUTSIDE ADVISORS, AND PROVIDE DETAILS IF APPLICABLE:Yes No **Explanation of Procedure**

Article 27 of the Board Rules provides that, in order to obtain appropriate information and advice regarding the exercise of their duties, Directors may engage at Company expense legal, accounting or financial advisors or any other experts.

This engagement must focus on specific, relevant and complex problems that may arise in the performance of the duties of a Director.

The Chairman must be notified of the decision to engage external advisory services, and the Board may veto this decision under the following circumstances:

- (i) outside advice is not necessary for the adequate performance of duties assigned to external Directors;
- (ii) the size or the importance of the problem does not justify the cost; or
- (iii) the assistance or advice required can be suitably provided by the Company's experts and technical personnel.

Furthermore, Article 28 of the Board Rules establishes that the Board may designate permanent advisors, either on an individual basis or as members of an Advisory Board.

If deemed necessary given the nature of a specific matter, the Chairman, at his or her own discretion or upon request by a Vice-Chairman or one-third of the Directors, may request the presence of the Advisory Board at the relevant meetings of the Board of Directors or its Committees; in the latter case, also upon request by the chairman of the Committee in question.

C.1.41 INDICATE WHETHER THERE IS A PROCEDURE FOR PROVIDING INFORMATION TO DIRECTORS TO ALLOW THEM TO PREPARE FOR MEETINGS OF ADMINISTRATIVE BODIES WITH SUFFICIENT NOTICE. IF SO, EXPLAIN THE PROCEDURE:

Yes No **Explanation of Procedure**

Article 14 of the Board Rules establishes that the Board must prepare an annual schedule of regular meetings and approve a formal list of issues to discuss at these meetings, and that notice of these meetings must always include the agenda for the meeting and be accompanied by any relevant information on the issues to be discussed. Notice of meetings is to be given, except in urgent circumstances or when otherwise necessary, no less than three days prior to the date of the meeting. In accordance with Article 11 of the Board Rules, the Chairman of the Board must ensure that Directors receive appropriate information on the issues to discuss far enough in advance of the meeting in question.

Article 26 of the Board Rules also establishes that any Director has the authority to obtain information on any matter related to the Company, to examine the books, records, documents and any other material on the Company's operations, and to inspect all the Company's facilities.

Additionally, Article 30 of the Board Rules establishes that all Directors are responsible for the diligent procurement of information on the Company's condition and development, as well as preparing for the meetings of the Board and any committees to which they belong.

C.1.42 INDICATE WHETHER THE COMPANY HAS ESTABLISHED RULES WHEREBY DIRECTORS MUST PROVIDE INFORMATION REGARDING AND, IF APPLICABLE, RESIGN IN ANY CIRCUMSTANCES THAT MAY DAMAGE THE COMPANY'S STANDING AND REPUTATION. IF SO, PROVIDE DETAILS:

Yes No **Explain the rules**

Article 24 of the Board Rules establishes that any Director found in any of the circumstances described therein must inform the Company as soon as he or she becomes aware of the situation. The circumstances stipulated include the following: (i) if continuation of Director in his or her position may place the Company's interests at risk or adversely affect the standing or reputation of the Company or the proceedings of the Board; or (ii) if, as a result of serious misconduct, criminal or administrative action is begun by Securities Market supervisory authorities which may result in sanctions when this event could seriously affect the Company's standing and reputation.

C.1.43 INDICATE WHETHER ANY MEMBER OF THE BOARD OF DIRECTORS HAS NOTIFIED THE COMPANY THAT HE OR SHE HAS BEEN TRIED, OR NOTIFIED THAT JUDICIARY PROCEEDINGS HAVE BEEN FILED, FOR ANY OFFENCES DESCRIBED IN ARTICLE 213 OF THE LSC.

Yes No

Name of Director	Criminal Charge	Remarks
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C.2.4 DESCRIBE THE ORGANISATIONAL AND OPERATIONAL RULES AND AREAS OF RESPONSIBILITY ASSIGNED TO EACH BOARD COMMITTEE.

Article 17 of the Board Rules provides that the committees manage their own procedures and they will appoint a Chairman from among their members. The Secretary or Vice-secretary of the Board

Indicate whether the Board of Directors has examined the case. If so, explain the decision taken in detail as to whether the director in question should continue in his or her position or, if applicable, describe any actions taken by the board up to the date of this report, or which it intends to take.

Sí No

Decision/Action Taken

Explanation

C.1.44 DETAIL ANY SIGNIFICANT AGREEMENTS ENTERED INTO BY THE COMPANY WHICH ENTER INTO FORCE, ARE MODIFIED OR ARE TERMINATED IN THE EVENT OF A CHANGE IN CONTROL OF THE COMPANY FOLLOWING A PUBLIC TAKEOVER OFFER, AND THEIR EFFECTS.

In the exercise of powers granted at the Annual Meeting of Shareholders held on June 21, 2012 and as announced as a relevant Significant Event to the CNMV, the Board of Directors of Indra agreed in October 2013 to issue bonds amounting to 250 M € which are convertible and/or exchangeable for Indra common shares without preemptive rights and to be listed on the unregulated market (multilateral trading facility) called Freiverkehr of the Frankfurt Stock Exchange.

The document entitled "Terms and Conditions" of the issue establishes early maturity of the bonds at the request of the bondholders in the event of a change of control. In the event of change of control which is not the result of a takeover bid, bond payout will be bond principal plus accrued interest until the redemption date. In the event of a takeover bid, bondholders may choose the greater of the following values: the principal amount plus accrued interest to the date of redemption or repurchase price (equivalent value of the takeover bid applied to the bonds) plus interest accrued to the redemption date.

C.1.45 IDENTIFY GENERALLY AND DESCRIBE IN DETAIL ANY AGREEMENTS MADE BETWEEN THE COMPANY AND ITS DIRECTORS, EXECUTIVES OR EMPLOYEES CONTAINING GOLDEN PARACHUTE CLAUSES IN THE EVENT OF RESIGNATION OR DISMISSAL OR TERMINATION OF EMPLOYMENT WITHOUT CAUSE FOLLOWING A TAKEOVER BID OR ANY OTHER TYPE OF TRANSACTION.

Number of Beneficiaries 19

Type of Beneficiary

Description of agreement

Senior Management

During fiscal 2013, in accordance with Royal Decree 1382/1985 regulating labour relationships of senior executives, senior managers enjoyed the right to severance in case of termination of their employment with the Company when such termination was neither for cause nor because of voluntary resignation of the senior manager. Such severance is determined under the same terms as established by Spanish labour law for ordinary workers at the time of contracting, being 45 days' base salary for each year of service in the case of a senior manager, (base salary as defined in their respective employment contracts) and taking into account medium term compensation, with a minimum severance of one year and a maximum of three and a half years. In December, 2013 the Board agreed to amend this contractual framework in general for senior managers, so that neither executive directors nor new general managers would have specific severance clauses or golden parachutes upon termination of their contractual relationship. Any of the latter which had a previous ordinary working relationship would retain their rights in accor-

dance with current legislation. As for current senior management, in addition to the above, in order to make a smooth transition to the new system while recognizing their vested rights, six of them will be entitled to decreasing severance, for a transitional period, of between one and two times their base salary.

Manager

The contracts of 12 managers of the Company include specific severance clauses which provide for compensation in case of termination of their ordinary employment relationship neither for cause nor because of voluntary resignation; these severance amounts are higher than would normally be payable in accordance with the Spanish labour law. However, these contracts are unique to the individual and the vast majority are in response to conditions negotiated for hiring on with the Company or are terms negotiated with third party companies that have become part of Indra.

Indicate if these contracts have been communicated to and/or approved by management bodies of the Company or of the Group

Report made to the Annual Shareholders Meeting Regarding the Severance Clauses

Yes No

C.2. COMMITTEES OF THE BOARD OF DIRECTORS

	Board of Directors	Annual Shareholders Meeting
Body Authorizing the Severance Clauses		X

C.2.1 PROVIDE DETAILS OF ALL COMMITTEES OF THE BOARD OF DIRECTORS, THEIR MEMBERSHIP, AND THE PROPORTION OF PROPRIETARY AND INDEPENDENT DIRECTORS THAT MAKE THEM UP:

EXECUTIVE COMMITTEE

% of Executive Directors	12,5
% of Proprietary Directors	37,5
% of Independent Directors	50
% of External Directors	0

Name	Post	Status
Javier de Andrés	Chairman	Executive
Luis Lada	Member	Independent
Juan March	Member	Proprietary
Rosa Sugrañes	Member	Independent
Casa Grande de Cartagena, S.L.U.	Member	Proprietary
Adolfo Menéndez	Member	Proprietary
Ignacio Santillana	Member	Independent
Alberto Terol	Member	Independent

AUDIT COMMITTEE

Name	Post	Status
Alberto Terol	Chairman	Independent
Isabel Aguilera	Member	Independent
Juan Carlos Aparicio	Member	Proprietary
Luís Lada	Member	Independent
Santos Martínez-Conde	Member	Proprietary

COMISIÓN DE NOMBRAMIENTOS Y RETRIBUCIONES

% de consejeros ejecutivos	0
% de consejeros dominicales	40
% de consejeros independientes	60
% de consejeros externos	0

Name	Post	Status
Daniel García-Pita	Chairman	Independent
Mónica de Oriol	Member	Independent
Juan March	Member	Proprietary
Adolfo Menéndez	Member	Independent
Ignacio Santillana	Member	Proprietary

% of Executive Directors	0
% of Proprietary Directors	40
% of Independent Directors	60
% of External Directors	0

C.2.2 COMPLETE THE FOLLOWING TABLE WITH INFORMATION REGARDING THE NUMBER OF FEMALE DIRECTORS WHO WERE MEMBERS OF BOARD COMMITTEES FOR THE PAST FOUR FISCAL YEARS:

	Number of Female Directors							
	t		t-1		t-2		t-3	
	Num	%	Num	%	Num	%	Num	%
Executive Committee	2	25	2	22,47	2	22,22	2	25
Audit Committee	1	20	1	20	1	20	1	20
Nomination and Compensation Committee	2	40	2	40	2	40	2	40

C.2.3 INDICATE WHETHER THE AUDIT COMMITTEE ASSUMES THE FOLLOWING FUNCTIONS:

	Yes	No
Supervise preparation and ensure the completeness of financial information relating to the Company and, where appropriate, the Group, reviewing compliance with regulatory requirements, the proper scope of consolidation and the correct application of accounting principles.	■	
Regular review of the internal control and risk management systems, to ensure that significant risks are properly identified, managed and recognized.	■	
Verification that the internal audit service is both independent and effective; propose selection, appointment, re-election and dismissal of the head of internal audit; proposal of the budget for this service; receipt of regular information on its activities; and verification that senior management takes into account the conclusions and recommendations contained in its reports.	■	

	Yes	No
Implementation and supervision of measures whereby employees can report confidentially and anonymously where appropriate, any potentially significant irregularities they detect in the company, especially those of a financial or accounting nature.	■	
Submission of proposals to the Board for the selection, appointment, re-election and replacement of the external auditor, as well as the contractual terms under which the auditor is hired.	■	
Regular receipt of information from the external auditor regarding the audit plan and the results of its implementation, and verification that senior management takes its recommendations into account.	■	
Ensure that the external auditor is independent	■	

acts as secretary.

