



**PROPOSALS FOR RESOLUTIONS AND INFORMATION FOR
SHAREHOLDERS FOR THE 2017 ANNUAL
SHAREHOLDERS MEETING**

May, 2017

Information for Shareholders for the 2017 Annual Shareholders' Meeting of Indra

This document was prepared by the Board of Directors of Indra Sistemas, S.A. (the "Company" or "Indra") in order to present to its Shareholders, fully and in detail, the Agenda and the reasons for each Agenda Item for the next Annual Shareholders Meeting (the "Meeting"), as well as the proposed resolutions that the Board of Directors (the "Board") has decided to submit to the Meeting for each Item of the Agenda.

Just as in previous years, pursuant to its policy of following best practices in corporate governance and transparency of information, and in accordance with the *Ley de Sociedades de Capital* ("Corporations Act" or "LSC"), from the very start of the Meeting the Board of Directors makes information available to Shareholders explaining the contents of each one of the proposals that the Board will submit, with the goal of facilitating Shareholder understanding of said proposals and allowing Shareholders' exercise of their votes with a deeper understanding of the issues.

In Item 1 of the Agenda, approval of the Financial Statements and of the Management Report of Indra Sistemas, S.A. and its consolidated group are proposed (and which form part of the Annual Corporate Governance Report for fiscal 2016 in accordance with Article 538 of the LSC).

Item 2 of the Agenda is a proposal for allocation of results realized during the fiscal year ended 31 December, 2016.

In Item 3 of the Agenda, approval of the Board's management for the fiscal year ended 31 December, 2016 is proposed.

Regarding the three Agenda items above, the audited individual and consolidated Annual Financial Statements and Management Report, the Report on Corporate Governance, and the Annual Corporate Social Responsibility Report for fiscal 2016 are made available on the Company website upon call of the Meeting, along with other relevant information.

Supplementary to the issuance of the Annual Corporate Governance Report and in accordance with the text of Recommendation 3 of the Code of Good Governance for Listed Companies, during the meeting the Chairman of the Board of Directors will report on changes in Corporate Governance of the company since the last Annual Shareholders Meeting.

In Item 4 of the Agenda, the appointment of two Directors as well as re-election of four Directors whose terms end this year is proposed, accompanied by substantial supporting documentation for these proposals. As regards the Independent Directors, the proposal from the Nomination, Compensation and Corporate Governance Committee and the supporting report from the Board outlining the competence, experience and merits of the proposed



candidates are placed at the disposal of Shareholders. Additionally, the professional profile of each of the above referenced Directors is included.

Items 5 and 6 of the Agenda propose the renewal of authority enabling the board of Directors to increase company capital and issue instruments convertible or not for shares in the Company as well as other instruments with subscription rights. In accordance with the provisions of the LSC, the Board has issued the corresponding reports supporting said proposals.

In Item 7 of the Agenda, in accordance with the provisions of Article 541 of the LSC, the Board submits, on a consultative basis, the 2016 Annual Report on Director Compensation.

Item 8 of the Agenda, in accordance with Article 529.19 of the LSC, submits to the Meeting a proposal for a new Compensation Policy for Directors covering fiscal 2018, 2019 and 2020. The required report drafted by the Nomination, Compensation and Corporate Governance Committee is included.

In addition to the documentation referred to, Shareholders may review the 2016 Annual Reports on the Proceedings of the Audit and Compliance Committee and of the Nomination, Compensation and Corporate Governance Committee, the Report Regarding Related Party Transactions issued by the Nomination, Compensation and Corporate Governance Committee, as well as the Report on the Independence of the Auditor on the Company website, which documents the Company makes public in accordance with best practices regarding corporate governance.

All of the aforementioned information as well as the documents mentioned in the call announcement and the call notice itself will remain accessible without interruption on the Indra website (www.indracompany.com) from publication of the call.

***The Board of Directors,
25 May 2017***

- a. **Call to Order**
- b. **Items 1, 2 and 3 of the Agenda.** - Approval of the Individual and Consolidated Financial Statements and the Management Report for the 2016 fiscal year. Approval of the proposed allocation of results for 2016. Approval of the Board of Directors' management of the Company for the fiscal year ended 31 December, 2016.
- c. **Item 4 of the Agenda.** - Appointment and re-election of Directors.
- d. **Item 5 of the Agenda.** - Delegation to the Board of Directors, with express power to sub-delegate, the authority to increase the capital stock of the Company consistent with the conditions contained in Article 297.1 b) of the LSC, including by means of the issuance of redeemable shares, and the authority to exclude pre-emptive rights, in which case any increase of capital pursuant to this delegation may not exceed 20% of the capital stock of the Company at the time of authorization at the Annual Shareholders' Meeting, it being understood that said limitation includes the amount of any increase in capital which may arise from the approval and execution of the proposal contained in Item 6 of the Agenda.
- e. **Item 6 of the Agenda.** - Delegation to the Board of Directors, with express power to sub-delegate, the authority to issue in one or more offerings, obligations, bonds whether convertible or exchangeable or not, as well as other fixed income instruments, warrants, and any other instruments conceding the right to acquire new share issuances, outstanding shares of the Company or of other companies, with a limit of 1,500M €. This authorization includes the delegation of powers necessary, when appropriate, to: (i) determine the bases and means of conversion, exchange or exercise; (ii) increase capital stock in the amount necessary to carry out conversion requests; and (iii) exclude pre-emptive rights for said issuances, limited to a maximum of 20% of the par value of capital stock.
- f. **Item 7 of the Agenda.** - Consultative vote on the Annual Compensation Report for 2016.
- g. **Item 8 of the Agenda.** - Approval of the Compensation Policy.
- h. **Item 9 of the Agenda.** - Authorization and delegation of powers for the formalization, registry, and execution of resolutions adopted at the Meeting.

a. Announcement of call of the Meeting**ANNUAL SHAREHOLDERS MEETING**

By resolution of the Board of Directors, Shareholders are called to the Annual Shareholders Meeting of **Indra Sistemas, S.A.**, to be held at the corporate offices located at Alcobendas (Madrid), Avenida de Bruselas 35, this upcoming June 28th, 2017 at first call at **12:30 p.m.** or, in the event a quorum is not present the next day, June 29th, 2017 at the same time and place on second call in order to consider and decide the following matters:

AGENDA

First.- Review and approval of the Financial Statements and the Management Report of Indra Sistemas, S.A. and its Consolidated Group for the fiscal year ended 31 December 2016.

