
**PROPOSED RESOLUTION AND INFORMATION IN RELATION
TO THE ITEMS OF THE AGENDA OF THE EXTRAORDINARY
SHAREHOLDERS MEETING OF INDRA SISTEMAS, S.A.**

January 2017

FIRST ITEM OF THE AGENDA (PROPOSED RESOLUTION)

As a consequence of the submission of a public tender offer for the shares of Tecnocom, Telecomunicaciones y Energía, S.A. ("Tecnocom"), and conditioned upon authorization by the *Comisión Nacional del Mercado de Valores* ("Spanish Securities Exchange Commission" or "CNMV") and other competent administrative bodies, and pursuant to the terms and conditions contained within the tender offer, increase the share capital by no more than 2,591,371.80 euros by means of the issuance and placement in circulation of up to 12,956,859 shares of common stock with a par value of 20 euro cents each, of the same class and series as are currently in circulation, with a share premium to be established by the Board of Directors at the time of execution of the capital increase. Subscription and delivery of the new shares in exchange for non-cash consideration consisting of shares of Tecnocom whose owners do so through the Public Tender Offer for shares submitted by the Company, whether those owners exchange their shares voluntarily through the Public Tender Offer or, if applicable, in exercise of purchase rights through a forced sale. Declaration of the nonexistence of pre-emptive rights and the express possibility of an incomplete subscription of the increase in accordance with the provisions of Article 14.5 of the *Real Decreto 1066/2007* of 27 July. Delegation to the Board of Directors, under the authority permitted by Article 297.1.a) of the *Ley de Sociedades de Capital*, the powers necessary to determine conditions of the increase not provided for at the shareholders' meeting including, among others, determination of the amount of the share premium, adapting Article 5 of the company bylaws to reflect the new amount of authorized capital. Request for listing of the newly issued shares on the Stock Exchanges in Madrid, Barcelona, Bilbao and Valencia and for their inclusion in the *Sistema de Interconexión Bursátil Español* ("Mercado Continuo").

This resolution is in response to the need to increase the share capital of Indra Sistemas, S.A. ("**Indra**" or the "**Company**") as a consequence of the issuance of a public tender offer for all of the shares of Tecnocom, Telecomunicaciones y Energía, S.A. ("**Tecnocom**") by the Company (the "**Offer**"). The Offer is structured as a sale/purchase and securities swap. As such, the

consideration for the Offer is mixed, with a cash component (equal to 60% of the Offer) and one consisting of newly issued Indra common stock (equal to 40% of the Offer). The shares to be offered by Indra as consideration, and which are to be issued pursuant to this resolution, have an issuance price which has been agreed to by the parties to the irrevocable contract executed between Indra and certain Tecnomcom shareholders on 28 November 2016 (9.8461 euros¹). Taking into account the given reference price, the resulting consideration has a cash equivalent of 4.25 euros per share of Tecnomcom, consisting of 2.55 euros in cash (the part of the Offer structured as a sale/purchase) and 0.1727 shares of Indra for each share of Tecnomcom (the part of the Offer structured as a swap).

1. Capital increase

As a result of the structure of the Offer, increase the share capital by no more than 2,591,371.80 euros by means of the issuance and circulation of up to 12,956,859 shares of common stock with a par value of 20 euro cents, each of the same class and series as are currently in circulation, and paid for with non-cash consideration consisting of shares Tecnomcom.

It will be up to the Board of Directors, pursuant to the procedure described below, to determine (i) the actual total amount of the share capital increase and the total number of shares of common stock to be issued as a function of the number of shares accepting the Offer, which will be no more than 2,591,371.80 euros and 12,956,859 shares, respectively, as well as (ii) the amount of the share premium.

Each share will be issued at a price of 9.8461 euros (20 euro cents of par value and 9.6461 euros as a share premium). As a result, given that the maximum number of shares to be issued is 12,956,859 shares, the maximum share premium will be 124,983,157.60 euros.

Furthermore, given that the maximum number of shares which may accept the Offer, assuming no lots with fractional shares, is 75,025,241, the maximum value of the Offer is 318,888,893.95 euros (including treasury shares) and the non-cash component is 127,574,529.40 euros.

¹Average of two prices: One is the volume weighted average for the last five trading sessions prior to the date of the pre-announcement of the Offer. The other is the average of the closing prices for those same five days (source: Bolsa de Madrid).

The shares to be issued will be represented by ledger entries and governed by the regulatory requirements of the Securities Market legislation (*Mercado de Valores*), being the body in charge of the accounting registry the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. ("Iberclear").

2. Maximum time for execution

The Board of Directors will determine the date by which the resolution must be executed, which will be no more than one year counting from the date of its adoption at the shareholders meeting, after which date if it is not executed the resolution will be null and void.

3. Recipients

The present share capital increase is for the exclusive benefit of those Tecnocom shareholders who take advantage of the Offer structured by Indra to purchase 100% of the shares of Tecnocom.

