



## 1. Summary of 2010

Despite market conditions deteriorating more than expected, especially in the domestic market, Indra has met all of its targets announced at the beginning of 2010:

- Order Intake reached €2,882m, growing 7% and beating initial 5% target. International order intake represented 44% of total, growing 23%; domestic order intake decreased 3%.
- Revenues grew 2% to €2,557m, within the targeted range. International revenues, which account for 39% of total, grew 10%, and domestic revenues decreased by 3%.
- Recurrent EBIT margin (before extraordinary expenses) reached 11.2%, meeting target of ensuring a recurring margin similar to that of 2009 (11.4%)

The fulfilment of these targets has been achieved in the midst of especially difficult market conditions:

- Large price pressures, although of different magnitude depending on the geography and the vertical market, with the domestic and the institutional ones experiencing larger pressures.
- Clients reducing investment in projects, and particularly in development of new solutions, focusing their efforts in maintaining already deployed systems.
- Greater preference for externalizing services and processes as a cost saving mechanism.

These factors, together with the differential performance of the international markets vs the domestic one, have made necessary to adopt a number of measures to maintain Indra's high efficiency levels:

- Cost reduction measures through all the organisation.
- Actions to adapt the company's structures and processes to both market conditions in the different geographies and to Indra's various businesses' needs.

Indra has considered most efficient to undertake such measures as quickly as possible. These initiatives have increased total extraordinary expenses to €33m. These extraordinary costs represent the whole of the actions considered necessary by Indra, and there are no new initiatives expected in 2011.

At the closing of the exercise, the evolution of the main magnitudes versus 2009 was the following:

- Order intake has increased by 7%, reaching €2,882m, implying a book to bill ratio of 1.13x. International order intake (+23%) continues performing positively, with domestic order intake down 3% over the year.
  - Services increased 33%, benefiting from the trend towards externalizing application management and business processes, reaching a 1.36x book to bill ratio (more than 25% ahead of last year's one).
  - Solutions show a 3% decline over the year, achieving a book to bill ratio above 1x.
- Revenues for the year grew 2%, reaching €2,557m.
  - Domestic revenues declined 3%, with institutional and Energy sectors sustaining their negative tone.
  - International revenues kept growing at a large 10% rate, driven mainly by Latam's positive performance.
  - Services segment has performed positively with a 6% growth rate, while Solutions has been flat over the period, affected by tough domestic conditions.
  - By vertical market, Transport & Traffic, Telecom & Media and Financial Services have posted growth of 10% or more. On the other hand, Security & Defence declined by a double digit figure while Energy & Industry reported a lower decline.
- Order backlog has increased by 12% to €2,899m, or 1.13x full year revenues (well ahead of last year's 1.03x level), with backlog to be executed during the next twelve months slightly ahead of last year's level.

- EBIT before one-off expenses (recurring EBIT) totalled €285m, in line with previous year's figure.  
Recurring net operating margin (EBIT before one-off expenses/revenue) reached at 11.2%, 20bp below the level reported at the close of previous year.
  - Contribution Margin declined by 70bp to 18.3%, driven not only by the significant price pressure in the market, but also by Services segment's larger growth rate versus the one of Solutions, with the former's contribution margin being below the latter's.
  - Overheads, which accounts for 7.1% of revenues, have decreased 5% from previous year (or 50bp over revenues)

After accounting for the one-off expenses related to implementing the measures described above (€33m), EBIT stands at €252m, representing an EBIT margin of 10%.

Net profit stood at €189m, a 4% decrease yoy due to the impact of the one-off expenses. Excluding these non-recurring expenses, net profit increased by 10%.

- Net working capital is equivalent to 93 days of annualised revenue, 13 days more than the level reported at the close of 2009.

At the close of the year, net debt stood at €275m, equivalent to 0.8x recurring EBITDA.

## 2. Targets for 2011

For 2011 Indra foresees an environment of similar difficulty and complexity than the one experienced in 2010, albeit recovery signals in the domestic market could be seen at the end of the year.

In this context, Indra expects to reach the following targets for 2011:

- Revenue growth of at least 2%, with international markets posting a significant growth rate and the domestic market registering a slight decrease.
- Order Intake slightly ahead of last year's, and significantly higher than revenues, therefore strengthening again order backlog. The company has several ongoing commercial initiatives in the international markets that could materialise along the year. If that were the case, full year order intake could grow at a material rate.
- EBIT margin of at least 10.5%. As stated before, Indra does not expect to incur in additional extraordinary costs in 2011.