Second.- Approval of the proposed allocation of results for fiscal 2016.

Third.- Approval of management by the Board of Directors during the fiscal year ended on 31 December 2016.

Fourth.- Appointment and re-election of Directors.

4.1. Appointment of Ms. Silvia Iranzo Gutiérrez as Independent Director, upon proposal by the Nomination, Compensation and Corporate Governance Committee.

4.2. Appointment of Ms. María Rotondo Urcola as Independent Director, upon proposal by the Nomination, Compensation and Corporate Governance Committee.

4.3. Re-election of Mr. Ignacio Santillana del Barrio as Independent Director, upon proposal by the Nomination, Compensation and Corporate Governance Committee.

4.4. Re-election of Mr. Juan Carlos Aparicio Pérez as Proprietary Director representing the equity interest of Sociedad Estatal de Participaciones Industriales, upon proposal by the Board of Directors.

4.5. Re-election of Mr. Adolfo Menéndez Menéndez as Proprietary Director representing the equity interest of Sociedad Estatal de Participaciones Industriales, upon proposal by the Board of Directors.

4.6. Re-election of Mr. Javier de Andrés González as Executive Director, upon proposal by the Board of Directors.

Fifth.- Delegation to the Board of Directors, with express power to sub-delegate, the authority to increase the capital stock of the Company consistent with the conditions contained in Article 297.1 b) of the LSC, including by means of the issuance of redeemable shares, and the authority to exclude pre-emptive rights, in which case any increase of capital pursuant to this delegation may not exceed 20% of the capital stock of the Company at the time of authorization at the Annual Shareholders' Meeting, it being understood that said limitation includes the amount of any increase in capital which may arise from the approval and execution of the proposal contained in Item Sixth of the Agenda.

Sixth.- Delegation to the Board of Directors, with express power to sub-delegate, the authority to issue in one or more offerings, bonds or debentures, simple, convertible, exchangeable into or for shares of the Company, as well as other fixed income instruments, warrants, and any other instruments conceding the right to acquire new share issuances, outstanding shares of the Company or of other companies, with a limit of 1,500 M€. This authorization includes the delegation of powers necessary, when appropriate, to: (i) determine the bases and means of conversion, exchange or exercise; (ii) increase capital stock in the amount necessary to carry out conversion requests; and (iii) exclude pre-emptive rights for said issuances, limited to a maximum of 20% of the nominal value of capital stock.

Seventh.- Consultative voting on the Annual Compensation Report 2016.

Eighth.- Approval of the Compensation Policy for Directors for period 2018-2020.

Ninth.- Approval and delegation of authority to formalize, enter and carry out the resolutions adopted at the Meeting.

SUPPLEMENT TO THE CALL AND PRESENTATION OF NEW PROPOSALS FOR RESOLUTION

Shareholders representing at least three percent of the capital stock may request that a supplement to the call of General Shareholders' Meeting be published in order to include one or more items on the Agenda, so long as the new items are accompanied with supporting arguments or are certified. This right shall be exercised by sending a certified notification indicating the identity of the Shareholder(s) exercising said right and the number of shares that they own, and must be received at the Company's registered office within five days following the date when the call of the General Shareholders' Meeting was published.

The supplement to the call, if any, will be published no less than fifteen days prior to 28 June 2017, the date set for the Shareholders' Meeting at first call.

During the same period of time described above, Shareholders representing at least three percent of Company equity may also present proposals based on matters already included or which ought to be included in the Agenda of the already called General Shareholders' Meeting. The Company will assure distribution of these proposed resolutions and their accompanying documentation.

RIGHT TO INFORMATION

Until the fifth day before the scheduled Meeting, Shareholders may request information which they deem appropriate or clarification from the Board of Directors or they may submit written questions which they deem relevant regarding items appearing in the Agenda. Additionally, they may request information or clarification or submit written questions regarding any public information which the Company has submitted to the CNMV since 20 February 2017, the date of the last Shareholders' Meeting. For these matters, Shareholders may apply to the Shareholder Office by telephone at 91-4809800; or by email at accionistas@indracompany.com or use forms placed on the Company website for that purpose (www.indracompany.com). In order to do this, Shareholders should present reliable identification (DNI, passport, or NIE), as well as provide information regarding the shares they own.

From publication of the call and until the holding of the Meeting, every Shareholder who wishes to do so may review the following information at the corporate offices or the Company website (www.indracompany.com) and request that it be delivered immediately and free of charge:

- (i) Call notice.
- (ii) The total number of Company shares and voting rights on the date the Meeting is called.
- (iii) Documents referred to in Article 272 of the LSC (Annual Financial Statements and Management reports of Indra Sistemas, S.A. and its Consolidated Group for fiscal 2016, as well as the report from the external auditor), which will be submitted to the Annual Shareholders' Meeting for approval as Item One of the Agenda.
- (iv) Also regarding Item One of the Agenda, the Annual Report on Corporate Governance, which forms an integral part of the Management Report.