As of the date of this proposal, the share capital of Tecnocom consists of 75,025,241 shares with a par value of 50 euro cents each, all of which are of the same class, entirely paid-up, and represented by ledger entries.

4. Number of shares to be issued

The maximum number of shares to be issued has been calculated on the basis of the Offer being accepted by 100% of the Tecnocom shareholders to whom it is directed and that there will be no fractional shares, and taking into account the structure of the Offer consideration, that is, 60% in cash and 40% in Indra shares. The swap formula offered is 0.1727 Indra shares for each share of Tecnocom.

It is noted that under the terms of the Offer, those Tecnocom shareholders who decide to accept it will receive, in addition to the above mentioned shares in Indra, 2.55 euros for each share of Tecnocom.

Without prejudice to the forgoing, Tecnocom shareholders who submit said securities under the terms of the Offer and, after applying the swap formula, are entitled to a number of Indra shares that is not a whole number, will have the right to receive cash payment for the

resulting fractional amount. Said consideration is described in the prospectus for the Offer and will be calculated in accordance with the terms of the *Real Decreto 1066/2007* of 27 July regarding rules for public tender offers (the “**Real Decreto 1066/2007**”).

5. Rights and registry of the new shares

The newly issued shares will be common stock, the same as those currently circulating, and will be represented by ledger entries. Ledger management will be performed by Iberclear.

On the date in which the Company declares that the capital increase is subscribed and delivered, the new shares will confer on their owners the same economic and policy rights enjoyed by those in circulation.

6. Issue price

The issue price of the new shares is 9.8461 euros (20 euro cents par value and 9.6461 euros share premium). Given this, the maximum amount of the issue is 2,591,371.80 euros and the maximum share Premium is 124,983,157.60 euros.

Thus, the value of the non-cash component in the event of complete acceptance of the Offer, ignoring the effect of fractional share payments, will be 127,574,529.40 euros.

7. Delivery

The value received will be composed of non-cash contributions consisting of Tecnocom common shares. Shares issued under this resolution will be fully subscribed and paid-up entirely with these non-cash deliveries made at the time of subscription. Issuance of new Indra shares and verification of their delivery will be accomplished by execution of a public executor deed for the corresponding resolution to increase share capital.

8. Nonexistence of pre-emptive rights

In accordance with the provisions of Article 304 of *Ley de Sociedades de Capital*, (“**Spanish Corporations Act**” or “**LSC**”) the consolidated text of which was approved by *Real Decreto Legislativo 1/2010*, of 2 July, and of Article 14.6 of the *Real Decreto 1066/2007*, Indra shareholders will have no pre-emptive rights to the newly issued shares.

Additionally, owners of convertible bonds for resulting from the issuance of Ordinary Unsecured Convertible Bonds, at 1.750%, due 2018 (“*Bonos Convertibles no Garantizados*”

Ordinarios al 1.750% con vencimiento en 2018") and of Ordinary Unsecured Convertible Bonds, at 1.250%, due 2023 ("*Bonos Convertibles no Garantizados Ordinarios al 1.250% con vencimiento en 2023*") will not have pre-emptive rights.

9. Incomplete issuance

Once the Offer is successfully concluded, the Board of Directors may, in accordance with the provisions of Articles 331 of the LSC and 14.5 of the *Real Decreto 1066/2007*, agree to an incomplete issuance and declare the share capital increase to be in the amount actually subscribed. As a result, if the Offer is not accepted in its entirety, the share capital increase will be limited to the value of the Indra shares actually issued and delivered to title holders of Tecnocom shares who accepted the Offer, with no effect on the rest.

Nonetheless, in the event that, pursuant to the provisions of *Real Decreto 1066/2007* and the Offer terms, conditions arise allowing exercise of purchase and forced sale and those rights be exercised, the current authorization for share capital increase will be implemented partially for the amount corresponding to the shareholders who agreed to the Offer and later up to its maximum to meet the consideration obligation arising from the exercise of forced purchase and sale rights.

10. Applicable law

The new shares subject to the present agreement will be issued in accordance with the provisions of the consolidated text of the *Ley del Mercado de Valores* approved by *Real Decreto Legislativo 4/2015* of 23 October and other applicable legislation.

11. Request for listing

It is agreed that a request for listing on the Stock Exchanges in Madrid, Barcelona, Bilbao and Valencia by means of the *Sistema de Interconexión Bursátil* ("*Mercado Continuo*") will be made for the new shares issued pursuant to the present resolution, as well as the carrying out of required submissions and acts and presenting required documents to the competent bodies that the new shares may be admitted into trading, and stating explicitly that Indra will comply with existing and future rules regarding stock markets, and in particular as they regard buying and selling, membership, and delisting.

It is explicitly stated that, in the event of a subsequent request for delisting, this will be done with the same degree of formality as a request for listing and, in such an event, the interests of shareholders, or bondholders when applicable, who oppose or do not vote in favor of the resolution will be guaranteed in accordance with applicable law. Additionally it is expressly stated that the Company will comply with existing and future rules regarding stock markets, and in particular as they regard buying and selling, membership, and delisting.