Indra is fully confident that it will meet its 2011 targets. The different actions undertaken in the previous years are allowing Indra to develop new growth drivers in geographical markets, global clients, and high potential demand business segments, which imply attractive medium term perspectives, allowing Indra to maintain its high growth and profitability profile. In fact, in this period of strong margin pressures, the expected level of operating profitability for 2011 will be only less than one percentage point lower than the maximum reached by Indra in 2009.

Based on all the above Indra expects to maintain in 2011 its redistribution policy via dividends, with ordinary dividend per share to be distributed in 2011 against 2010 profits, expected to be equal, at least, to the one distributed in the previous year.

### 3. Main figures

The following table lists the key figures for the period:

INDRA	2010 (M€)	2009 (M€)	Variation (%)
Order Intake	2,882.0	2,697.4	7
Revenues	2,557.0	2,513.2	2
Backlog	2,899.2	2,578.9	12
EBIT (before non recurrent extraordinary costs)	285.3	285.4	(0)
EBIT margin (before non recurrent extraordinary costs)	11.2%	11.4%	(0.2) pp
Net Operating Profit (EBIT)	251.9	285.4	(12)
EBIT Margin	9.9%	11.4%	(1.5) pp
Atributable Profit	188.5	195.6	(4)
Net debt position	274.9	134.6	104

Earnings per Share (according to IFRS)	2010 (M€)	2009 (M€)	Variation (%)
Basic EPS	1.1605	1.2144	(4)
Diluted EPS	1.1605	1.2144	(4)

- Basic EPS is calculated by dividing net profit for the period by the total number of outstanding shares less weighted treasury shares at the close of the period. Treasury shares and total shares are weighted in accordance with the number of days they have been on the company's balance sheet during the year.
- Diluted EPS is the same as basic EPS since the company has not issued convertible shares or any other similar financial instruments.

	2010 (M€)	2009 (M€)
Total number of shares	164,132,539	164,132,539
Weighted treasury stock	1,678,159	3,079,283
Total shares considered	162,445,380	161,053,256

At the close of December 2010, the company held 1,368,400 treasury shares representing 0.83% of total shares in the company.

### 4. Commercial activity and revenues by segment

#### a) SOLUTIONS

Key figures for the Solutions segment for 2010 and yoy comparisons are as follows:

	2010 (M€)	2009 (M€)	Variation €M	Variation %
Order Intake	1,889.9	1,951.6	(61.7)	(3)
Revenues	1,827.2	1,826.7	0,6	0
Backlog	2,207.3	2,153.9	53,5	2

Order intake fell by 3% to €1,890m, a figure greater than revenue for the same period, which remained stable. The book-to-bill ratio for the year came in at 1.03x, increasing backlog, which grew 2% yoy, to €2,207m.

Solutions order intake experienced a slight decrease. The decrease was chiefly due to double-digit growth in 2009, resulting in a tough comparative basis, and to lower activity in the Defence market, both domestically and in relation to the Eurofighter programme, where intake was largely concentrated in the third quarter of 2010.

The Solutions order intake in the other vertical markets showed a positive trend, with some major contracts secured in the course of the last quarter of the year either in terms of their financial significance or strategic importance to Indra. One such achievement in the Financial Services market was the contract with a leading Brazilian financial institution, to roll out an integrated credit card processing solution.

Indra also continues to lever the knowledge gained in recent years in the Energy sector with a view to expanding it to adjacent areas such as water or oil infrastructure management. Here, for example, Indra secured a major contract with one of Spain's main water management players, thereby partially offsetting a weaker performance in terms of solutions order intake in the electricity sector.

Indra expects trends to reverse in 2011 resulting in greater activity in the Solutions segment. These order intake expectations could well be fulfilled if certain ongoing commercial processes in international spheres are implemented, as mentioned earlier in this report.

## b) SERVICES

Commercial activity in the Services for 2010 was as follows:

	2010 (M€)	2009 (M€)	Variation €M	Variation %
Order Intake	992.1	745.8	246.3	33
Revenues	729.8	686.6	43.2	6
Backlog	691.9	425.0	266.8	63

Order intake for Services grew 33% to €992m, outstripping revenue by 36% (book-to-bill ratio of 1.36x, well above the previous year's 1.09x). This has allowed the company to expand its Services backlog by 63% in comparison to year-end 2009 figure.

Revenue from Services stood at €730m for the year, representing growth of 6%, thus consolidating over the last three months of the year the positive trends observed in previous quarters.