- (v) The Annual Corporate Social Responsibility Report for 2016.
- (vi) The report regarding the independence of the 2016 Financial Statements auditor drafted by the Audit and Compliance Committee.
- (vii) The entire text of the proposals and resolutions regarding Items of the Agenda as well as reports from the Board of Directors or supporting information regarding their contents as required by law (Items 5 and 6) or which have been otherwise considered convenient.
- (viii) The names, professional profiles and class of each of the Directors whose reelection is proposed in Item Four of the Agenda, as well as the reports from the Nomination, Compensation and Corporate Governance Committee referred to in Article 529 *decies* of the *Ley de Sociedades de Capital* ("LSC").
- (ix) The 2016 Annual Compensation Report drafted by the Board of Directors and referred to in Item Seven of the Agenda.
- (x) As regards the eighth item of the Agenda regarding approval of the Compensation Policy there is a proposal brought by the Board of Directors and a specific Report from the Appointment, Compensation and Corporate Governance Committee.
- (xi) Procedures established by the Company in order to make distance voting possible and the forms made available to Shareholders to do so. Without prejudice to the foregoing, such information will be made available here regarding such procedures.
- (xii) In accordance with the provisions of Recommendation 6 of the Code of Good Corporate Governance for Listed Companies, the Annual Reports of the Audit and Compliance Committee and of the Nomination, Compensation and Corporate Governance Committee for fiscal 2016 as well as the report from the Nomination, Compensation and Corporate Governance Committee regarding related party transactions.

SPECIAL INFORMATION TOOLS

In accordance with article 539 of the LSC, the Company has a corporate website www.indracompany.com, in order to make it easier for Shareholders to exercise their right to information and in order to distribute information required by applicable law.

From the time of publication of this call and up until the moment that the Meeting begins, the above mentioned Company website will contain an Electronic Shareholders Forum accessible to all Shareholders as well as to voluntary shareholder associations



which are registered in the special Registry created for that purpose at the *Comisión Nacional del Mercado de Valores* ("CNMV").

Rules governing access and use of the Electronic Shareholders Forum are available for review on the same Company website in the section dedicated to the Annual Shareholders Meeting.

ATTENDANCE AND VOTING RIGHTS

Shareholders whose shares are registered in the books of account five days before the date of the Meeting are allowed to attend. Each share shall be entitled to one vote at the Meeting.

In accordance with Article 197 bis of the LSC, the proposals contained in Item Four of the Agenda are subject to individual and separate voting for each one of them, whether voting is done in person or by electronic means made available by the Company for such purpose. In the event that attendance cards provided by the share registry custodian do not provide for individualized voting for each of the proposals, Shareholders may nonetheless vote separately and individually for each proposal on the attendance card provided by the custodian or on the card made available to Shareholders by the Company from the moment of call on the Company website (www.indracompany.com). Otherwise, votes will be construed to apply to all of the proposed resolutions contained in the above-mentioned item of the Agenda.

This card should be addressed to the Company duly signed, and it is essential that in the event that the card placed at the disposal of Shareholders by the Company is used, that it be sent with a photocopy of the owner's DNI, NIE, or passport.

PROXY PROCEDURE AND PROCEDURE FOR LONG DISTANCE VOTING

The Board of Directors, under the power granted by Article 14 of the Bylaws and Articles 7 and 12 of the of the General Shareholders' Meeting Rules, has authorized the following procedures and requirements for the exercise of proxy rights and long distance voting at this Annual Shareholders Meeting:

1. Representation by long distance communication means

Shareholders not attending the Meeting may delegate their votes by any means indicated below to another person, who need not be a Shareholder.

The designated representative who attends the Meeting must prove his or her identity in the same fashion as attending Shareholders. The representative may exercise his or her proxy and vote only by being physically present at the Meeting.

Any proxy or representation which does not expressly indicate the person to whom the proxy is made or which is made generally to the Board of Directors will be conferred upon the Secretary of the Meeting.

Unless otherwise indicated by the represented Shareholder, the proxy applies to resolutions other than those drafted by the Board or to any matters permitted by law not included in the Agenda which may be submitted to the Meeting.

In accordance with the provisions of Articles 523 and 526 of the LSC, it is to be noted that if the representative is a Company Director, said representative may find himself in a situation of conflict of interest regarding Items 4.3, 4.4, 4.5, 4.6, 7 and 8 of the Agenda, as well as other proposals for resolutions not necessarily brought by the Board and regarding matters which are not included in the Agenda which may nonetheless be submitted to vote at the Meeting, when such is permitted by law.

For all proxies given to the Secretary of the Meeting or to a member of the Board of Directors where the proxy card does not contain express instructions to vote against or to abstain, it is understood that in all instances the represented Shareholder has given specific instructions to vote in favour of all of the proposals drafted by the Board of Directors included in the Agenda.

In the event that a proxy be applied in the manner indicated above, should the proxy empower the Secretary of the Meeting or a member of the Board of Directors, and the proxy card contain no express instructions to vote in favour or to abstain, it will be understood that the shareholder has conferred instructions to vote against said proposals.

1.1. Delivery or Correspondence by mail

Proxy rights are conferred by filling in the section included for that purpose on the attendance card provided by the share registry depository or that which the Company makes available to Shareholders by means of its website (www.indracompany.com) in the section dedicated to the General Shareholders' Meeting. The Shareholder may obtain a Company proxy card by downloading one from the website and printing it; retrieving one from the corporate offices; or requesting that a copy be sent free of charge from the shareholder office.

The properly filled out and signed card should be sent by mail or hand delivered to the corporate office (Oficina del Accionista, Av. de Bruselas 35, Alcobendas 28108, Madrid) accompanied by a photocopy of an official government issued identification document.

No one may have more than one representative at the Meeting.

When a proxy is given to a member of the Board of Directors, the communication is complete upon receipt of the documentation constituting same at the corporate office.

1.2. Electronic Means

The delivery of proxies and notice to the Company may be made electronically through the Company website (www.indracompany.com.) The procedure that a Shareholder must follow for exercising his right to vote is explained there in detail. The Shareholder must prove his or her identity by means of an unexpired electronic DNI or a recognized irrevocable electronic certificate issued by the *Fábrica Nacional de la Moneda y Timbre* (FNMT).

2. Long Distance Voting

Shareholders may exercise their right to vote without the need of attending the Meeting using means indicated below. Shareholders who vote in this way will be considered present for the purposes of quorum.