Committees meet whenever called by the Chairman, who is obligated to do so upon receipt of a request from the Chairman of the Board, any of the Vice-Chairmen or from more than half of the members.

The Chairman of each committee makes a report to the Board at the next meeting of the Board of Directors. Except for the Executive Committee, decisions adopted in the Committees will be considered proposals or reports to the Board.

Committees are properly constituted when the majority of its members are physically present or present by proxy. Resolutions must be approved by absolute majority and in case of a tie the Chairman will have a casting vote.

Committees will annually prepare an action plan and a schedule of regular meetings, and an activities report.

The EXECUTIVE COMMITTEE is composed of 8 members (may be composed of a minimum of 4 members and a maximum of 9).

Its is required to reflect, to a reasonable extent, the composition of the Board and the proportions found on the Board between the different categories of Directors.

The appointment of members to the Executive Committee and the permanent delegation of powers to it require the favourable vote of at least two thirds of the Board. The Board may not delegate

powers that, in accordance with the law or the Bylaws, must be exercised directly by the Board itself. The Board also may not delegate any powers listed in Article 5 of the Board Rules.

Its acts take effect without the need of a subsequent vote of the Board in plenary session. Whenever the chairman or a third of the members of the Executive Committee consider a matter important enough, resolutions passed by it are then submitted to the Board in plenary session for ratification.

The AUDIT AND COMPLIANCE COMMITTEE is composed of five members, three of whom are Independent. The Bylaws provide that it composed of a minimum of three and a maximum of five members..

Its Chairman must be an Independent Director and must be replaced at least once every four years, with the possibility of re-election after one year has elapsed from the date of his or her dismissal. In his absence, the meeting is to be chaired by an Independent Director appointed for this purpose by the Committee, or in the absence of an Independent Director, by a member appointed by the Committee.

The duties and powers of the Audit and Compliance Committee are found in Article 31 of the Bylaws and in Articles 19 and 31 of the Board Rules cited below. In the interests of space, the most important ones are listed:

- a) Supervise the functioning of the Company's internal controls, internal audit, and risk management systems, as well the process of creation and presentation of regulated financial information.
- b) Deliver to the Board of Directors proposals for the appointment of the external auditors..
- c) Liaise directly with the external auditors and evaluate the development and results of their work
- d) Issue an annual report regarding the independence of the external auditors.
- e) Establish and supervise activities of the confidential channel for reporting allegations of irregularities, especially those of a financial or accounting nature.

The NOMINATION, COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE is composed of five members, 3 of whom are Independent. The Board Rules require that it be composed exclusively of external directors, with a minimum of three.

The Chairman must be an Independent Director. In his absence, meetings are to be chaired by the Independent Director named by the Committee for this purpose. In any event, the Chairman of the

Board – if Executive – or the CEO are to be consulted and called to meetings of the Committee when it deliberates on issues relating to Senior Management other than themselves.

Notwithstanding any other tasks that may be assigned to it by the Board or Board Rules, the mandate of the Nomination, Compensation and Corporate Governance Committee is as follows:

- a) Assess the knowledge, skills and experience of Directors and make reports regarding criteria for their selection.
- b) For Directors standing for re-election, present to the Board a report on the performance of their duties to date.
- c) Verify annually that the category of Directorship position to which each director is appointed remains appropriate.
- d) Report to the Board on the process of succession to the chairmanship and the position of chief executive officer, and supervise plans of succession for Senior Managers.
- e) Report to the Board regarding the compensation system for Directors and Senior Managers
- f) Report to the Board on proposals for the appointment and dismissal of Senior Management, and report on the terms and conditions of their contracts with the Company.
- g) Present to the Board an annual assessment of the performance of Senior Management personnel in their duties, including the Chairman, if an Executive Director.
- h) Bring the proposed annual report on compensation policy to the Board as well as the information on compensation published by the Company.
- i) Report to the Board of Directors, prior to approval by the Board, on related party transactions with Directors, with significant Shareholders, with Senior Management or with persons related to any of the above.
- j) Perform periodic analysis of the Company's policies, norms, procedures and practices in the area of Corporate Governance and Corporate Responsibility

C.2.5 INDICATE, WHERE APPLICABLE, THE EXISTENCE OF ANY REGULATIONS GOVERNING BOARD COMMITTEES, WHERE THESE REGULATIONS MAY BE FOUND, AND ANY AMENDMENTS MADE TO THEM DURING THE FISCAL YEAR. STATE ALSO WHETHER ANY ANNUAL REPORTS ON THE ACTIVITIES OF EACH COMMITTEE HAVE BEEN VOLUNTARILY PREPARED.

The composition, organisation and areas of competence of the Board committees are regulated by the Bylaws and by the Board Rules, which are permanently available for consultation on the Company's website (www.indra.es) and on the website of the CNMV.

Each of these Committees, as well as the Board itself, prepares an annual report detailing its activities and accomplishments during the year, in accordance with Board Rules. This report is submitted to the Board for its annual evaluation of its own performance and the quality of its work and that of its Committees.

In accordance with the recommendation made by the CNMV, and as has been the case since 2003, the Report on the Activities of the Audit and Compliance Committee was published when Shareholders were called to the 27 June 2013 Meeting, along with the rest of the information made available to Shareholders.

C.2.6 INDICATE WHETHER THE COMPOSITION OF THE EXECUTIVE COMMITTEE REFLECTS THE PARTICIPATION OF THE DIFFERENT CATEGORIES OF DIRECTOR IN THE BOARD OF DIRECTORS:

Yes No

If the answer is No, please describe the composition of the executive committee

- The transactions are carried out in the ordinary course of business of the Company.
- They are carried out under market conditions.
- The amount does not exceed 1% of the annual consolidated revenues of the Company in the case of transactions with Shareholders or 30% of the average compensation per Director in the remaining cases.

Exceptionally, should reasons of urgency so require, related parties' transactions may be authorized by the Executive Committee and subsequently ratified by the Board at its next meeting.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Identify the competent body and describe, if applicable, the procedure for approval of related party and intragroup transactions.

Competent Body to Approve Related Party Transactions

Board of Directors

Procedure for Approval of Related Party Transactions

The Board of Directors, after review of a report from the Nomination, Compensation and Corporate Governance Committee is required to have knowledge of and to authorize before its execution any direct or indirect transaction between the Company and its Directors, significant Shareholders or their representatives to the Board, Senior Management, the Secretary or Vice Secretary of the Board or any party related – as that term is defined under law – to any of them.

Transactions are judged from the point of view of equal treatment and market conditions.

In the case of recurring operations conducted in the ordinary course of business of the Company and carried out under market conditions, authorization by the Board of the general line of activity is sufficient.

The authorization referred to in the preceding paragraphs shall not be required, however, when the related party's transaction in question meets all three of the following conditions:

D.2 Describe any transactions which are significant, whether because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name of Significant Shareholder	Name of Company within the Group	Nature of the Relationship	Type of Transaction	Amount (1000's of euros)
BANCO FINANCIERO Y DE AHORROS	VARIAS SOCIEDADES DEL GRUPO	CONTRACTUAL	Intereses cargados(1)	50
BANCO FINANCIERO Y DE AHORROS	VARIAS SOCIEDADES DEL GRUPO	COMERCIAL	Recepción de servicios(2)	207
BANCO FINANCIERO Y DE AHORROS	VARIAS SOCIEDADES DEL GRUPO	CONTRACTUAL	Otras(3)	61
BANCO FINANCIERO Y DE AHORROS	VARIAS SOCIEDADES DEL GRUPO	CONTRACTUAL	Intereses abonados(4)	83
BANCO FINANCIERO Y DE AHORROS	VARIAS SOCIEDADES DEL GRUPO	COMERCIAL	Prestación de Servicios(5)	4.277
BANCO FINANCIERO Y DE AHORROS	VARIAS SOCIEDADES DEL GRUPO	CONTRACTUAL	Acuerdos de financiación: prestamos (prestatario) (6)	14.243
BANCO FINANCIERO Y DE AHORROS	VARIAS SOCIEDADES DEL GRUPO	CONTRACTUAL	Garantías y avales(7)	50.025
BANCO FINANCIERO Y DE AHORROS	VARIAS SOCIEDADES DEL GRUPO	SOCIETARIA	Dividendos y otros beneficios distribuidos	11.157
BANCO FINANCIERO Y DE AHORROS	VARIAS SOCIEDADES DEL GRUPO	CONTRACTUAL	Acuerdos financiación: otros(8)	84.819
LOLLAND, S.A.	CASA GRANDE DE CARTAGENA	SOCIETARIA	Dividendos y otros beneficios distribuidos	2.795
LIBERBANK	LIBERBANK	CONTRACTUAL	Intereses cargados(1)	82

D.3 Describe any transactions which are significant, whether because of their amount or subject matter, entered into between the company or entities within its group and administrators or managers of the company:

Name of administrator or Manager	Name of Company within the Group	Nature of the Relationship	Type of Transaction	Amount (1000's of euros)
MONICA DE ORIOL E ICAZA	INDRA SISTEMAS, S.A.	COMERCIAL	Recepción de servicios ⁽¹⁾	2,582

D.4 Report any relevant transactions carried out by the company with other companies belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the Company's ordinary business activities in terms of their purpose and conditions:

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens.

Name of Entity within the Group	Brief Description of the Transaction	Amount (1000's of euros)
--	--	--

D.5. Indicate the amount of any transactions conducted with other related parties.

Name of Party	Name of Party within the group	Nature of the Transaction	Type of Transaction	Amount (1000's of euros)
BANCO INVERDIS, S.A.	BANCO INVERDIS, S.A.	CONTRACTUAL	Prestación de servicios (1)	2.033
BANCO INVERDIS, S.A.	BANCO INVERDIS, S.A.	CONTRACTUAL	Gastos financieros (2)	82

D.6 Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

Directors are required by Article 33 of the Board Rules to inform the Board of any situation of direct or indirect conflict with the interests of the Company which may arise.

They are required to report, in particular, any direct interest or indirect interest through related persons in the equity of any company whose business purpose or class of activity is the same as or analogous to Indra's, as well as any responsibilities or posts with such companies.