One major feature in this segment was the growing trend of outsourcing application management and other services (such as BPO) throughout most of Indra's target sectors, but most especially in the Telecom & Media and Financial Services markets. Both these markets have shown substantial growth in revenue, after both reaching cruising speed during the last quarter of the year in a number of multi-year outsourcing projects, and also following the implementation of integration agreements for outsourced businesses with some customers in these sectors, thus sharpening Indra's competitive edge. Finally, mention should be made of the first Services contracts won in the United Kingdom, introducing Indra as an IT service provider on European target markets for large corporate customers operating there.

On the domestic market, meanwhile, the supplier consolidation process and is now becoming extremely dynamic in corporate areas. In the case of Public Administrations this trend shapes as concentration of small projects within much larger ones, carving out a larger market share for Indra among institutional customers.

There was also a sound performance in the last months of the year by the Energy & Industry sector, winning large services contracts in Latin America and Asia - Colombia and the Philippines, for instance - boosting Indra's status as a leading player in these local markets.

Indra expects to continue to consolidate its business in the Services segment in 2011 and secure a substantial increase in revenue, while order intake will be influenced by the excellent performance in 2010.

## 5. Revenues by business area and commercial activity

Total revenue in 2010 was as follows:

	23%	22%	14%	14%	14%	13%
	Security & Defense	Transport & Traffic	Energy & Industry	Public Admin. & Healthcare	Financial Services	Telecom & Media
			2010 (M€)	2009 (M€)	Variation €M	Variation %
ORDER IN TAKE			2,882.0	2,697.4	184.6	7
			2010 (M€)	2009 (M€)	Variation €M	Variation (%)
BACKLOG			2,899.2	2,578.9	320.3	12
REVENUES			2010 (M€)	2009 (M€)	Variation M€	Variation (%)
Transport & Traffic			554.8	497.6	57.2	11
Telecom & Media			321.3	270.2	51.1	19
Financial Services			367.7	334.4	33.3	10 (*)
Public Admin. & Healthcare			356.6	347.5	9.2	3
Energy & Industry			362.7	381.6	(18.9)	(5)
Security & Defence			593.9	682.0	(88.0)	(13)
<b>Total</b>			<b>2,557.0</b>	<b>2,513.2</b>	<b>43.8</b>	<b>2</b>

(\*) Public Administrations & Healthcare, excluding balloting projects, grew by 8%.

Order intake in 2010 showed 7% growth, well above Indra's original guidance of 5%. The book-to-bill ratio stood at 1.13x, up from the previous year's 1.07x and standing at its highest level since the beginning of the current worldwide economic crisis.

Order backlog increased by 12%, and at the close of the year stood at more than 1.13x revenues for the last 12 months marking an improvement on those attained in previous years of 1.03x and 1.04x.

Total revenue for the year increased by 2%, in line with the guidance provided at the beginning of the year. Three out of the group's six vertical markets reported double-digit growth (Transport & Traffic, Telecom & Media and Financial Services). Growth in the Public Administrations & Healthcare markets was in single figures, while Energy & Industry and Security & Defence secured lower revenues than the previous year.

For the third consecutive year, Transport & Traffic has reported double digit growth, driven by the international market, which accounts for over 45% of revenue, supported by the strength of major air traffic control contracts in South-East Asia and the Gulf region. The domestic market is still influenced by the effects of the deceleration in civil works observed during the year, and turned negative figures for 2010 as a whole. This situation will likely continue in 2011, thus placing constraints on the positive contribution by the international market, which continues seeing some interesting business opportunities, particularly in the rail arena.

Growth in the Telecom & Media sector intensified in the last months of 2010 to 19% for the year overall, on the back of both the outsourcing contracts signed in the media sector at the start of the year and also the integration of various outsourced activities within the telecom sector. The positive effects from these activities were reflected in increased revenues especially in the last quarter. This vertical market is expected to maintain its positive trend in 2011, increasing revenues both in the domestic and in the international markets, where Indra's presence in high-potential areas such as Latin America was enhanced in 2010.

Financial Services reached growth of 10%, with solid performances on both the domestic and international markets. This trend looks set to continue in 2011 thanks to the development of business process outsourcing at Spanish financial institutions, which have transferred Indra a number of back office areas

as part of an ongoing supplier concentration process. Indra's business in Latin America, moreover, continues to grow, with some major local references for the implementation of solutions with substantial services content. Lastly, Indra is optimistic about the future commercial success of R+D work in the insurance sector, particularly in Latin America.