2.1. Hand or Mail Delivery

The exercise of the right to vote by this procedure is accomplished by filling out the appropriate section of the attendance card provided by the share depository or by completing the one made available by the Company to Shareholders on its website (www.indracompany.com) in the section dedicated to the General Shareholders' Meeting. The Shareholder may obtain a Company voting card by downloading and printing from the website, by retrieving one from the corporate office or requesting one be sent free of charge from the Shareholder Office.

A properly filled out card with original signature should be sent to the company office by post or it may be hand delivered to the corporate office (Oficina del Accionista, Av. de Bruselas 35, Alcobendas 28108, Madrid) accompanied by a photocopy of a government issued identification document.

In the event that the card does not indicate the way to be voted, it will be assumed in all cases that the Shareholder votes in favour of each of the proposed resolutions formulated by the Board of Directors which appear in the Agenda published at call.

2.2. Electronic Means

Votes may be cast electronically by means of the system designed for such on the Company website (www.indracompany.com). There, the Shareholder will find detailed explanation of the procedure to follow in order to exercise voting rights. The Shareholder who wishes to use this voting procedure must prove his identity using an

unexpired electronic DNI or using a recognized irrevocable electronic certificate issued by the *Fábrica Nacional de la Moneda y Timbre* (FNMT).

3. Rules common to the exercise of proxy rights and long distance voting

3.1. Identity Verification

The Company reserves the right to verify information given by each Shareholder by matching it with that provided by Iberclear, the entity in charge of the book entries for Company shares. In the event of a discrepancy between the number of shares communicated by the Shareholder on the proxy card, by electronic voting, or by forms made available on the corporate website (www.indracompany.com) and the number in the book entries as communicated by Iberclear, the number of shares registered by Iberclear shall be considered valid for quorum and voting purposes.

3.2. Artificial Persons

In the case of artificial person Shareholders, the Company reserves the right to require evidence of the sufficiency and currency of the power of attorney presented by the natural person acting in the Shareholder's place.

3.3. Time Limit for Receipt by the Company

In order for proxies and distance votes to be valid they must be received by the Company before **9:00 a.m. on 28 June 2017**, the date planned for first call of the Meeting.

3.4. Revocation and Priority

- (i) Proxies and exercise of the right to vote by long distance communication are always revocable and should be revoked expressly and by the same means used for their delivery within the period established for said voting.
- (ii) Physical attendance of the Shareholder at the Meeting, as well as attendance by means of a vote delivered by long distance revokes any proxy regardless of its date or form.
- (iii) Physical attendance of the Shareholder at the Meeting revokes any vote sent by long distance communication.
- (iv) Any vote or proxy submitted by electronic means will always prevail over a vote made by hand delivery or post.

3.5. Responsibility for Custody of the Electronic Certificate and the Devices for Creating the Electronic Signature

- (i) The Shareholder is exclusively responsible for the diligent use of his or her electronic DNI and the data for creating electronic signatures and for custody of the electronic certificate for exercising proxy rights or distance voting through electronic means.
- (ii) The Shareholder using an electronic signature is responsible for proving that the electronic certificate used has not expired or been revoked, suspended, or otherwise made invalid at the moment the electronic signature is generated.

3.6. Availability of Service

- (i) The Company reserves the right to modify, suspend, cancel or restrict voting mechanisms and electronic proxies when technical or security reasons so require.
- (ii) The Company will not be responsible for any damages which might be suffered by the Shareholder as a result of outages, overloads, fallen communication lines, connection failures, postal service malfunction or any other eventuality of an equal or similar nature outside the control of the Company which might hamper or impede the Shareholder from exercising voting rights or proxy rights by long distance communication.

DATA PROTECTION

Pursuant to the provisions of the Data Protection Legislation, the shareholder expressly consents that his/her personal data as shareholder or shareholder representative sent to the Company for the exercise of the rights to information, attendance rights, proxy or voting rights at the Shareholders' Meeting, or which may be sent by banks and Securities Brokers where Shareholders have their shares deposited through Iberclear, will be used for the purposes of facilitating the development, compliance and management of Shareholder relationships and, where applicable, Shareholder representative relationships.

Additionally, notice is given that an audiovisual recording of the entire Meeting may be made in order to facilitate its progress and to adequately distribute it. Therefore the shareholder also consents, to the extent he or she attends and participates in it, that his/her image may be processed and published by means made available by the Company, which for this purpose will be streaming through the Company website (www.indracompany.com).



Consequently, it is hereby informed that the data provided by shareholders will be collected in a file belonging to the Company on which they will have the right to exercise their rights to access, rectification, erasure, cancellation, opposition, restriction of processing and data portability in the terms specified in the Data Protection Legislation by sending an e-mail to dpo@indra.es.

NOTARIAL PARTICIPATION AT THE MEETING

The Board of Directors has agreed to require the presence of a Notary to record the minutes of the Shareholders' Meeting in accordance with that contained in Article 203.1 of the LSC.

Shareholders are informed that the Meeting may be held at second call, that is, on 29 June 2017 at 12:30 p.m.

Beginning one hour prior to the beginning of the Meeting and in the place where it is being held, Shareholders and their properly appointed representatives may present their attendance cards and proxies and, where applicable, documents confirming their legal representation, to personnel charged with registration of Shareholders.

José Antonio Escalona de Molina
Secretary of the Board of Directors

b. Items 1, 2 and 3 of the Agenda

First. - Approval of the individual and consolidated Financial Statements and the Management Report for fiscal 2016.

PROPOSED RESOLUTIONS

1. *Approve the Annual Financial Statements and the Management Report for Indra Sistemas, S.A. for the fiscal year ended 31 December 2016 and drafted by the Board of Directors at its meeting held 23 March 2017.*

In accordance with procedures followed by the Company regarding corporate governance, attention is expressly directed to Note 38 of the individual Annual Report and to section C.1.45 of the Annual Report on Corporate Governance which is incorporated into the Management Report, where obligations assumed by the Company in the event of termination of the contractual relationship of senior management -- including Executive Directors -- are described.

The annual financial statements reflect a profit of 82,582,399.82 € after taxes.