In the cases specified in the preceding paragraph, the Board, following a report from the Nomination, Compensation and Corporate Governance Committee, is required to order the adoption of such measures as it considers necessary to safeguard the interests of the Company. Should the Director in question fail to comply with such order, the Board will draft a proposal for dismissal to the Annual Shareholders Meeting.

Directors must refrain from attending and taking part in any deliberations, decisions and resolutions involving matters where a conflict of interest arises.

The Company will make public any situations of conflict of interest in which Directors may find themselves in accordance with applicable law.

Article 32 of the Board Rules stipulates that:

a) Directors may not make use of Company assets nor take advantage of their position in the Company for personal gain without providing adequate compensation.

In exceptional cases, Directors may be released from the obligation to provide such compensation, although in this case the resulting gain is to be regarded as indirect compensation requiring authorisation by the Board, following a report from the Nomination, Compensation and Corporate Governance Committee.

b) Directors may not use any non-public Company information for private purposes without prior authorisation from the Board, which must first request a report from the Nomination, Compensation and Corporate Governance Committee.

These provisions are understood to be without prejudice to the applicable rules of the Company's Internal Code of Conduct in Matters Relating to Securities Markets.

c) Directors may not invest or engage in any investment or any other activity linked to Company assets for their own benefit which have come to their knowledge through the performance of their duties, when the investment or activity in question has been offered to the Company or when the Company has an interest therein, unless the Company has decided not to make the investment or perform the operation, without the Director in question having influenced such decision.

d) Directors are required to inform the Company of any event or situation that may prove harmful to its reputation and, in particular, of any criminal procedures in which the Director may be implicated, the initiation of administrative procedures which may result in a disciplinary penalty for serious or very serious offences imposed by the Securities Market supervisory authorities, and subsequent procedural events related to the above.

e) Directors may not use the name of the Company nor use their status as Directors thereof to carry out activities for their own benefit.

In addition, Article 35 of the Board Rules stipulates that Directors must dedicate the necessary time and effort to perform their functions correctly. To this end, they are required to inform the Board of any other activities which may significantly affect their commitment as a Director of the Company.

D.7 Is there more than one company in the Group listed in Spain?

Yes No

Please name the listed subsidiaries:

Listed Subsidiaries

Indicate if the respective areas of activity and business relationship between the listed companies has been defined publically and precisely, as well as between the subsidiary and other members of the Group.

Yes No

Describe the business relationship between the parent and subsidiary listed companies as well as between the subsidiary and other members of the Group

Identify measures taken to resolve potential conflicts of interest between the listed subsidiary and the other companies in the Group:

Measures taken to resolve potential conflicts of interest

E. RISK MANAGEMENT AND CONTROL SYSTEMS

E.1 Explain the scope of the company's Risk Management System.

The Risk Management System at Indra is a process driven by the Board of Directors and Senior Management and is the responsibility of each and every member of the Organization which aims to provide reasonable assurance of achieving stated goals, adding value and an adequate level of assurance to Shareholders, other stakeholders, and the market in general.

Indra has established a set of key operating principles within the framework of the Risk Management System which permit improvement in its ability to produce value:

- ◆ Value Protection: Seeing Risk Management as a system which creates and protects generated value.
- ◆ Methodology: The Risk Management System at Indra is based on the methodological framework established in COSO II, adapted to the specific needs of the Organization.
- ◆ Integrity: The Risk Management System covers the entire Organization, from the corporate level to the distinct business units, regardless of geographic location.
- ◆ Independence: The Organization's Risk Management System guarantees adequate functional segregation between the distinct elements of which it is comprised.

The Risk Management System at Indra is based on management of business units, processes, corporate geographies and areas, and is an integral part of the decision making process at Indra.

The Risk Management System methodology establishes means for identification and evaluation of risks, as well as follow up on control activities and defined action plans, allowing reasonable management of the risks to which the Company is exposed.

The Global Risk Map is reported periodically to the Audit and Compliance Committee for review, as well as to the Board of Directors.

E.2 Identify the bodies within the company responsible for creating and executing the Risk Management System.

Pursuant to Article 5 of the Board Rules, the Board of Directors reserves Risk Management Policy as a non-delegable function as well as ensuring the existence and correct application of adequate Control and Information Systems.

The Audit and Compliance Committee performs a periodic review of the efficacy of the Risk Management System, ensuring that major risks are identified, managed, and adequately communicated.

For its part, Senior Management has the responsibility of promoting a culture of risk management at all levels, defining the functions and responsibilities within the framework of the Risk Management System, and supervising action plans and work stemming from the process of Risk Management.

Finally, the Global Risk Department oversees maintenance and updating of knowledge, techniques, methodologies and tools which allow completion of the Risk Management System operating principles with the highest level of quality.

Internal Audit, for its part, delivers recommendations to the Organization which contribute to reduce to reasonable levels the potential impact of which may interfere with the Organization's reaching its goals.

E.3 Give the primary risks that may affect the achievement of business objectives.

In the development of core business activities the Company is subject to various risks inherent in the different processes and geographies in which it operates.

The portfolio of risks that Indra faces is grouped into the following types:

Strategic Risks

Faced with a complex economic and sectoral environment, risks relating to the national and international economic situation acquire real significance for the Company due to the disparate economic situations which countries may present.

In turn, the increased competitive pressures in sectors where Indra operates and new technological trends could hinder adaptation, progress, and achievement of business goals.

The risks associated with the integration of new acquisitions also require a high level of attention and analysis by the responsible areas.

Operational Risks

Within this category the following risks are identified:

a. Risks associated with the project implementation process

Indra has implemented a system of identification, assessment and management of risks in their Key Business Management and Delivery and Management of solutions, products, processes and services. This system allows identification, quantification and management of threats, risks and opportunities for each project.

Nombre o denominación social del accionista significativo	Nombre o denominación social de la sociedad o entidad de su grupo	Naturaleza de la relación	Tipo de la operación	Importe (miles de euros)
LIBERBANK	VARIAS SOCIEDADES DEL GRUPO	COMERCIAL	Prestación de servicios(5)	540
LIBERBANK	LIBERBANK	CONTRACTUAL	Acuerdos de financiación: prestamos (prestatario) (6)	3.232
LIBERBANK	CANTABRICA DE INVERSIONES, S.L.	SOCIETARIA	Dividendos y otros beneficios distribuidos	2.792
CORPORACIÓN FINANCIERA ALBA, S.A.	BANCA MARCH, S.A.	CONTRACTUAL	Otras(3)	18
CORPORACIÓN FINANCIERA ALBA, S.A.	BANCA MARCH, S.A.	COMERCIAL	Prestación de servicios(5)	27
CORPORACIÓN FINANCIERA ALBA, S.A.	BANCA MARCH, S.A.	CONTRACTUAL	Compromisos adquiridos(7)	2.648
CORPORACIÓN FINANCIERA ALBA, S.A.	ALBA PARTICIPACIONES, S.A.	SOCIETARIA	Dividendos y otros beneficios distribuidos	6.320
SEPI	VARIAS SOCIEDADES DEL GRUPO	COMERCIAL	Contratos de arrendamiento operativo	1
SEPI	VARIAS SOCIEDADES DEL GRUPO	COMERCIAL	Recepción de servicios(2)	174
SEPI	VARIAS SOCIEDADES DEL GRUPO	COMERCIAL	Prestación de Servicios(5)	3.082

Risks related to scope and price estimates in the bidding process as well as contract terms in projects are currently the main risks the Company faces relative to project management.

Risks arising from the absence of good planning, management and monitoring of projects may lead to non-timely detection of problems.

Relationships with suppliers and subcontractors are included within the relevant operational risks for the Company as well.

b. Risks associated with the Management of Human Capital

The management of people is critical to Indra, and attracting, developing and retaining talent are key objectives in minimizing risks.

Proper talent management, training and development of key personnel are the main variables in successfully meeting current and future challenges.

c. Risks associated with Information Security

Indra manages risks associated with information security by mitigating them to acceptable levels, in order to ensure adequate protection of information belonging to Company and its customers, as well as the technological assets that process it.

Economic and Financial Risks

a. Market risk (exchange rate)

Risks arise as a result of operations in non-Euro currency markets that Indra performs in the ordinary course of business. Significant changes in exchange rates in certain countries may have a negative impact on the Group's results.

b. Interest rate risk

Interest rate risk arises from exposure to movements in the yield curve of bank financing in the short, medium and long term. Indra contemplates buying financial instruments to manage these risks when the situation so warrants.

c. Liquidity risk

The inability to obtain cash in a timely manner, the absence of coordination between operational and financial requirements, incorrect forecasts, and working capital management are the main risks to manage. Indra has credit lines and loans signed with various banks and bonds issued in amounts sufficient to meet its current commitments.

d. Credit Risk

Exposure to this risk is experienced to the extent that the customer does not meet its obligations. However, Indra, given their type of business, has a portfolio of customers with good credit. Trade relations are maintained by the Company primarily with large business groups, states, and public as well as public-private entities which are less exposed to default risk.

Compliance Risks

a. Legal, Contractual and Regulatory Risks

Indra takes a proactive approach in prophylactic identification and management of legal risks that may be involved in the business activities it performs.

The Legal Department itself and through its interaction with other management units oversees strict compliance with legal and administrative obligations affecting Indra in its capacity as a listed company.

b. Labour Risks

These are risks relating to the violation of legal and regulatory requirements, especially in the area of Prevention of Occupational Risks. Indra encourages a culture of proper risk prevention in all its activi-

ties and a focus on continuous improvement, minimizing any risk in this area.

c. Environmental Risks

Although activities by Indra exclude polluting processes, it is inevitable that there will be some impact on the environment. That is why the Company is committed to minimise to the extent possible the negative effects that may occur and observe all environmental protection measures during the course of its activities.

E.4 State whether the entity has a risk tolerance level.

The process of Risk Management at Indra begins with continuous identification of the most significant risks to Indra and their periodic evaluation by a combination of quantitative and qualitative techniques from the perspective of probability and impact upon occurrence.

For each variable of impact and probability, assessment scales that ultimately determine the risk assessment matrix are established, reflecting each of the four risk levels: critical risk level, high level of risk, medium risk level and low risk level. Assessment scales are reviewed and updated annually.

Depending on the level of acceptable risk for Indra and after analysis, action plans are created to mitigate those risks that may exceed acceptable tolerance levels.

E.5 Indicate which risks have materialized during the fiscal year.

The risks identified in the Risk Inventory at Indra are risks inherent in the pursuit of the various activities of the company.