Public Administrations & Healthcare reported 3% growth (which jumps to 8% if we exclude revenue from balloting projects), including a sound performance on the Spanish market secured by positioning Indra's solutions and services as tools to increase the productivity with public authorities. Most of the firm's contracts with the various national administrations were renewed in 2010. These public bodies, have introduced a contract grouping process to streamline management of their systems and services needs, thereby creating growth opportunities for Indra. A positive performance is forecast in this segment in 2011, supported by both international markets, with expectations in healthcare, and also in relation to Balloting.

Energy & Industry improved performance during the last quarter of 2010, for a total decrease in revenue of 5% on the year, as certain projects which had been held up during the third quarter were executed in the last quarter of the year. Following absorption of the impact of budget cuts introduced on the back of the operator concentration process over the latter quarters, Indra is expecting a flat business performance in 2011.

Security & Defence was negatively affected by the Spanish Ministry of Defence's drastic budget-related investment cuts for 2010, and also from the further spending cuts introduced during the year. Therefore this vertical has suffered a 13% decrease in revenues. We are expecting this figure to improve slightly in the course of 2011 despite an envisaged decrease in annual revenues on the Eurofighter programme, though this could be offset by an extension to the lifespan of the project.

## 6. Revenue by geographical market

Revenues breakdown by geographical market were as follows:

Revenues	2010		2009		Variation	
	M€	%	M€	%	M€	%
Total revenues	2,557.0	100	2,513.2	100	43.8	2
<b>Domestic</b>	1,566.2	<b>61</b>	<b>1,613.0</b>	<b>64</b>	<b>(46.9)</b>	<b>(3)</b>
<b>International</b>	990.8	<b>39</b>	<b>900.2</b>	<b>36</b>	<b>90.7</b>	<b>10</b>
Europe	425.2	17	448.5	18	(23.3)	(5)
Latam	371.5	15	264.0	11	107.6	41
Others	194.1	8	187.7	7	6.4	3
USA & Canada	28.5	1	31.6	1	(3.1)	(10)
Africa/Asia/Australia	165.6	6	156.1	6	9.5	6

During 2010, revenues in the domestic market reported a 3% decline, reaching 1,566 M€, affected by the weakness of segments with a higher component of institutional demand, in particular Security & Defence. Indra expects an improvement in its domestic activity for 2011, although still showing a slight negative growth rate.

Order intake in the domestic market registered a moderate decrease in 2010, with Defence segment posting the strongest decline, affected by budgetary restrictions, twice increased during the year. Indra expects this vertical to meliorate during the current fiscal year, thus foresees a better performance of domestic order intake for 2011.

International markets remains Indra's main growth driver, posting a 10% increase in revenues in 2011 and meeting the target announced during the year. International order intake also shows a strong increase, with growth rate above double digit, compared with single digit growth reported the year before.

Revenues in Latam, which account for 15% of Indra's total sales, increased by 41%. This growth rate reflects the increasing penetration into both private and institutional clients in the region, and backs the expectations of registering significant growth in 2011. Indra maintains its goal to continue its expansion into Latino America, where there is still significant potential growth in countries such as Brazil, Mexico, Chile, Colombia or Peru. As an example, Indra has doubled revenues in Brazil in 2010.

In Europe, revenues have declined by 5% during the year, showing a negative performance which is not expected to improve in 2011. This is mainly due to the considered time extension of Tranche 3 of the Eurofighter, which will reduce yearly workload.

Lastly, Indra maintains its strategic objectives of developing its position in the Asia Pacific region, where it expects to reach in 2011 higher rates of growth than those registered in 2010.

## 7. Analysis of the Consolidated Financial Statements (IFRS)

Highlights from the income statement vs. 2009 include:

- Recurrent net operating profit (EBIT before non-recurring expenses) remained stable and reached €285m, with ordinary operating margin standing at 11,2% in line with expectations, 20bp below the figure reached in the previous year.

This decline can be explained by the 70bp decrease in the contribution margin (18.3% of revenue), which was partially offset by a 50bp reduction in corporate costs (7.1% of revenue). Margin performance is driven not only by the significant price pressure in the market, but also by Services segment larger growth rate versus the one of Solutions and by the efforts to penetrate both new clients and geographical markets. This performance is being compensated by measures undertaken to save costs and improve production efficiency, as mentioned at the beginning of this report.