2. *Approve the consolidated Annual Financial Statements and the Management Report of the group of companies headed by Indra Sistemas, S.A. corresponding to the fiscal year ended 31 December, 2016 and drafted by the Board of Directors on 23 March, 2017.*

The consolidated Financial Statements show after tax profit of 69,931 thousand euros attributable to the parent company.

Second. - Approval of the proposed allocation of results for fiscal 2016.

PROPOSED RESOLUTIONS

The annual financial statements for the fiscal year ended 31 December, 2016 drafted by the Board of Directors at its meeting held 23 March 2015 reflect a profit of 82,582,399.82 € after taxes.

It is proposed that said result be applied as follows:

<i>Profit from Operations</i>	<i>82,582,399.82 €</i>
<i>Amount applied to losses from prior fiscal years</i>	<i>82,582,399.82 €</i>

Third. - Approval of management by the Board of Directors for the fiscal year ended 31 December, 2016.

PROPOSED RESOLUTION

“Approve management of the Board of Directors during the fiscal year ended 31 December 2016.”

REASONS FOR THE PROPOSAL

- The Financial Statements and the Management Report for the 2016 fiscal year are made available to the Shareholders and were communicated in accordance with law to the *Comisión Nacional del Mercado de Valores* (“Spanish Securities Market Commission” or “CNMV”) on 31 March, 2016.

The Financial Statements include the balance sheet, the income statement, a statement of recognised income and expense, statement of owners’ equity, a statement of cash flows and the Annual Report.

The Management Report includes, among other things, the Annual Report on Corporate Governance.

The Financial Statements and Management Report have been certified by the Chief Executive Officer and the Chief Financial Officer of the Company, verified by the Audit and Compliance Committee prior to its preparation by the Board, and audited by the independent firm Deloitte, S.L. without any exceptions or reservations.

In accordance with the requirements of the *Ley de Mercados de Valores* (“Securities Exchange Act” or “LMV”), the Directors of the Company have signed a declaration of responsibility relating to the contents of the Financial Statements and the Management Report for the 2016 fiscal year.

- The Annual Corporate Governance Report details the activity and workings of the Board and its committees during the fiscal year as well as the level of achievement by the Company of the recommendations contained in the Code of Good Corporate Governance for Listed Companies.
- The Annual Report on Corporate Social Responsibility gives an integrated picture of Indra’s social and environmental performance, and offers a global and holistic

description of its impact on all its stakeholders. Said Report was edited by the Nomination, Compensation and Corporate Governance Committee and approved by the Board of Directors at its 27 April, 2017 meeting. Its content has also been verified by KPMG Asesores.

- Based on the above, the Board proposes that the Shareholders approve the Financial Statements and the Management Report of Indra and its Consolidated Group, the allocation of losses included in same, as well as the management and actions of the Board during the 2016 fiscal year.

Additional Documents: *The Financial Statements and Management Report of Indra Sistemas, S.A. and its Consolidated Group for the fiscal year ended December 31, 2016 and their respective audit reports, the Annual Report on Corporate Governance, which is an integral part of the Management Report, as well as the Annual Report on Corporate Social Responsibility, are made available together with this document to the Shareholders on the Company website at the moment the Meeting is called. Shareholders will also find the information made public 23 February, 2017 concurrent with publication of the Activity Report and Results for 2016 as well as information the Company makes regularly available to Shareholders and interested investors at the Company web site (www.indracompany.com). Click "Presentation to Investors" then "Corporate Presentation."*

c. Item 4 of the Agenda. Appointment and re-election of Directors.

PROPOSED RESOLUTIONS

"In accordance with proposals and reports from the Nomination, Compensation and Corporate Governance Committee:

- 4.1 Appoint Ms. Silvia Iranzo Gutiérrez as Independent Director for the statutory period of 3 years upon proposal by the Nomination, Compensation and Corporate Governance Committee. Identifying information regarding the proposed Director will be entered into the Registro Mercantil.*
- 4.2 Appoint María Rotondo Urcola as Independent Director for the statutory period of 3 years upon proposal by the Nomination, Compensation and Corporate Governance Committee. Identifying information regarding the proposed Director will be entered into the Registro Mercantil.*
- 4.3 Re-elect Mr. Ignacio Santillana del Barrio as Independent Director for the statutory period of 3 years upon proposal by the Nomination, Compensation and Corporate Governance Committee. Identifying information regarding the proposed Director will be entered into the Registro Mercantil.*
- 4.4 Re-elect Mr. Juan Carlos Aparicio Pérez as Proprietary Director representing the equity interest of Sociedad Estatal de Participaciones Industriales for the statutory period of 3 years upon proposal by the Board of Directors. Identifying information regarding the proposed Director will be entered into the Registro Mercantil.*
- 4.5 Re-elect Mr. Adolfo Menéndez Menéndez as Proprietary Director representing the equity interest of Sociedad Estatal de Participaciones Industriales for the statutory period of 3 years upon proposal by the Board of Directors. Identifying information regarding the proposed Director will be entered into the Registro Mercantil.*
- 4.6 Re-elect Mr. Javier de Andrés González as Executive Director for the statutory period of 3 years upon proposal by the Board of Directors. Identifying information regarding the proposed Director will be entered into the Registro Mercantil.*

REASONS FOR THE PROPOSALS

The reports drafted by the Nomination, Compensation and Corporate Governance Committee and by the Board in accordance with the provisions of the LSC, justifying the proposals made for this Agenda Item will be made available to Shareholders upon call to order on the Company website.

Additional Documents: *Current professional profiles of the Directors whose appointment and re-election is proposed (said profiles contain identifying information, C.V. and class of Director) will be made available to Shareholders upon call to order on the Company website.*

- d. Item 5 of the Agenda.- Delegation to the Board of Directors, with express power to sub-delegate, the authority to increase the capital stock of the Company consistent with the conditions contained in Article 297.1.b) of the LSC, including by means of the issuance of redeemable shares, and the authority to waive pre-emptive rights, in which case any increase of capital pursuant to this delegation may not exceed 20% of the capital stock of the Company at the time of authorization at the Annual Shareholders' Meeting, it being understood that said limitation includes the amount of any increase in capital which may arise from the approval and execution of the proposal contained in Item 6 of the Agenda.**

PROPOSED RESOLUTION

In accordance with the report drafted by the Board of Directors under the provisions of Article 286 of the LSC, delegate to the Board the power to increase, in one or more tranches, the capital stock of the Company at any time and under terms and limits contained in Article 297.1 b) of the LSC, that is, within five years from the date of adoption of the resolution and in an amount not to exceed one half of the current capital of the company.