The risks that have materialized during the year are:

- ◆ Risks arising from the continuing economic recession in Spain, such as the decline in sales and hiring, against which the Company has taken steps to adapt and improve the efficiency of its resource utilization while developing its position in markets with high growth.
- ◆ Risks related to the sociopolitical and diverse cultural environments found in the various geographic areas in which Indra pursues its business, generating problems in project implementation. Indra has promoted the development of training programs in the various geographic areas in which it operates in order to provide tools and training to supervisors.
- ◆ Risks and cost variances in the implementation of certain projects caused by unforeseen changes in scope, cost overruns and delays in reaching project milestones. The Indra methodology in project management relative to monitoring project risk maps has minimized the impact of these risks.

E.6 Explain the response and monitoring plans for all major risks of the entity.

Policies and procedures applied to the Indra Risk Management System are established and implemented in order to, among other things, ensure that risk responses are carried out effectively.

Likewise, Risk Management provides structure in identifying risks and selecting among alternative responses, which reduces surprises and associated costs or losses.

Indra has developed specific initiatives to manage key risks based on level of criticality:

Strategic Risks

The difficult national and international socioeconomic and political situation has forced Indra to establish measures necessary to mitigate the possible negative effect of low demand by expanding into new geographic areas and seeking to develop new markets.

The capacity for innovation and anticipation of technological changes is directed by senior managers responsible for technological innovation, who have the duty to analyze, prioritize and lead these projects.

Risks associated with the integration of new acquisitions are managed by a governance model that clearly defines the responsibilities and limits of authority, and corporate tools that support key business processes in an homogeneous manner and allow the implementation of an appropriate internal control and monitoring system.

Operational Risks

Indra has comprehensive rules to manage the pre-contract and contract stages of projects, which stress the existence within the organization of a Bid Committee integrated within operations and management control that analyzes and reviews proposed deals for presentation.

The Company has tools oriented toward the monitoring of risks which provide information and allow control of: all key indicators previously identified during project planning; the risk map established for each project and its follow-up; compliance with deadlines and other milestones established during the project such as technical and economic progress, the tracking of projected costs, billing, collection, etc.

Regarding the risks associated with information security, Indra has established a number of mechanisms charged with implementing the necessary measures to ensure compliance with all established security policies. These measures fall into the following areas: security organization, information security rules, technology and security services, training and awareness, monitoring, review and audit.

Economic and Financial Risks

Regarding market risk, in order to mitigate the impact of foreign currency exchange differences on projects that the Parent Company and its subsidiaries perform, hedging contracts have been entered into with financial institutions where this is a problem.

In order to respond to interest rate risk, Indra has entered into hedging contracts for interest rates on long-term bank debt through swaps from variable to fixed rates of interest. Additionally, there has been an issue of bonds with a fixed interest rate that eliminates a significant portion of that risk.

Indra has an active policy of setting aside reserves for traffic operations to cover the eventuality of a planned default. In international sales, techniques such as irrevocable letters of credit and insurance policies are used to ensure collection.

Compliance Risks

Indra has a Code of Ethics and Professional Conduct approved by the Board of Directors and whose implementation and compliance is monitored by the Audit and Compliance Committee.

Among specialized resources available to Indra to cover occupational risks is an internal shared prevention service available to companies in the group, comprised of specialists in the field, as well as specialized third party providers. External audits are performed regularly by entities accredited by the Ministry of Labour.

F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION.

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

F.1 Control environment

Report on at least the following, describing their principal features:

F.1.1. Which bodies and/or departments are responsible for (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation; and (iii) its supervision.

Board of Directors

The Indra Board of Directors is ultimately responsible for the existence and maintenance of an adequate and effective ICFR by exercising supervision of it through the Audit and Compliance Committee.

Article 5 of the Rules of the Board of Directors provides that the Board is responsible for supervising and approving, among other things:

- ◆ General risk management policy and the design of adequate control and IT systems for management of that risk.
- ◆ Policies for information and Shareholder communication, markets, and public opinion in general, and specifically:
 - » drafting and approval of information that the Company annually makes public along with the Financial Statements produced for approval at Annual Shareholders Meetings; and

- » approval of financial information that the Company must make public from time to time in accordance with applicable law.

Audit and Compliance Committee

Article 31 of the Bylaws of Indra Sistemas S.A., provides that the Audit and Compliance Committee has, among others, the following fundamental powers.

- ◆ Monitor the effectiveness of the Company's internal controls, internal audit, and risk management systems, as well as discuss with external auditors significant weaknesses in the internal control system detected during the audit.
- ◆ Supervise the process of drafting and presentation of regulated financial information.

Article 19 of the Board Rules lists the following tasks for the Compliance Committee, among others:

- ◆ Report to the Board prior to its making decisions regarding financial information which the Company, because of its status as a listed company, must make public from time to time. The Committee verifies that the quarterly and semi-annual financial statements are produced using the same accounting principles as the annual ones.
- ◆ Ensure the independence and effectiveness of the internal audit function; propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

The Chairman of the Committee is an Independent Director and is chosen taking into account his or her knowledge and experience in Accounting and Auditing.

Treasury and Finance

The Treasury and Finance Department is responsible for implementation and maintenance of controls and, based upon sub-certifications received from each department head, evaluates their effectiveness and operations.

Global Risk Department

The Global Risk Department includes the Internal Financial Information Control Unit, whose functions are the following:

- ◆ Define the processes and people responsible for the drafting and presentation of financial information.
- ◆ Identify critical risks in those processes.
- ◆ Create a Model for Internal Control of Financial Reporting in collaboration with those in charge of those processes.
- ◆ Maintain and update the Model for Internal Control of Financial Reporting and relevant documentation.
- ◆ Keep documentation referring to current procedures and controls updated at all times.
- ◆ Communicate changes in internal financial information control policies and procedures to the various companies and organizational areas of Indra Group.

All aspects of Internal Control of Financial Reporting are covered in the Company Guideline Elaboración, Mantenimiento y Supervisión del SCIIF ("Creation, Maintenance and Supervision of ICFR"), which applies to all companies that have been in the Group for more than one year. This guideline has as its purpose the establishment of duties and measures for creating an adequate and effective

tive internal control system which guarantees the reliability of financial information.

Internal Audit Department

Internal Audit makes periodic reports to the CEO and to the Audit and Compliance Committee regarding the Internal Control System.

Under the auspices of the Audit and Compliance Committee, Internal Audit conducts a review of the proper functioning of the ICFR, evaluating its design, reporting any shortcomings it may detect during the course of its work as well as the schedule established for corrective measures in the event they are necessary.

F.1.2. State whether the following are present, especially as they relate to creation of financial information:

- ◆ Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clearly establishing lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) ensuring that adequate procedures exist for proper communication throughout the company.

As regards organizational structure, Board Rules provide that:

- ◆ The Nomination, Compensation and Corporate Governance Committee is to report to the Board regarding proposals for appointment and dismissal of Senior Management as well as make a report before decision by the Board over compensation and terms and conditions of their employment contracts.
- ◆ The Board adopt proper means so that no person or small group be able to make important decisions not subject to checks and balances.

The Board of Directors concentrates on matters of general control and supervision, ensuring that executive bodies and the management team act in accordance with stated strategies and goals. This task routinely requires design and review of organizational structure as well as definition of lines of responsibility and authority by the Chairman and his steering committee.

The Planning and Procedures unit is responsible for the design, establishment, review and constant updating of Indra's corporate structure, and consequently for those units involved in the process of creating financial information. This unit uses internal procedures which ensure proper performance and communication with all other areas.

The Organizational Chart is published on the Intranet and is accessible to all personnel in the Group.

- ◆ Code of conduct, a body which approves it, degree of dissemination and instruction, included principles and values, (indicate if there is specific mention of transaction recording and creation of financial information), a body charged with analyzing infractions and proposing corrective actions and sanctions.

Code of Ethics and Professional Conduct

The Indra Group has a Code of Ethics and Professional Conduct approved by the Board and published on the Intranet in Spanish and in English and which indicates ethical and responsible behaviour to be followed by the management team and all of the professionals at Indra and subsidiaries whilst carrying out Company business.

The Code of Ethics contains:

- ◆ Corporate values which animate the work, use of resources, and daily performance of all of its professionals.

- ◆ General principles of behaviour which arise from Company corporate values and provide the foundation for professional relationships and the capacity to inculcate our values and culture in order to engender ethical behaviour.
- ◆ Description of the responsibility of the Oversight Committee regarding communication, interpretation and application of the Code of Ethics.

The principles and the mandates of the Code of Ethics apply to all of the professionals at Indra. The General Principles of the Indra Group are based on integrity, professionalism and respect, establishment of relationships based on transparency and ethics, constant portrayal of a professional image, recognition of the value of individuals, and respect for our social and natural environment. Among the General Principles contained in the Code of Ethics one is found in the Section "Integrity and Transparency of Information" which provides that one must "Always convey information regarding our management which is truthful and consistent with current or generally accepted principles, especially in matters of finance and accounting, and always communicate clearly internally as well externally, based upon truthful and verified information."

- ◆ A hotline which permits communication to the audit committee of financial or accounting irregularities as well as potential breaches of the code of conduct and irregular activities within the organization, and whether these communications are confidential.

Canal Directo-Ético

Since October, 2009, Indra has had in place a hotline for complaints known internally as the Canal Directo, accessible by means of the Intranet so that anyone who wishes may communicate securely and confidentially with the Oversight Committee for the Code of Ethics and Professional Conduct regarding unethical or illegal conduct which he or she believes has occurred in the course of Company business. The Canal Directo is also available for questions regarding any doubts over interpretation or application of the Code of Ethics and Professional Conduct.

The terms of use of the Canal Directo guarantees the confidentiality of all information received by

the Oversight Committee.

The Canal Directo places information received in a personal file, which is protected by security measures required by the Spanish regulations on protection of personal data. Personal information is deleted when it is no longer necessary or relevant or no more than two months after completion of the file if the information communicated is not proven out or as soon as the complaint has been completely processed.

The Canal Directo contains an email address and a telephone number for the purposes of communication.

Complaints made by means of the Canal Directo are analysed by the Oversight Committee, which determines if irregularities have been committed which are inconsistent with the principles and values contained in the Code of Ethics and Professional Conduct. The Audit and Compliance Committee then follows up on the complaints found in the Canal Directo.

The Oversight Committee issues an annual report over the degree of compliance with the Code, in which it discusses questions regarding its content and application, communicated incidents of non-compliance and how they were resolved, and matters relating to how the Canal Directo functions. This report is delivered to the management and governing bodies of Indra.

Since 2012 the Company has had a Compliance Unit, under the supervision of the Secretary General, which has as its fundamental mandate the inculcation of principles of professional behaviour contained in the Code of Ethics.

