

ANNUAL REPORT BY THE AUDIT AND COMPLIANCE COMMITTEE ON EXTERNAL AUDITOR INDEPENDENCE

I. Introduction

The Audit and Compliance Committee is tasked with assessing the performance and results of the work performed by external auditors, paying particular attention to issues that could threaten the independence of the auditors and any other matters related to the audit engagement.

The Committee must receive written confirmation from the auditors each year of their independence vis-à-vis the Company or the entities directly or indirectly related thereto, as well as information on any kind of additional services provided to them by the auditors or entities related thereto pursuant to the Spanish Audit Law (Ley de Auditoría de Cuentas).

In addition, pursuant articles 529 quaterdecies, section 4. f) of the Spanish Corporate Law and article 18 of Indra Board of Directors Regulations the Committee must issue a report expressing its opinion on the independence of the Company's external auditors before the issue of the annual audit report. This report must contain, in all cases, an opinion about the non-audit services.

To that end, in this report it is described describe the analysis and assurance by the Committee of the foregoing matters and to issue an opinion on their independence.

A tal fin en el presente Informe se describe el análisis y verificación realizado por parte de la Comisión de los aspectos anteriores y se emite la opinión de la Comisión sobre la independencia de los auditores.

II. Analysis of external auditor independence

The Audit and Compliance Committee received a written statement of independence by the external auditors in a letter dated March 23, 2017 and signed by the partner in charge of Indra Sistemas, S.A. and its consolidated group. This letter is attached hereto. This statement of independence implies that the Company's auditors were not affected in 2016 by any of the circumstances set out in the Spanish Audit Law preventing them from discharging their duties independently.

The Committee reviewed compliance with the criteria contained in the Spanish Audit Law in order to ensure the independence of the auditor. Specifically, it verified:

a) that the auditor is not affected by any of the circumstances, relationships or situations that could compromise its independence and that it has the necessary safeguards in place to ensure its independence and detect, assess, reduce and, where applicable, remove any threats thereto;

b) since this is the first year audited by Deloitte, the contractual terms requiring the periodic rotation of the partner responsible for signing off the report and their team are complied with.

c) that the total fees paid to the audit firm do not represent a significant percentage of the audit firm's total revenue for the year. In this respect, total fees paid by Indra to Deloitte in 2016 (€2,289 million) represented 0.158% of Deloitte in Spain's total revenue and 0.006% of the firm's total revenue worldwide.

III. Fees for non-audit services

Fees for non-audit services and their share of total fees in 2016 were as follows (in thousands of €):

Non-audit services	557
Total fees	2,289
Percentage	24.33%

IV.- Conclusion

From the information provided by the external auditors regarding the policies, procedures and tools used by the team performing the audit of the Company, and from the verification by the Committee of the matters contained in this report (i.e. absence of incompatibilities, periodic rotation of the audit team, fees and percentage of fees represented by non-audit services, and receipt of written confirmation of independence from the audit firm) it can be concluded that Deloitte has the necessary independence to act as auditor of Indra Sistemas, S.A. and its consolidated group.

In witness whereof, the Audit Committee authorized for issue, with a favorable vote of all its members, this report at its meeting held on March 21, 2017.

22 March 2017

Indra Sistrmas, S.A.
Av. Bruselas, 35
Alcobendas Madrid

To the Audit Committee of Indra Sistemas, S.A.

Ladies and Gentlemen:

As regards the audit of the annual individual financial statements of Indra Sistemas, S.A. and the annual consolidated financial statements of Indra Sistemas, S.A. and its affiliates (Indra Group) for the fiscal year ended 31 December 2016, we confirm to you that, to the best of our knowledge and understanding:

1. The team in charge of the audit and Deloitte, S.L., with any applicable extensions, have complied with the requirements of independence applicable in accordance with the provisions of the Recompiled Text of the Law of Financial Auditing, issued by means of Legislative Royal Decree 1/2011, of 1 July, and its implementing legislation.
2. For the purposes of easier evaluation as they regard our independence, the fees charged to Indra Sistemas, S.A. and its affiliates by Deloitte and its network, broken down by item, for auditing services as well as services other than auditing during the fiscal year ended 31 December 2016 are the following:

Item	Fees in thousands of euros
Auditing Services	1,448
Other Verification Services	284
Total Auditing and Related Services	1,732
Tax Advisory Services	---
Other Services	557
Total Professional Services	2,289

“Other Verification Services” includes primarily services of review of the internal control system of the Group as well as review work of limited scope regarding semi-annual financial statements.

“Other Services” includes primarily billing for advisory services in the design and build of a Global Business Services model as well as advisory services regarding the Project analyzing the Criminal Risk Prevention Model for affiliates of Indra and for Corporate Defense.

3. We have designed and implemented internal procedures for the purpose of identifying and evaluating threats which may arise from circumstances related to audited entities, including those which might involve causes of incompatibility and, when applicable, the application of necessary prophylactic measures [*which may be found in the Deloitte Transparency Report available at www.deloitte.es*], and as regards the audit indicated, and for the period covered by the financial statements up to the issuance of this letter. No circumstances have been identified, either individually or in the aggregate, which might involve a significant threat to our independence and which, as a consequence, would require the application of prophylactic measures or which would give rise to causes of incompatibility.

This letter is informational and for the exclusive use of the Audit Committee of Indra Sistemas, S.A. and Indra Group for the purposes mentioned above and, therefore, may not be used by any other persons or for any reasons other than those mentioned.

Sincerely yours,

DELLOITTE, S.L.

/s

F. Javier Peris Álvarez

ANNEX I - INDIVIDUAL BREAKDOWN

Below is a summary, in relation to point 2 of the confirmation of independence, of the information on additional services of any kind and their corresponding fees:

Other Verification Services

Order	Description	Fees in thousands of euros
2	Auditor's report on information relating to System of Internal Control over Financial Reporting	76
1	Reports and other works required by the auditing legislation	171
2	Reports and other works not required by law but which is standard practice to be provided by the auditor	37
Total		284

Tax advisory services

Order	Description	Fees in thousands of euros
N/A	N/A	N/A
Total		0

Other services

Order	Description	Fees in thousands of euros
2	Other consulting services	509
2	Legal services regarding corporate defence	48
Total		557