Increases in capital stock carried out under this authority will be done by means of issuance and placement into circulation of new shares, with or without a share premium, and paid for in cash.

For each increase, it will be up to the Board to decide if the new shares should be common, preferred, redeemable, non-voting or any other type permitted by law.

It is further agreed to empower the Board to set the terms and conditions of any increases in capital stock and the types of shares when such are not made explicit in this resolution, as well as freely offering new unsubscribed shares during the period or periods for exercising pre-emptive rights. The Board may also decide that, in the event that the capital increase is not fully subscribed, that such increase shall only be in the amount actually subscribed and that the corresponding article in the Bylaws will be amended regarding capital stock and number of shares.

For any of the increases in capital stock realized under the aegis of the present authority, the Board shall have the power to waive, partially or entirely, any pre-emptive rights under the terms of Article 506 of the LSC, so long as this authority is limited to increases in capital stock brought about under this resolution, so long as its purpose is consistent with Item 6 of the Agenda, and so long as the maximum amount authorized, in the aggregate, is no more than 20% of the current capital stock of the Company.

The Company may apply, when appropriate, for permission to trade the shares issued by the Company pursuant to this authority on secondary markets whether regulated or not, over the counter or on an exchange, domestic or foreign, and the Board is empowered to carry out procedures necessary for listing with competent bodies of the various national or foreign securities markets.

The Board of Directors is expressly authorized to delegate, under the provisions of Article 249 bis section L) of the LSC, the power to develop, complete, implement, interpret and correct capital stock increases referred to this agreement.

The current delegation of authority will render null and void any unused portion of that authority granted at the Meeting held 30 June 2016.

REASONS FOR THE PROPOSAL

The report drafted by the Board of Directors in accordance with Article 286 of the LSC justifying the proposal made for this Agenda Item will be made available to Shareholders upon call to order at the corporate website.

- e. **Item 6 of the Agenda. - Delegation to the Board of Directors, with express power to sub-delegate, the authority to issue in one or more offerings, obligations, bonds whether convertible or exchangeable or not, as well as other fixed income instruments, warrants, and any other instruments conceding the right to acquire new share issuances, outstanding shares of the Company or of other companies, with a limit of 1,500M €. This authorization includes the delegation of powers necessary, when appropriate, to: (i) determine the bases and means of conversion, exchange or exercise; (ii) increase capital stock in the amount necessary to carry out conversion requests; and (iii) waive pre-emptive rights for said issuances, limited to a maximum of 20% of the par value of capital stock.**

PROPOSED RESOLUTION

In accordance with the report drafted by the Board of Directors under the provisions of Article 286 of the LSC:

Delegate to the Board, in accordance with the general provisions regarding the issuance of securities and in accordance Articles 297.1 b), 417, and 511 of the LSC, and Article 319 of the *Reglamento del Registro Mercantil* ("Rules of the Commercial Registry"), the power to issue tradable securities in accordance under the following conditions:

1. Instruments subject to the Issue.

The negotiable securities referred to in the present delegation of authority may consist of bonds or obligations, or simple or convertible in newly issued shares or redeemable for already issued Company shares, as well as other fixed income instruments, warrants, or any other instrument with pre-emptive rights or rights to acquire currently issued shares of the Company and any other securities or financial instruments tied to Company earnings.

2. Maximum amount of the delegation.

It is to be noted that, pursuant to the provisions of the LSC, the Company is not subject to a legal limit on the issuance of these obligations. Nonetheless, the maximum total amount for any issue or issues of securities as described above which may be made under the authority of the present delegation to the Board is to be voluntarily fixed at 1,500 million euros or its equivalent in another currency at the time of its issue.



For the purposes of calculating the above referenced limit, in the event that the warrants include premiums or fees for their exercise, such amounts will be included.

3. Time.

Issuance of the securities which are the subject of this authorization will take place in one or more tranches during a period of no longer than five years beginning on the date of adoption of this resolution.

4. Scope.

For illustrative purposes only, the Board will receive the following authority which, in the event of issuance of convertible and/or redeemable obligations, will be exercised in accordance with standards later approved following the provisions of Article 414 of the LSC:

- a) To agree to the issuance of obligations in one or more tranches and to determine the price of each issue setting: the date or dates of issue; the number of securities and their par value which, in the event of convertible securities will not be less than the par value of shares at the time of issue; the rate of interest, dates and payment procedures for coupons; the time and conditions for redemption and their expiry date; subordination terms, if any; redemption rates, premiums and lot sizes; guarantees; the manner to be recorded using titles or book entries; anti-dilution clauses; the maximum amount per subscriber; the place and time for subscription; pre-emptive rights; and, generally, any other condition of issuance as well as procedures for surrender or redemption of the securities.
- b) To decide not to make any issue by not exercising its authority. Upon expiration of the time established for the issuance of securities, whether fixed income, convertible, redeemable or not, should the Board not make use of its authority, such shall be considered expired and have no effect whatsoever.
- c) In the case of convertible and/redeemable securities, determine if they will be voluntary or forced, and in the event that they be voluntary whether at the option of the title holder or the issuer, to determine in either event the timing and conversion period for the issuance, which may not exceed the expiry date for each of the debentures, as well as determine whether the conversion and/or redemption is to be done by delivery of shares or synthetic instruments or derivatives, with the attendant right to underwrite derivatives when appropriate.