12. Amendment of Article 5 of the bylaws

Expressly empower the Board of Directors, upon completion of the share capital increase, to amend the Article of the bylaws regarding share capital to reflect the change.

13. Delegation to the Board of Directors

All powers necessary to carry out to a positive conclusion the issuance of shares and perform the attendant formal requirements associated with it are conferred upon the Board of Directors, with the express authority to delegate such powers, including representation before the authorities and public bodies in order to complete the acts and execute the necessary documents, especially before the CNMV. Particularly, the Board is empowered to:

- (a) Expand and clarify the current resolution, fixing the terms and conditions for issuance not contained in the current resolution. By example, and without intending to be exhaustive, fix the date and, generally, any conditions for the capital increase which may be unanticipated in this resolution and particularly as they relate to the swap formula (and to possible adjustments which may arise) and determine the premium for the new shares within the limits established in the present resolution and thus the issue price of the new shares; set the amount of the share capital increase pursuant to the subscription, the term, form, conditions and procedures for issuance and delivery; draft and publish those notices which may be necessary or convenient and, in general, any other circumstances to accomplish the increase and issuance of shares in exchange for cash.
- (b) Declare the share capital increase subscribed and delivered, including in the event that, in accordance with Article 311 of the LSC, the issued securities are not fully subscribed, resulting in an incomplete subscription, with the authority to declare that

the share increase is fixed as the subscription amount actually achieved; except in the case that, in accordance with the provisions of *Real Decreto 1066/2007* and the terms and conditions of the Offer, conditions give rise to the right of purchase and forced sale, in which case the present agreement for share capital increase will be partially executed in the amount corresponding to the shareholders and bondholders who accepted the Offer and later up to the maximum amount in order to make available the consideration necessary to exercise the rights of purchase and forced sale. For this purpose, adopt the resolutions legally necessary in order to formalize the resolution or resolutions to bring about the share capital increase, as well as the attendant modifications to the bylaws relative to share capital.

- (c) Request, on behalf of the Company, the listing of the new shares representing equity on the Stock Exchanges, submitting for that purpose all necessary paperwork and performing all acts necessary or merely convenient before the CNMV, the Governing Bodies of the Stock Exchanges, the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (Iberclear) and any other bodies, entities, or registries, whether public or private.
- (d) Draft, issue and present all documents and additional or supplementary information necessary before the CNMV or any other body, entity or registry, public or private, Spanish or foreign, related to the new shares and capital increase.
- (e) Deliver on behalf of the Company all public or private documents which may be necessary or convenient for the issuance of the new shares and their listing under this agreement and, in general, perform all acts which may be necessary for execution of the same, as well as correct, clarify, interpret, specify or supplement resolutions adopted at the shareholders meeting and, particularly, any defects, errors or omissions, in form or substance, arising from oral or written submissions, which might impair implementation of these agreements in the Mercantile Registry ("*Registro Mercantil*"), the Stock Exchanges, or any others.
- (f) In general, perform those acts which may be necessary or merely convenient to accomplish the goal of increasing the share capital to include, without limitation, presenting requests, issuing documents, and carrying out those acts which are

convenient for full and effective compliance with the preceding agreements, as well as (without prejudice to any other existing power) empowering all members of the Board of Directors or any one of them to appear before a Notary and execute the corresponding Deed for the capital increase and final amendment of the article of the bylaws and, if necessary, correct and clarify this resolution in the terms necessary so that it may be fully registered in the Mercantile Registry ("*Registro Mercantil*").

14. Condition execution of the agreement on approval of the Offer by the CNMV, any other competent administrative bodies, and under those terms and conditions contained in the Offer

Condition execution of this resolution on approval by the *Comisión Nacional del Mercado de Valores*, the *Comisión Nacional de los Mercados y la Competencia* ("National Anti-Trust Commission") and any other competent authority, within the scope of their respective mandates, of the Offer and the terms and conditions contained in the pre-announcement prior to the request for approval of the public tender offer created by Indra and published 29 November 2016, and which are contained and explained in the Offer prospectus.

SECOND ITEM OF THE AGENDA (INFORMATION)

Information for the meeting regarding the issuance of convertible bonds

Since the last Annual Shareholders Meeting held 30 June 2016 and pursuant to authority granted at that same meeting, the Company has carried out the issuance of Convertible and/or Exchangeable Bonds in the amount of 250M€, approved by the Board of Directors on 26 September 2016.

Reports from the Board of Directors and from PricewaterhouseCoopers Auditores, S.L., Account Auditor distinct from the Company auditors, relating to the issuance of said convertible bonds and drafted in accordance with Articles 414, 417 and 511 of the LSC, have been made available to shareholders on the Indra website (www.indracompany.com) since call of the present Extraordinary Shareholders Meeting.

In accordance with the provisions of Article 511 of the LSC, this Item is of a strictly advisory nature and for that reason will not be the subject of a vote at the Shareholder Meeting.