- ◆ Periodic training programs for personnel involved in the preparation and review of financial information as well as evaluation of the ICFR which at a minimum covers accounting rules, audit, internal control, and risk management.

Training Programs

Together with Treasury and Finance, Human Resources periodically develops external and internal training programs directed at personnel involved in the creation of financial statements for the Group. The training programs are focused on proper knowledge and implementation of International Financial Information Standards and on legislation and other regulations governing Internal Control of Financial Information.

The Internal Audit and Global Risk Department remain up to date on new developments in the areas of Risk Management and Internal Control, especially as they relate to Financial Information.

F.2 Assessment of Financial Information Risks Report on at least the following:

F.2.1. What are the principle characteristics of the risk identification process, including error and fraud risk, as regards to:

- ◆ Whether the process exists and is documented

In accordance with the Policy on "Creation, Maintenance and Oversight of the ICFR" approved by senior management and the Audit and Compliance Committee and, ultimately, the Board, and with the goal of maintaining an effective control model, the identification of risks is a continuous process carried out by Company management and put in place and led by the Global Risk Department.

- ◆ If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), if it is updated and with what frequency.

While the processes associated with information from treasury and finance identify all kinds of financial, strategic, operational and compliance risks, the process is focused on analyzing events which may affect the objectives of financial information as they relate to:

- > Existence and occurrence
- > Completeness
- > Valuation
- > Delivery, breakdown and comparability
- > Rights and obligations

- ◆ The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.

The Group maintains a continuously updated company registry which contains all of the equity interests of the Group, whether the interest is direct or indirect, as well as any entity over which the group may exercise control independent of the legal means by which such control may be exercised including, should they exist, holding companies as well as special purpose entities.

Management and update of this registry is done in accordance with procedures dictated by the Company Guideline Consolidación y Elaboración de la Información Financiera ("Consolidation and Creation of Financial Information").

The scope of consolidation at Indra is determined monthly by Company management in the form of information available in the company registry in accordance with principles contained in International Accounting Standards 27, 28 and 31, SIC Interpretation 12, and any other local accounting standards. Changes to the scope of consolidation are communicated to all of the companies in the Group as they occur.

- ◆ If the process takes into account the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) to the extent that they affect the financial statements.

Indra has implemented a risk management and identification process permitting it to create a Risk Map, which is updated periodically. Currently, the Risk Map at Indra classifies risks in the following fashion:

- > **Financial Risks:** those risks associated with processes, techniques and instruments used for financial management which affect the reliability of information.

Under this category are found risks related to Accounting and reporting of financial information; management of capital of the Company and of others; planning; budgeting; and operational tax strategy.

- > **Strategic Risks:** risks associated with defining objectives and with structure and environment, including fraud.
- > **Operational Risks:** those risks associated with day to day operations carried out in the business plan. They include, among others, those associated with resource management, the lack, malfunction or incorrect use of information technology which supports the production of financial information, and all of the risks associated with the efficiency and effectiveness of these processes which are key components of the business.
- > **Compliance Risks:** include all of the risks associated with legal concerns and those of the operational codes of conduct of the organization. They also include risks associated with noncompliance with external and internal rules, as well as contractual relationships and warranties.
- ◆ **What management body of the company supervises the process.**
Oversight of the process of identifying financial information risks is done by the Audit and Compliance Committee in accordance with its supervisory mandate within the ICFR.

In accordance with the Policy on "Creation, Maintenance and Oversight of the ICFR" approved by senior management and the Audit and Compliance Committee and, ultimately, the Board, and with the goal of maintaining an effective control model, the identification of risks is a continuous process carried out by Company management and put in place and led by the Global Risk Department.

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- ◆ Financial Risks: those risks associated with processes, techniques and instruments used for financial management which affect the reliability of information.
- ◆ Under this category are found risks related to Accounting and reporting of financial information; management of capital of the Company and of others; planning; budgeting; and operational tax strategy.
- ◆ Strategic Risks: risks associated with defining objectives and with structure and environment, including fraud.
- ◆ Operational Risks: those risks associated with day to day operations carried out in the business plan. They include, among others, those associated with resource management, the lack, malfunction or incorrect use of information technology which supports the production of financial information, and all of the risks associated with the efficiency and effectiveness of these processes which are key components of the business.
- ◆ Compliance Risks: include all of the risks associated with legal concerns and those of the operational codes of conduct of the organization. They also include risks associated with noncompliance with external and internal rules, as well as contractual relationships and warranties.

While the processes associated with information from treasury and finance identify all kinds of financial, strategic, operational and compliance risks, the process is focused on analyzing events which may affect the objectives of financial information as they relate to:

- ◆ Existence and occurrence
- ◆ Completeness
- ◆ Valuation
- ◆ Delivery, breakdown and comparability
- ◆ Rights and obligations

Oversight of the process of identifying financial information risks is done by the Audit and Compliance Committee in accordance with its supervisory mandate within the ICFR.

Identification of the Scope of Consolidation

The Group maintains a continuously updated company registry which contains all of the equity interests of the Group, whether the interest is direct or indirect, as well as any entity over which the group may exercise control independent of the legal means by which such control may be exercised including, should they exist, holding companies as well as special purpose entities.

Management and update of this registry is done in accordance with procedures dictated by the Company Guideline Consolidación y Elaboración de la Información Financiera ("Consolidation and Creation of Financial Information").

The scope of consolidation at Indra is determined monthly by Company management in the form of information available in the company registry in accordance with principles contained in International Accounting Standards 27, 28 and 31, SIC Interpretation 12, and any other local accounting standards. Changes to the scope of consolidation are communicated to all of the companies in the Group as they occur.

F.3 Control Activities

Report on whether the Company has at least the following, describing their main characteristics:

F.3.1. Review and authorization procedures for financial information published to the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgments, estimates, valuations and relevant forecasts.

- ◆ Whether the process exists and is documented.

In accordance with the Policy on "Creation, Maintenance and Oversight of the ICFR" approved by senior management and the Audit and Compliance Committee and, ultimately, the Board, and with the goal of maintaining an effective control model, the identification of risks is a continuous process carried out by Company management and put in place and led by the Global Risk Department.

- ◆ If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), if it is updated and with what frequency.

While the processes associated with information from treasury and finance identify all kinds of financial, strategic, operational and compliance risks, the process is focused on analyzing events which may affect the objectives of financial information as they relate to:

- ◆ Existence and occurrence
- ◆ Completeness
- ◆ Valuation
- ◆ Delivery, breakdown and comparability
- ◆ Rights and obligations

- ◆ The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.

The Group maintains a continuously updated company registry which contains all of the equity interests of the Group, whether the interest is direct or indirect, as well as any entity over which the group may exercise control independent of the legal means by which such control may be exercised including, should they exist, holding companies as well as special purpose entities.

Management and update of this registry is done in accordance with procedures dictated by the Company Guideline Consolidación y Elaboración de la Información Financiera ("Consolidation and Creation of Financial Information").

The scope of consolidation at Indra is determined monthly by Company management in the form of information available in the company registry in accordance with principles contained in International Accounting Standards 27, 28 and 31, SIC Interpretation 12, and any other local accounting standards. Changes to the scope of consolidation are communicated to all of the companies in the Group as they occur.

- ◆ If the process takes into account the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) to the extent that they affect the financial statements.
- ◆ Indra has implemented a risk management and identification process permitting it to create a Risk Map, which is updated periodically. Currently, the Risk Map at Indra classifies risks in the following fashion:
- ◆ **Financial Risks:** those risks associated with processes, techniques and instruments used for financial management which affect the reliability of information.

Under this category are found risks related to Accounting and reporting of financial information; management of capital of the Company and of others; planning; budgeting; and operational tax strategy.

- ◆ **Strategic Risks:** risks associated with defining objectives and with structure and environment, including fraud.
- ◆ **Operational Risks:** those risks associated with day to day operations carried out in the business plan. They include, among others, those associated with resource management, the lack, malfunction or incorrect use of information technology which supports the production of financial information, and all of the risks associated with the efficiency and effectiveness of these processes which are key components of the business.
- ◆ **Compliance Risks:** include all of the risks associated with legal concerns and those of the operational codes of conduct of the organization. They also include risks associated with noncompliance with external and internal rules, as well as contractual relationships and warranties.
- ◆ Which body oversees this process.

Oversight of the process of identifying financial information risks is done by the Audit and Compliance Committee in accordance with its supervisory mandate within the ICFR.

F.3.2. Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the entity and relate to the creation and publication of financial information.

The Internal Systems department of Indra Group is responsible for IT in the markets and territories in which Indra operates. Within their purview is the definition and oversight of security policies and standards for applications and infrastructure, among which is the internal control model for the IT area.

The Internal Control model at Indra covers IT processes which make up the IT environment, architecture and infrastructure as well as applications that affect transactions which directly affect the primary business processes of the Company. It also includes impact on financial information and closing procedures. The above named controls can be implemented automatically within the IT programs themselves or manually.

Security and management of services models established at Indra are based on regulation UNE-ISO/IEC 27001 Information Security Management Systems and regulation UNE-ISO/IEC 20000-1 Service Management Systems, respectively. Both Management Systems are certified by AENOR and are audited annually in order to verify that they comply with the above mentioned regulations.

Responsibility for Information Security at Indra rests on the Internal Information Systems Department with help from the Security Committee and its subcommittees and the Head of Information Security.

All IT Security regulations at Indra are issued by Internal Systems and approved by executive management of the Company.

Information Security Policy at Indra, published on the intranet, has as its objectives management of IT security and strategic alignment with business goals, guarantee of the confidentiality, completeness and availability of information, and all of the activities involved in achieving these objectives.

This policy is mandatory at all businesses, markets and relevant activities of the Indra Group.

This Policy applies at all information development stages (generation, distribution, storage, handling, transfer and destruction) of the Systems which process it. It entails all of the Information Systems and services at Indra and all support servers as well as the environment and applications which affect business processes of the Company, covering therefore relevant processes in the creation and publication of financial information.

This Policy conforms with a series of security objectives regarding specific aspects of Information Security, which include the following:

- ◆ Obtaining an accurate assessment and mitigation of risk with the goal of prioritizing security measures and controls based upon the business objectives at Indra.
- ◆ Establishment and periodic review of an Information Security Policy which establishes mandatory basic guidelines for all of the businesses at Indra.
- ◆ Coordination and organization of Information Security at Indra: the Information Security structure is composed of the Security Committee and its subcommittees, Head of Information Security, and the Heads of Market Security. Additionally, the companies at Indra are required to maintain contact with authorities and stakeholders in order to stay abreast of changes in law and trends in information security.
- ◆ Classification and control of assets with the goal of keeping them adequately protected.
- ◆ Security associated with human resources before engaging employees, contractors or third party users, during the contract, and upon termination or change, which carries with it the commitment from each of them to assume responsibility for security.
- ◆ Physical and environmental security in order to prevent unauthorized physical access, damage, and interference with buildings and information belonging to the organization. Resources for handling critical and sensitive information are located in secure areas and protected by security perimeters and controlled egress.
- ◆ Management of communications and operations in order to ensure the proper and secure operation of resources for handling information, to establish responsibilities and procedures for management and operation of information resources and media.