- d) In the case of warrants and analogous securities which give rise to subscription or acquisition rights in shares, fix the issuance price and/or premium, the strike price -- which may be fixed, determinable or variable -- and the procedure, conversion period and other applicable terms for exercise of the acquisition or subscription rights of the underlying securities.
- e) Determine subscription terms, priority of securities and any subordination clauses and the law to be applied to the issuance.
- f) Request, when appropriate, permission to trade any issued securities in foreign or domestic secondary markets under the terms and conditions of applicable rules and, in general, any other condition for their issuance.
- g) Make early redemption of any convertible or redeemable issue or issues.
- h) Extend the registration period open to third parties before said period expires or reduce the volume of the issue to the amount subscribed upon close of said period.
- i) Authorize, when appropriate, the creation of a defence association or bondholder syndicate and appointment of a trustee in accordance with the provisions of Article 403 et seq. of the LSC and with applicable law.
- j) Set the foundational rules to apply to the legal relationship between the Company and the bondholder syndicate or syndicates created in accordance with the provisions of the LSC and applicable law.
- k) Modify the terms and conditions of the issues when considered appropriate and subject to obtaining any necessary permission and agreement of the corresponding bondholder syndicates or at their meetings, as the case may be.
- l) Correct, clarify, interpret, specify or supplement any resolutions adopted at the Annual Shareholders' Meeting or those contained in any filings or documents produced as a result and, in particular, any defects, errors or omissions, whether of style or of substance, which might impair giving full effect to those resolutions at the *Registro Mercantil*, *Registros Oficiales de la Comisión Nacional del Mercado de Valores* or any other place.
- m) Edit and publish any prospectus that it deems necessary.

5. Conditions and ratios for conversion and/or redemption.

As regards determining the conditions and ratios for conversion and/or redemption, the resolution establishes the following criteria:

(i) The securities issued under the authority of this resolution may be convertible and/or redeemable for Company stock at a fixed or variable conversion or redemption rate, at a fixed or determinable strike price, it being up to the discretion of the Board to determine if they are convertible or redeemable, as well as to determine whether conversion or redemption be forced or voluntary, at the discretion of the issuer, subject to general conditions or those of specific application and, in the event that they be voluntary at the option of the bondholder or of Indra Sistemas, S.A., or in the occurrence of some event or condition, the frequency and period established upon issuance, which may not exceed fifteen (15) years from the date of issue.

(ii) The Board may also establish, in the event that the issue be convertible or redeemable, that the issuer reserve the right to choose between conversion to new shares or exchange for outstanding shares of Indra Sistemas, S.A., fixing the type of shares to be delivered at the time that said conversion or redemption takes place, including also the right to choose to deliver a mix of new and outstanding shares of Indra Sistemas, S.A., settlement through payment of the difference in value in cash, and including making the redemption through derivatives or synthetic instruments, in which case the Board may underwrite derivatives which may be necessary or convenient in order to hedge any risks arising out of the transaction. In any event, the issuer is to treat equally all convertible and/or redeemable fixed income securities holders on any given date.

(iii) For the purposes of conversion and/or redemption, the securities will be valued at par and Company shares will have a fixed or determinable price set at the time of issue as a function of the listed value of Indra Sistemas, S.A. shares on the Bolsa on the date(s) and during the period(s) set in the issue documents, with or without a discount or premium, it being up to the discretion of the Board to decide the conversion and/or redemption criteria which it deems appropriate.

The Board may also decide to issue convertible and/or redeemable fixed income securities with a variable conversion and/or redemption rate. In these cases, the share price of Indra Sistemas, S.A. for the purposes of conversion and/or redemption will be determined by the Board, which may include a premium or a discount in the share price resulting from the established criteria. The premium or discount may be different for each conversion and/or redemption date for each issue and, when applicable, for each tranche.

(iv) Upon conversion or redemption, fractional shares due to a bondholder will be rounded down to the nearest whole number by default, and each bondholder will receive the difference in cash between the value of the number of shares to be received in accordance with the issue and the actual number received.

(v) Under no circumstances shall the price of shares upon conversion be less than par. Also, in accordance with the provisions of Article 415 of the LSC, no bonds may be convertible into shares when their par value is below the share par value.

At the time of approval of an issue of convertible bonds pursuant to the authority contained in this resolution, the Board will issue an administrators' report describing in detail and in accordance with the above described criteria, the conditions and ratios for conversion specifically applicable to the subject issue. An independent expert who is not the accounts auditor for Indra Sistemas, S.A., will also issue a report in accordance with the provisions of Article 414 of the LSC, and both documents will be published on the Company website as soon as the issuance has been approved.

6. Conditions and ratios for exercising warrants and other analogous securities.

In the event that warrants and other analogous securities which give rise to subscription or acquisition rights to Company shares are issued, because of their atypical nature, the provisions of the LSC as they relate to convertible bonds will be applied by analogy. As regards the conditions and ratios for their exercise, the Board will be empowered to determine, in the broadest possible terms, the criteria applicable for acquisition or subscription right conferred by securities of this type issued under the authority of the power so delegated and applying to them the criteria established in section 5 above, making any changes necessary in order to make them compatible with the specific characteristics of this type of security.

7. Exclusion of pre-emption rights and increase in capital.

This delegation to the Board also includes, by illustration, but is not limited to delegation of the following:

(i) Authority of the Board, pursuant to the provisions of Article 511 of the LSC as it relates to Article 417 of the same statute to waive, totally or partially, pre-emptive rights of Shareholders. In any case, should the Board decide to suspend pre-emptive rights for Shareholders regarding specific issuances of convertible bonds or securities, warrants and other similar instruments which it may decide to issue under the power vested in it by this resolution, at the time that said issuance is approved and in accordance with applicable law, it shall draft a report detailing the specific corporate best interests which justify said suspension, which shall also be the subject of a concurrent report from an independent expert who is not the auditor of the Company financial statements, named by the *Registro Mercantil* and referenced in Articles 414, 417 and 511 of the LSC. Said reports shall appear on the Company website as soon as the terms of issuance have been decided.