After deducting €33.4m of extraordinary costs incurred with the execution of the above mentioned measures, net operating profit (EBIT) reached €252m, representing a 10% margin (EBIT/revenue). Indra does not expect actions that might imply additional extraordinary costs in 2011, and in any case, any extraordinary cost will be immaterial and will not affect EBIT margin guidance as provided at the beginning of this report.

- Net finance expenses amounted to €19m, with tax rate standing at 20%, lower than the one for 2009 (24%).
- Net profit was affected by the aforementioned extraordinary and non-recurring costs, and decreased by 4% to €189m. Adjusted by non-recurring costs (after tax) incurred over the period, net profit growth stood at 10%.

Net working capital stood at €654m, equivalent to 93 days' revenue, slightly below Indra's projection of 95 days, and compares with the 80 days reported in 2009. Indra expects net working capital to increase in 2011 but to reach a level only slightly higher than that of 2010.

Highlights of the cash flow statement for 2010 include:

- Operating cash flow amounted to €308m, below the level reached in 2009, affected by the extraordinary costs incurred over the period.
- Investment in working capital stood at €106m, slightly below expectations.
- Investments over the year came in at €137m, of which €49m relate to financial investments, €20m to tangible assets and €68m to intangible assets.
- Net investment in treasury shares totalled €6m.
- Ordinary dividend payment reached €107m.

At the close of 2010, Indra had a net debt position of €275m (marking an increase of €140m vs. the level of debt reported at the close of 2009) and represents 0.8x 2009 recurrent EBITDA.



## 8. Human Resources

The total workforce at the close of 2010 stood at 28,608 employees, 9% up on 2009. The main increase took place in Latin America, home to 23% of the workforce.

The average workforce was 27,325 employees, representing a 8% increase on figures for December 2009. The sharpest increase in the average headcount over the year was seen in Latin America, as stated above.

	2010	2009	Variation (%)
Final Workforce	28,608	26,175	9%
Average Workforce	27,325	25,256	8%

## 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 7.2% 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 2010 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 2010, with over 3% of capital are: Caja Madrid (20.00%); Fidelity Management and Research LLC (10.02%); Corporación Financiera Alba (10.02%); Caja de Ahorros de Asturias (5.00%) y Casa Grande de Cartagena (5.00%)

No shareholder agreements are known to the Company or have been reported to the Spanish Securities Market Commission

## 12. Other information

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As established by the Spanish Companies Act and articles of association, board members are designated, re-elected or ratified by the shareholders at the general meeting or by the Board of Directors in accordance with the criteria and procedures set out by the Board of Directors.

The Spanish Companies Act and the Company's articles of association stipulate that any amendments to the latter must be made by the shareholders at their Annual General Meeting, based on the quorum and majority foreseen by the Companies Act.

Board members do not hold the powers foreseen in the Civil Code but are delegated faculties in accordance with article 249 of the Spanish Companies Act. The Board has therefore delegated all the powers corresponding to the Board of Directors collectively to the delegate committee, to the Chairman of the board Mr. Javier Monzón and to the Managing Director Mr. Regino Moranchel, except for those which are non delegable by law or considered as such by article 5 of the Board of Directors regulations.

The shareholders at their Ordinary General Meeting issue authorisations each year for the board of directors to make acquisitions directly or through subsidiaries of the Company's own shares, within 18 months and up to a limit of 5% of share capital. In 2010, the General Meeting approved the same authorisation adapting its terms to the legal changes to be applied referred to the increase of the maximum share volume that can be acquired, which can reach 10% of the share capital, and to the term extension of such authorisation, approved for a 5 years period. These faculties can either be executed by the Delegate Committee, the Chairman (Mr Javier Monzón) or by the Managing Director (Mr Regino Moranchel) in accordance with the board delegated faculties previously mentioned.

The Company has not entered into any significant agreement which is in force, modified or terminated in the event of a change in control over the Company following a public share offering.

Senior management labour relations are governed by contracts with the Company. These contracts have been authorised by the Board of Directors, subject to a favourable report and proposal from the Appointments, Remuneration and Corporate Governance Committee, and by the shareholders at their Annual General Meeting in 2007. The nature of these contracts is disclosed in the Company's public information. By virtue of these contracts, senior management are entitled to an indemnity equivalent to that established by article 56 of the Workers' Statute, that is, 45 days of their annual salary for every year of service to the Company, up to a limit of 3.5 annual payments, in the event that labour relations with the Company are terminated, except in cases of voluntary redundancy or fair dismissal. A minimum amount of three annual payments is established for the Chairman and Managing Director. The Executive Directors and General Managers of Operations (including the International General Manager) have also signed non-competition agreements, as disclosed at the General Meeting of shareholders and publicly. These agreements are effective for two years as of the termination of professional relations with the Company, with compensation of between 0.5 and 0.75 times their annual remuneration for each year of non-competition.