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- ◆ Access Control. Access to information, resources for handling information and business process are controlled based upon the needs of the business and security. In order to establish access controls, among other things, one must take into account segregation of duties regarding requests and authorization for and administration of access to services and systems.
- ◆ Development and maintenance of information systems in order to guarantee the integration of security means in information systems during development, implementation and maintenance.
- ◆ Management of changes in order to ensure that modification of services and systems infrastructure is done in a controlled manner, minimizing the risk of impact on the business.
- ◆ Management of information security incidents performing follow-up, mitigation, resolution and learning from information security incidents.
- ◆ Management of business continuity by establishing appropriate measures in order to minimize possible interruptions to operations, protect critical business processes and assure the restart of said processes.
- ◆ Compliance with applicable legal requirements, contractual obligations, and security requirements in order to avoid breaches and non-compliance.
- ◆ An adequate segregation of duties.

All of these control objectives are divided and specialized in turn to make controls for the special features and focus of finance. The information system rules at Indra define and explain the control activities necessary in order to cover the risks in the area of management of information systems as well as those relating to financial information processes and systems.

The Policy states that compliance with the described basic controls is mandatory in all Group companies at the corporate information level as well as with information managed by different markets, in which case those in charge are responsible for application and implementation of them.

F.3.3. Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, that may materially affect financial statements.

Indra does not subcontract relevant activities that could have an impact on financial information. Nonetheless, there is an internal procedure for hiring external advisors which establishes the level of approval required as a function of the amount involved. Results or reports on contracts for accounting, tax or legal services are supervised by the head of Treasury and Finance as well as the head of the Legal Department and other departments when deemed necessary.

F.4 Information and Communication

State whether the Company has at least the following, describing its principle characteristics:

F.4.1. A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organization, as well as an up to date accounting policy manual distributed to the business units through which the Company operates.

Responsibility for application of the Accounting Policies of the Group is the same for the entire geographic reach of the Indra Group and is found in Treasury and Finance.

The Company has an ICFR Organizational Manual in which the duties and responsibilities of those positions involved in the process of creating financial information are described. As spelled out in that document, Treasury and Finance is responsible for establishing the accounting criteria to be applied, as well as approval of the Accounting Manual which the Head of the Administrative Services Centre produces and updates.

The Department of Administration keeps all those responsible for preparing financial information in the various business units of the Group informed of changes in rules, resolves doubts when they exist and receives information from companies in the Group necessary to assure consistent application of Accounting Policies of the Group and to determine the effect of application of new accounting rules.

On those occasions when application of an accounting rule is especially complex, the Treasury and Finance Department of the Indra Group informs the external auditors of the conclusions drawn from the Group's accounting analysis and solicits their opinion regarding the conclusions drawn. Accounting policies at Indra are developed based upon International Norms for Financial Information adopted by the European Union and found in a document called Manual de Contabilidad ("Accounting Manual"). This document is analyzed periodically by the Administrative Services Centre and is published on the Intranet.

F.4.2. Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.

Indra has a computer application which gathers individual financial statements and facilitates the process of consolidation and production of financial information. This application permits centralization of all of the resulting financial information of Group companies in a single system.

Most of the time, input of the information to the system is done automatically from the Group's computerized financial system.

F.5 Supervision of System Performance **Describe at least the following:**

F.5.1. The activities of the Audit Committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the Committee and the task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the fiscal year and the procedure through which the person responsible for doing the assessment reports on its results, whether the Company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

The Audit and Compliance Committee supervises the proper functioning of ICFR through Internal Audit, and has evaluated its design and operational effectiveness.

Internal Audit at Indra reports to the Audit and Compliance Committee and helps it to supervise the proper performance of the internal control system.

As regards the ICFR in particular, Internal Audit performs an annual review of the design and effectiveness of the control activities regarding financial information. Pursuant to these reviews, Internal Audit sends reports on possible shortcomings in internal control that they have detected to those responsible for these activities, to Senior Management, and to the Audit and Compliance Committee, as well as action plans adopted by the Company for their mitigation.

Failure to complete an action plan for mitigating a risk detected in the course of Internal Audit's work is reported to the Global Risk Department for evaluation of its impact and, if it is consi-

dered significant, is reported to the CEO and the Audit and Compliance Committee.

Internal Audit has an annual plan approved by the Audit and Compliance Committee. The plan provides for tests of business units and processes considered high risk according to the Company Risk Map.

During 2013 the plan included oversight of ICFR and involved the analysis of 273 control activities of which 47 are ELC and 31 information technology. All the controls functioned as designed, but some control weaknesses and opportunities for improvement which did not significantly affect the quality of financial information were detected and have resulted in action plans following the policy of continuous improvement which characterizes Indra Group. As of December 31, 2013 there were no material weaknesses in ICFR.

G. EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the Company's level of compliance with recommendations from the Unified Code of Good Governance.

In the event that a recommendation is not followed or folloed only partially, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company's acts. General explanations are not acceptable.

1. That the Bylaws of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.

See sections: A.10, B.1., B.2, C.1.23 and C.1.24

Complies Explanation

2. That when the parent company and a subsidiary are listed on the stock exchange both should publicly and specifically define:

- a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other Group companies;
- b) The mechanisms in place to resolve any conflicts of interest that may arise.

See sections: D.4 and D.7

Complies Complies Partially Explanation Not Applicable

3. That, although not expressly required by commercial law, transactions that entail a structural modification of the company should be submitted for approval at the annual shareholders meeting and, in particular, the following:

- a) Transformation of listed companies into holding companies through the incorporation of subsidiaries to carry out essential activities previously performed by the company itself, even when the company maintains full control;
- b) Acquisitions or disposals of essential operating assets that entail an effective modification of the statutory activity of the company;
- c) Transactions whose effect is equivalent to liquidation of the company.

See section B.6

Complies Complies Partially Explanation

4. That proposals for resolutions to be passed at the annual meeting, including the information referred to in Recommendation 28, be made public when the meeting is called.

Complies Explanation

5. That items which are substantially independent should be voted on separately at the annual meeting, enabling shareholders to express their voting preferences separately. This rule should apply particularly in the following cases:

a) When appointing or ratifying directors, where votes should be made on an individual basis;

b) In the event of amendments to the Bylaws, for each Article or group of Articles which are substantially independent.

Complies Complies Partially Explanation

6. That companies should allow split voting, enabling financial intermediaries appearing as shareholders but acting on behalf of different customers to cast votes in accordance with the latter's instructions.

Complies Explanation

7. That the board execute its functions with a single purpose and independently, treat all shareholders equally and be guided by the interests of the company, maximising the financial value of the company in a sustained manner.

The board will also ensure that its relationships with stakeholders of the company are in accordance with law and regulations; that it complies in good faith with its obligations and contracts; that it respects the customs and best practices of the sectors and territories where

it carries out its activities; and that it applies any additional corporate social responsibility principles it has voluntarily accepted.

y observe aquellos principios adicionales de responsabilidad social que hubiera aceptado voluntariamente.

Complies Complies Partially Explanation

8. That the board undertakes, as its core mission, approval of corporate strategy and the specific organizational structure for implementing it, as well as to supervise and ensure that management complies with established objectives consistent with the business purpose and corporate interests of the company. To this end, the board as a whole should approve:

a) **General corporate policies and strategies, in particular the following:**

- i. The business plan, management targets and the annual budget.
- ii. The investment and financing policy.
- iii. The definition of the structure of the group of companies.
- iv. The corporate governance policy.
- v. The corporate social responsibility policy.
- vi. The policy for senior management compensation and performance appraisal.
- vii. The risk management and control policy and regular monitoring of internal information and control systems.
- viii. The policies on dividends and treasury shares, particularly with regard to their limits.

See sections C.1.14, C.1.16 and E.2

b) The following decisions:

At the proposal of the company's chief executive, the appointment and possible termination of senior managers, and approval of their severance clauses.

- ii. Compensation of directors and, in the case of executive directors, additional compensation for their management duties and other conditions contained in their contracts.
- iii. Financial information which, as a listed entity, the company is periodically required to publish.
- iv. All types of investments or transactions which may be considered strategic by virtue of their large amount or special characteristics, except when they must be approved at a meeting.
- v. The creation or acquisition of equity interests in special purpose entities or entities domiciled in countries or territories considered tax havens, and any other similar transactions or operations which, in light of their complexity, could undermine the Group's transparency.

c) Transactions carried out by the company with directors, significant shareholders or those represented on the board, or parties related to any of them (related party transactions).

However, such authorisation from the Board will not be required for related-party transactions that simultaneously meet the following three conditions:

1. That the transactions be carried out under contracts with standard conditions that apply generally to a large number of customers.
2. That the transactions be carried out at prices or fees generally established by the party that acts as a supplier of the good or service involved.
3. That the transactions be for an amount not exceeding 1% of the company's annual revenue.

It is recommended that the board approve any related party transactions following receipt of a favourable report from the audit committee or, as appropriate, any other commissioned for this purpose, and that the affected directors neither exercise nor delegate their right to vote

and instead leave the meeting room while the board deliberates and casts its votes on the matter.

It is recommended that the powers attributed to the board should not be subject to delegation, except those mentioned in letters b) and c), which may be adopted in urgent circumstances by the Executive Committee with subsequent ratification by the Board in plenary session.

See sections: D.1 and D.6

Complies Complies Partially Explanation

9. That the board be of an appropriate size to enable it to operate in an effective and participatory manner. It is therefore advisable that it comprise no fewer than five and no more than fifteen directors.

See section: C.1.2

Complies Explanation

10. That external Proprietary and Independent directors constitute a substantial majority of the Board and that the number of executive directors be the minimum necessary taking into account the complexity of the corporate group and the percentage equity participation of executive directors in the company.

See sections: A.3 and C.1.3

Complies Complies Partially Explanation

11. That among external directors, the ratio of proprietary directors to independent directors should reflect the proportion between the equity interest in the company represented by proprietary directors and the remaining share capital.

This strict proportional criterion may be adjusted in such a way that the number of Proprietary directors exceeds the number that would apply to the percentage of total equity interest they represent:

1. In companies with high market capitalization in which interests that are legally considered significant are minimal or nil, but where there are shareholders whose interest has a high absolute value.