This authority shall in all instances be limited to those capital increases brought about under the terms of this authorization and which meet the objectives of Item Five of the Agenda for the Annual Shareholders' Meeting and up to an aggregate limit of 20% of the capital stock of the Company at the time the resolution is adopted.

(ii) The power to increase capital in the amount necessary to meet demand for conversion and/or the exercise of pre-emptive rights in shares.

This power may be exercised only so long as the Board, does not exceed the limit of one half of the company capital stock as provided for in Article 297.1 b) of the LSC, when adding together the capital increase made necessary to bring about the issuance of convertible securities or those which give rise to share subscription rights, and all other increases in capital agreed upon in accordance with the power vested to it at this Annual Shareholders' Meeting. This authorization for increase in capital includes that of issuing and placing into circulation, in one or more tranches, the number of shares necessary in order to bring about such conversion and/or exercise of subscription rights in shares, as well as the power to amend the article of the Bylaws related to the amount of capital stock and, if necessary, rescind the part of any said capital increase made unnecessary for conversion and/or exercise of subscription rights.

(iii) The power to create and establish the conditions and ratios for conversion, redemption and/or exercise of subscription rights and/or the acquisition of shares arising from the issued securities, taking into account the criteria established in the sections above.

(iv) The delegation to the Board includes the broadest possible powers under law which may be necessary for the interpretation, application, execution and promotion of the issuances of securities convertible or redeemable for shares in Indra Sistemas, S.A., in one or more tranches, and the corresponding increase in capital, if any, vesting as well powers to correct and supplement the same in all manners that may be appropriate, as well as becoming compliant with those legal requirements necessary to bring them about, and including the power to correct omissions or mistakes in said agreements which may be pointed out by any domestic or foreign authority, civil servant or body, vesting as well the power to adopt any and all agreements and deliver whatever public and private documents it considers necessary or convenient in order to carry out prior issuances of convertible or redeemable securities and the corresponding increase in capital under written or oral instructions from the *Registro Mercantil* or, generally, any other competent foreign or domestic authority, civil servant, or institution.

8. Permission to trade.

Indra Sistemas, S.A. may apply, when appropriate, for permission to trade shares issued by Indra Sistemas, S.A. pursuant to this authority on domestic or foreign secondary markets granting the Board to the maximum extent permitted by law to fulfill such requirements and perform such acts necessary for listing before the competent bodies of the various domestic and foreign exchanges.

It is expressly noted that in the event that a request to delist is made at a later date, that it will be done following the same formalities as the request for listing, to the extent that such are applicable and, in such an event, the interests of Shareholders and bondholders who abstain or vote against such measure will be guaranteed in accordance with applicable law. Also, it is expressly stated that Indra Sistemas, S.A. submits itself to existing and future rules regarding the Bolsa, especially those related to trading, listing and delisting.

9. Power to sub-delegate.

The Board of Directors is expressly authorized by these presents to delegate, under the provisions of Article 249 bis section L) of the LSC, the power to develop, complete, implement, interpret and correct capital stock increases referred to this agreement.

The current delegation of authority will render null and void any unused portion of that authority granted at the Meeting held 30 June 2016.

REASON FOR THE PROPOSAL

The report drafted by the Board of Directors in accordance with Article 286 of the LSC justifying the proposal made for this Agenda Item will be made available to Shareholders upon call to order at the corporate website.

f. Item 7 of the Agenda.- Consultative Vote on the Annual Report on Director Compensation 2016.

PROPOSED RESOLUTION

“Consistent with that contained in Article 27.6 of the Board Rules of the Company and in Article 541 of the LSC, approve the 2016 Annual Report on Director Compensation which was drafted by the Board of Directors upon proposal by the Nomination, Compensation and Corporate Governance Committee in its meeting held 23 March, 2017.

Said Report is submitted to the Meeting for voting on a consultative basis.”

REASON FOR THE PROPOSAL

This resolution is to be submitted to a non-binding vote at the Meeting in accordance with applicable law.

The 2016 Annual Report on Director Compensation faithfully follows the content and format prescribed by CNMV Circular 7/2015, and was made public as a relevant event on 31 March 2017.

Additional Document: *The Annual Compensation Report for 2016.*

g. Item 8 of the Agenda. - Approval of the Compensation Policy.

PROPOSED RESOLUTION

“Consistent the report drafted for such purpose by the Nomination, Compensation and Corporate Governance Committee and pursuant to the requirements of Article 529.19 of the LSC, approve the Compensation Policy for Indra Directors for fiscal 2018, 2019 and 2020, which, in compliance with the provisions of said article, follows the compensation system described in the Bylaws.

Said Compensation Policy establishes the maximum amount of annual compensation to be paid to the entire Board membership in their capacity as members, in accordance with the provisions of Article 529.17 of the LSC.”

REASON FOR THE PROPOSAL

A new Policy is submitted to the Meeting in accordance with the provisions of Article 529.19 of the LSC which provides that the compensation policy for directors must be approved at an Annual Shareholders Meeting no less often than once every three years, as a separate item on the Agenda. The Policy submitted for approval at the Meeting maintains the same structure, design and compensation items as that of the current policy through the end of 2017.

For the production of the Compensation Policy, the Nomination, Compensation and Corporate Governance Committee relied upon advice of well-respected independent experts with experience in these matters.

Documentation: *As regards the Compensation Policy submitted for approval under this Agenda Item, the Policy itself and the Report drafted by the Nomination, Compensation and Corporate Governance Committee specifically addressing is made available to Shareholders.*

h. Item 9 of the Agenda .- Authorization and delegation of powers for ratification, registry and execution of resolutions passed at the Meeting .

PROPOSED RESOLUTION

"Delegate to the Chairman of the Board of Directors, the Vice Chair, the Secretary of the Board, and the Vice Secretary or any of them the power to certify and publish resolutions adopted at the present Meeting and in particular the power of interpretation, correction, execution and completion of them. The power to correct entails making any amendments and additions which may be necessary or appropriate as a consequence of comments or demands of securities market regulatory bodies, stock markets, the Registro Mercantil, and any other public authority with competencies related to the adopted resolutions."