2. In companies where a plurality of shareholders represented on the Board are not related to one another.

See sections: A.2., A.3 and C.1.3

Complies Explanation

12. That the number of independent directors should represent at least one third of the total number of directors.

See section: C.1.3.

Complies Explanation

13. That the board of directors explain the status of each director to the shareholders at the meeting so that the shareholders may appoint or ratify the directors, and that these details

be confirmed or, where appropriate, reviewed each year in the annual corporate governance report after verification by the nomination committee. This report should also explain the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 5%. It should also explain, where applicable, why formal requests from shareholders for membership on the board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

See sections: C.1.3 and C.1.8

Complies Complies Partially Explanation

14. That when the number of female directors is minimal or nil, the nomination committee should ensure that, when vacancies arise:

a) The appointment process is not implicitly biased against the selection of female directors.

b) The company seeks out, and includes among its potential candidates, women with the appropriate professional profiles.

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4.

Complies Complies Partially Explanation Not Applicable

15. That the chairman, as the individual responsible for the effective functioning of the board, should ensure that directors receive sufficient information in advance; should encourage discussion and the active participation of the directors during meetings of the board, safeguarding their freedom to take positions and their freedom of opinion; and should organise and coordinate, together with the chairs of the relevant committees, the periodic evaluation of the board and, where appropriate, of the managing director or chief executive.

See section: C.1.19 y C.1 41

Complies Complies Partially Explanation

16. That when the chairman of the board is also the chief executive of the company, one of the independent directors should be authorised to convene the board meeting or include new items on the agenda; to coordinate and reflect external directors' concerns; and to direct the board's evaluation of the chairman.

See section: C.1.22

Complies Complies Partially Explanation Not Applicable

17. That the secretary of the board of directors takes care especially that actions taken by the board:

a) Are consonant with both the letter and the spirit of laws and regulations, including any approved by regulatory bodies;

b) Are in accordance with the company's Bylaws, and with the rules of the shareholders meeting, the board of directors and any other company regulations;

c) Consider all recommendations on good governance included in this Unified Code that have been adopted by the company.

Furthermore, to ensure the independence, impartiality and professionalism of the secretary of the board, any nomination to or dismissals from this position must be reported by the nomination committee and approved by the board of directors in plenary session; and that said appointment and dismissal procedures be included in the board rules..

See section: C.1.34

Complies Complies Partially Explanation

18. That the board meet with the frequency necessary to perform its functions effectively, follow the schedule and agenda established at the beginning of each fiscal year, and allow each director propose that additional matters be raised that were not included in the initial agenda.

See section: C.1.29

Complies Complies Partially Explanation

19. That any failure to attend by a director must be unavoidable and quantified in the Annual Corporate Governance Report. If a proxy is necessary, that it contain instructions.

See sections: C.1.28, C.1.29 and C.1.30

Complies Complies Partially Explanation

20. That should a director or the secretary raise concerns regarding any proposal or, in the case of directors, the direction the company is going, and such concerns are not resolved by the board, the concern must be stated for the record at the request of the individual who raised it.

Complies Complies Partially Explanation Not Applicable

21. That the board in plenary session must assess, on an annual basis:

- a) The quality and efficiency of the board's operations;
- b) Based on a report by the nomination committee, the performance of the chairman of the board and chief executive of the company;
- c) The performance of the board committees, on the basis of their reports.

See section: C.1.19 and C.1.20

Complies Complies Partially Explanation

22. That all directors may exercise their right to obtain any additional information which they may deem useful regarding matters within the mandate of the board. Unless the company's bylaws or the board Rules state otherwise, such information requests must be directed to the Chairman or secretary of the board.

See section: C.1.41

Complies Explanation

23. That all directors are entitled to request that the company provide sufficient consulting services to carry out their functions properly. The company must decide on the most suitable way to exercise this right which, in special circumstances, may include outside consulting at the company's expense.

See section: C.1.41

Complies Explanation

24. Companies should organise orientation programmes for new directors to acquaint them rapidly with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so indicate.

Complies Complies Partially Explanation

25. That companies require that directors commit the time and effort necessary to perform their tasks effectively. As a result:

- a) Directors should inform the nomination committee of their other professional obligations in case they could affect the director's required dedication
- b) Companies should establish rules on the number of boards in which directors may participate.

See sections: C.1.12, C.1.13 y C.1.17

Complies Complies Partially Explanation

26. That any proposed appointments or re-elections presented by the board to the shareholders at the meeting, as well as any temporary appointment through co-opting, must be approved by the board:

- a) At the proposal of the nomination committee in the case of independent directors.
- b) With a prior report from the nomination committee, in the case of other directors.

See section: C.1.3

Complies Complies Partially Explanation

27. That companies publish and update the following information regarding directors on the company website:

- a) Professional profile and biography;
- b) Any other boards to which the director belongs, regardless of whether the companies are listed
- c) Type of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or are to which they are connected.
- d) The date of their first appointment as a director of the company's board of directors, and any subsequent nomination, and;
- e) The shares and options they own.

Complies Complies Partially Explanation

28. That proprietary directors representing significant shareholders must resign from the board if the shareholder they represent sells its entire shareholding or reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

See section: A.2, A.3 y C.1.2

Complies Complies Partially Explanation

29. That the board of directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the bylaws unless the board finds just cause and a prior report has been prepared by the nomination committee. Specifically, just cause is considered to exist if the director has failed to complete the tasks inherent to his or her position or entered into any of the circumstances which would cause the loss of independent status in accordance with Directive ECC/461/2013.

The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar operation entailing a change in the shareholding structure of the company, provided that such changes in the structure of the board are the result of the proportionate representation criteria set forth in Recommendation 12.

See sections: C.1.2, C.1.9, C.1.19 y C.1.27

Complies Explanation

30. That companies establish rules requiring that directors inform the board and, where appropriate, resign from their positions, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

If a director is indicted or tried for any of the crimes set out in Article 213 of the LSC, the board must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her position. The board must provide a reasoned written account of these events in its Annual Corporate Governance Report.

See sections: C.1.42, C.1.43

Complies Complies Partially Explanation

31. That all directors clearly express their opposition when they consider any proposal to be against the company's interests. This applies especially to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the board.

Furthermore, when the board makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in case of resignation, explain the reasons for this decision in the letter referred to in the next Recommendation.

This Recommendation also applies in the case of the secretary of the board, despite not being a director.

Complies Complies Partially Explanation Not Applicable

32. That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the board. Irrespective of whether the resignation has been reported as a relevant event, it must be included in the Annual Corporate Governance Report.

See section: C.1.9

Complies Complies Partially Explanation Not Applicable

33. That only executive directors should receive compensation in the form of shares in the company or Group companies, options or instruments relating to share value, variable compensation linked to the company's performance, or pensions.

This recommendation does not apply to share-based payments when directors are required to maintain ownership of those shares until they leave their positions.

Complies Complies Partially Explanation Not Applicable

34. That external directors receive sufficient compensation to reward the dedication, qualifications and responsibility inherent to their posts, but not so high as to compromise their independence.

Complies Explanation Not Applicable

35. That compensation linked to company performance take into account any qualifications included in the external auditor's report that may reduce profit for the year.

Complies Explanation Not Applicable

36. That variable compensation policies incorporate limits and technical safeguards necessary to ensure that compensation rewards the professional performance of its recipients rather than the general development of the market or the company's business sector, or any other similar circumstances.

Complies Explanation Not Applicable

37. That if there is an executive committee, the proportion of each different director category must be similar to that of the board itself, and its secretary must be the secretary of the board.

See section: C.2.1 y C.2.6

Complies Complies Partially Explanation Not Applicable

38. That the board must always be aware of the matters discussed and decisions taken by the Executive committee and that all directors of the board receive a copy of the minutes of

Executive committee meetings.

Complies Explanation Not Applicable

39. That the board of directors establish, in addition to the audit committee required by the LMV, a committee or two separate committees to deal with appointment and compensation.

That the rules for the composition and functioning of the audit committee and the nomination and compensation committee or committees be included in the board rules, and include the following requirements:

- a) That the board appoint the members of these committees, taking into account their knowledge, skills and experience and the tasks to be carried out by each committee; that it deliberate over their proposals and reports; and that they be required to appear before the first plenary session of the board to report on their activities and answer all questions relating to the work performed.
- b) That these committees must be comprised solely of external directors, with a minimum of three. However, executive directors or senior management personnel may attend when committee members request their presence.
- c) That they be chaired by independent directors.
- d) That they be entitled to request external advisory services if necessary to fulfil their functions.
- e) That minutes be taken at all committee meetings and a copy sent to all directors of the board.

See sections: C.2.1 y C.2.4

Complies Complies Partially Explanation

40. That the supervision of compliance with the internal code of conduct and corporate governance regulations be the responsibility of the audit committee, the appointment committee or, if they exist as separate bodies, the compliance or corporate governance committees.

See sections: C.2.3 y C.2.4

Complies Explanation

41. That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues.

Complies Explanation

42. That listed companies have an internal audit function supervised by the Audit committee to ensure that information and internal control systems operate correctly.

See section: C.2.3

Complies Explanation

43. That the person in charge of the internal audit function present an annual work plan to the audit committee, report directly on any issues that may arise during the implementation of this plan and present an activity report at the end of each fiscal year.

Complies Complies Partially Explanation

44. That the control and risk management policy identify at least the following:

- a) The different types of risk (operational, technological, financial, legal, reputational etc.) faced by the company, including under financial or economic risks any contingent liabilities and other off-balance sheet risks;
- b) A setting of risk level deemed acceptable by the company;
- c) The measures in place to mitigate the impact of the risks identified should they materialise;
- d) The internal control and information systems that will be used to control and manage the aforementioned risks, including contingent liabilities and off-balance sheet risks.

See section: E

Complies Complies Partially Explanation

45. That the audit committee be responsible for:

1° With regard to information systems and internal control:

- a) That the primary risks identified through monitoring the effectiveness of internal control and internal audit within the company, as the case may be, are properly managed and disclosed.
- b) Ensure the independence and effectiveness of the internal audit function; propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
- c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.

2° With regard to the external auditor:

- a) Regularly receive information from the external auditor regarding the audit plan and its results, ensuring that senior management takes its recommendations into account.
- b) Ensure the independence of the external auditor, to which end:

- i) The company file a relevant event report with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof;
- ii) That should the external auditor resign, examine the circumstances leading to the resignation.

See sections: C.1.36, C.2.3, C.2.4 and E.2

Complies Complies Partially Explanation

46. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies Explanation

47. That the audit committee report to the board, before adopting the corresponding decisions, on the following issues indicated in Recommendation 8:

- a) The financial information that listed companies are required to publish from time to time. The committee must ensure that interim accounts are prepared applying the same accounting principles as the annual accounts and, for this purpose, consider whether a limited review by the external auditor is necessary.
- b) The creation of or acquisition of shares in special-purpose vehicles or entities domiciled in countries or areas considered to be tax havens, as well as any other similar transactions that, due to their complexity, could obscure the transparency of the group.

c) Related-party transactions, unless this preliminary reporting has been allocated to a committee other than the supervision and control bodies.

See sections: C.2.3 y C.2.4

Complies Complies Partially Explanation

48. That the board of directors endeavours to submit the annual financial statements to the annual shareholders meeting with no qualifications or reservations in the audit report and, in the exceptional circumstance that it fails to do so, the chair of the audit committee and the auditors must clearly explain the content and scope of the reservation or qualification to the shareholders.

See section: C.1.38

Complies Complies Partially Explanation

49. That the majority of the directors of the nomination committee - or the nomination and compensation committee if both functions are combined in one body - are independent directors.

See section: C.2.1

Complies Complies Partially Explanation

50. That, in addition to the functions indicated in the previous Recommendations, the nomination committee is also responsible for the following functions:

- a) Evaluate the competence, knowledge and experience required by the board and define as a consequence the roles and skills required for candidates to fill a vacancy, as well as the time and dedication required to perform their duties.
- b) Adequately review or organise succession to the positions of chairman and chief executive and, when applicable, make proposals to the board to ensure a well-planned and orderly succession.
- c) Report on the appointment or dismissal of senior management proposed by the chief executive to the board.
- d) Inform the board on gender diversity matters included in Recommendation 14 of this Code.

See section: C.2.4

Complies Complies Partially Explanation Not Applicable

51. That the nomination committee consult with the chairman and the chief executive of the company, especially in relation to executive directors. That any director may ask the nomination committee to consider potential candidates he or she considers appropriate to fill a vacancy on the board of directors.

Complies Complies Partially Explanation Not Applicable

52. That, in addition to the functions indicated in the preceding recommendations, the compensation committee be responsible for the following functions:

- a) Propose to the board of directors:
 - i) The compensation policy applicable to directors and senior management
 - ii) The individual compensation of executive directors and the terms and conditions of their contracts.
 - iii) The basic conditions of contracts signed with senior management
- b) Ensure compliance with the compensation policy established by the company

See sections: C.2.4

Complies Complies Partially Explanation Not Applicable

53. That the compensation committee consult with the chairman and the chief executive of the company, especially in relation to executive directors and senior management.

Complies Explanation Not Applicable

H. FURTHER INFORMATION OF INTEREST

1. If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and understandable picture of the structure and governance practices in the company or group, describe them briefly below.

2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

Specifically, indicate whether the Company is subject to any corporate governance legislation different from that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3. The company may also indicate whether it voluntarily complies with other ethical or best practice codes, whether international, industry based, or other. In such a case, name the code in question and the date the company began following it.

Regarding Section A.2 describing direct and indirect holders of significant amounts of stock, note that in the communication made to the CNMV on 11 August, 2011, the holdings of FMR LLC are through various funds that are mentioned in the communication. This letter does not mention the number of shares held directly by each of the funds; only the overall participation of FID LOW PRICED STOCK FUND, which on that date amounted to 8.69%, is indicated.

In the same section and regarding the most significant changes in shareholder composition occurring during the fiscal year, the following trades may be noted:

- ◆ On 2 August, 2013 Banco Financiero y de Ahorros sold all of its direct and indirect holdings in Indra (33,057,734 shares, representing 20.14% of equity) to the Sociedad Estatal de Participaciones Industriales.
- ◆ On 5 August, 2013, Liderbank, S.A. sold its entire stake in Indra (8,212,805 shares representing 5% of equity) to qualified investors, thus ending its stock ownership of the Company.

Regarding Section C.1.15 relative to total compensation of the Board of Directors, it is noted that the amount given here does not coincide with the amount given in the semi-annual report because the latter includes gross value of shares received by executive directors, while this report uses a net amount.

In addition, regarding Section C.1.16 relative to compensation paid to senior management during fiscal 2013, it is noted that the amount given of 7,339 thousand euros is for the seven senior managers during 2013, and includes the gross value of shares delivered, and is the same as that contained in the semi-annual report.

Regarding Section C.1.17 on members of the board who are also members of the boards of directors of significant shareholders and/or companies in the group, it is noted that Mr. Eusebio Vidal-Ribas (natural person representative of director Casa Grande de Cartagena, S.L.U) is Managing Director of Casa Grande de Cartagena, S.L.U. and occupies the posts indicated below in members of that company's group:

- ◆ Polan, S.A. – Director
- ◆ Pactio Gestión, S.G.I.I.C., S.A. – Managing Director
- ◆ Allocation, S.I.C.A.V., S.A. – Director
- ◆ Keeper Inversiones, S.I.C.A.V., S.A. – Director
- ◆ Chart Inversiones, S.I.C.A.V., S.A. – Director

Regarding the number of Board meetings where the Chairman was not present indicated in Section C.1.29, it is noted that he was not present at the 2 sessions which dealt with his compensation and evaluation in his capacity as CEO as well as Chairman of the Board.

Regarding Section C.1.30 relative to attendance at meetings of the Board and its Committees, it is noted that during fiscal 2013 total physical attendance at meetings of the Board and its Committees was 89%, and 94% in the case of independent directors.

Regarding C.1.45 relating to agreements between the company and senior and supervisory employees or employees with severance clauses or golden parachutes effective when these employees resign or are fired without cause or when their employment relationship ends due to a public offering or other type of activity, it is specifically noted that such severance clauses or golden parachutes do not exist in the contracts for services with executive directors.

Regarding Section D.2 it should be made clear that all related transactions with significant share-

holders have been authorized in accordance with Board rules and done in the ordinary course of business of the Group and under market conditions, do not represent individually or in their entirety a significant amount relative to company value, financial condition or turnover of the Group, without affecting the fact that it is Company policy to make detailed disclosure of all such relationships in this report. Specifically, the following is noted:

- ◆ That "finance expenses" refers to expenses and interest paid for financial brokerage services and drawdown on lines of credit.
- ◆ That "receipt of services" refers to services rendered to Indra which were necessary for Indra's business.
- ◆ The amounts shown under "services rendered" are for services performed by Indra within the scope of its business.
- ◆ The amounts denominated as "other expenses" are for expenses for management of bank guarantees.
- ◆ "Financial Income" relates to interest received by Indra for short term deposits.
- ◆ In the "finance agreements" category, 17,475 m€ is included, which represents the maximum amount of credit lines and 84,819 m€, which represents the maximum amount of derivative lines and trade credits. This latter amount is included in the semi-annual report under the category "other activities," not available in this form.

In its semi-annual report, the Company included under the heading "other related parties" transactions with Banco Inversis, S.A. until August, 2013, after which it was no longer a related party due to the sale of Banco Financiero y de Ahorros of its equity interest in Indra.

Regarding Section D.3, related transactions with directors do not represent individually or in the aggregate a significant amount of turnover or value of the Company, were all done in the ordinary

course of business of the Company and under market conditions, and authorized by the Board of Directors consistent with Board Rules. Notwithstanding the foregoing, it is the policy of the company to make detailed public disclosure of such transactions.

The receipt of services indicated are for security services rendered by companies within the Seguriber-Umano Group, of which Mrs. De Oriol is a majority shareholder and Chair. Companies within the Seguriber-Umano group had business relationships with Indra before appointment of Mrs. De Oriol as director.

This Annual Corporate Governance Report was approved by the Board of Directors of the Company at the meeting held on 27 March 2014.

Indicate whether any Directors voted against or abstained from voting on this report.

Yes No

Name of Director not Voting for Approval of this Report

Reasons (opposed, abstention, non-attendance)

Explanation of Reasons

KPMG Auditores S.L.
Edificio Torre Europa
Paseo de la Castellana, 95
28046 Madrid

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

Independent Auditors' Report on Internal Control over Financial Reporting

To the Directors of
Indra Sistemas, S.A.

In accordance with your request and to our engagement letter dated 29 October 2013, we have examined the system of internal control over financial reporting of Indra Sistemas, S.A. (the Company) and subsidiaries (the Indra Group) at 31 December 2013, in accordance with the criteria of the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's board of directors and the Group's senior management are responsible for adopting the measures required to reasonably guarantee the implementation, maintenance and supervision of an adequate system of internal control over financial reporting, assessing its effectiveness and making improvements to the system, as stated in the accompanying report drawn up by Group management on internal control over financial reporting. Our responsibility is to express an opinion on the effectiveness of the Group's internal control over financial reporting based on our examination.

A system of internal control over an entity's financial reporting is a process designed to provide reasonable assurance that its annual financial reporting complies with the applicable financial reporting framework. It includes policies and procedures that are aimed at: (i) producing and maintaining records that present fairly and in reasonable detail the Group's transactions and assets; (ii) providing reasonable assurance that transactions are adequately recorded so as to allow the Group to prepare consolidated annual accounts in accordance with the applicable financial reporting framework; and (iii) providing reasonable assurance regarding the timely prevention or detection of asset additions or disposals or unauthorised use of Group assets that could have a material effect on the consolidated annual accounts. Irrespective of the quality of the design and operation of the internal control system adopted for the purpose of annual financial reporting, this can only provide reasonable but not absolute assurance as to the objectives sought, due to the limitations inherent in any internal control system.

We conducted our examination in accordance with ISAE 3000 (International Standard on Assurance Engagements 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) for the issue of reasonable assurance reports. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether the Group system of internal control over financial reporting is effective in all material aspects. Our examination required us to gain an understanding of the Group's internal control over financial reporting system, to verify and evaluate, on a test basis, the design and operating efficiency of the system, and to perform other procedures that we considered necessary under the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Group maintains, in all material respects, effective internal control over financial reporting as at 31 December 2013, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

As this examination does not constitute an audit of accounts nor is it subject to the Revised Audit Law, approved by Royal Legislative Decree 1/2011 of 1 July 2011, we do not express an audit opinion in the terms envisaged in such legislation applicable in Spain. However, in accordance with legislation regulating the audit of accounts in Spain, on 28 March 2014 we issued our unqualified auditors' report on the Group's consolidated annual accounts for 2013.

This report was prepared at your request, within the context of the requirements of Securities Market Law 24/1998 of 28 July 1998, amended by Economy Law 2/2011 of 4 March 2011 and Circular 5/2013 of 12 June 2013 of the Spanish National Securities Market Commission (CNMV), for the purposes of describing internal control over financial reporting in annual governance reports. We accept no liability to any third parties other than the intended recipients of this report.

KPMG Auditores, S.L.

(Signed on the original in Spanish)

Hilario Albarracín Santa Cruz

28 March 2014

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