## 13. Shareholder remuneration

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On 5 July 2010 the ordinary dividend of Euros 0.66 gross per share approved by the shareholders at their Annual General Meeting was paid, totalling Euros 106,789 thousand. The board will propose to the shareholders at their next General Meeting the distribution of a gross ordinary dividend of Euros 0.68 per share, with charge to 2010 profit. This would represent a 3% increase on the ordinary dividend distributed with charge to 2009 profit and a payout of 59%.

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#### **14. Annual corporate governance report**

Attached to this report, and forming an integral part thereof, is the Annual Corporate Governance Report, pursuant to article 526 of the Spanish Companies Act.

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#### **15. Own shares**

As authorised by the shareholders at their Annual General Meeting, at 31 December 2010 the Company holds 1,368,400 treasury shares amounting to Euros 18,593 thousand.

In 2010 the Company acquired 5,703,288 treasury shares on the stock market (1.85% of official volume for the period) and sold 5,201,528 treasury shares (1.69% of official volume for the period).

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#### **16. Subsequent events**

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

## **PUBLIC LIMITED COMPANIES LISTED ON THE STOCK EXCHANGE**

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### **ISSUER'S IDENTIFICATION DATA**

YEAR ENDED: 31/12/2010

C.I.F. (Tax ID No.): A-28599033

Company: INDRA SISTEMAS, S.A.

For a better understanding of this form, please read the guidelines included at the end of this report before completing it.

## A - CAPITAL STRUCTURE

A.1 Please complete the table below with details of the share capital of the Company:

<u>Date of last change</u>	<u>Share capital (Euros)</u>	<u>Number of shares</u>	<u>Number of voting rights</u>
14/09/2007	32.826.507,80	164.132.539	164.132.539

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

NO

A.2 Please provide details of the Company's significant direct and indirect shareholders at year end, excluding any board members:

<u>Name of shareholder</u>	<u>Number of direct voting rights</u>	<u>Number of indirect voting rights (*)</u>	<u>Percentage of total voting rights</u>
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	0	32.838.042	20,007
FMR LLC	0	16.449.700	10,022
CORPORACION FINANCIERA ALBA, S.A.	0	16.445.258	10,019
CAJA DE AHORROS DE ASTURIAS	0	8.219.631	5,008
LOLLAND, S.A.	0	8.206.647	5,000

<b>Name of indirect shareholder</b>	<b>Through: Name of direct shareholder</b>	<b>Number of direct voting rights</b>	<b>Percentage of total voting rights</b>
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	CORPORACION FINANCIERA CAJA DE MADRID, S.A.	32.813.822	19,992
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	MEDIACION Y DIAGNOSTICOS, S.A.	12.110	0,007
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	PARTICIPACIONES Y CARTERA DE INVERSION, S.L.	12.110	0,007
FMR LLC	FID LOW PRICED STOCK FUND Y OTROS	16.449.700	10,022
CORPORACION FINANCIERA ALBA, S.A.	ALBA PARTICIPACIONES, S.A.	16.445.258	10,019
CAJA DE AHORROS DE ASTURIAS	ADMINISTRADORA VALTENAS, S.L.	6.826	0,004
CAJA DE AHORROS DE ASTURIAS	CANTABRICA DE INVERSIONES DE CARTERA, S.L.	8.212.805	5,004
LOLLAND, S.A.	CASA GRANDE DE CARTAGENA, S.L.	8.206.647	5,000

Please specify the main movements in the shareholding structure during the year:

<b>Name of shareholder</b>	<b>Date</b>	<b>Description of movement</b>
GAS NATURAL SDG, S.A.	14/04/2010	Decreased from 5% of share capital
FMR LLC	15/04/2010	3% of share capital exceeded
FMR LLC	24/05/2010	5% of share capital exceeded
FMR LLC	29/06/2010	Decreased from 5% of share capital
FMR LLC	30/06/2010	Decreased from 3% of share capital
FMR LLC	13/07/2010	3% of share capital exceeded
FMR LLC	14/07/2010	5% of share capital exceeded
FMR LLC	12/11/2010	10% of share capital exceeded
FMR LLC	22/11/2010	Decreased from 10% of share capital
FMR LLC	14/12/2010	10% of share capital exceeded

A.3 Please complete the following tables with details of the members of the board of directors with voting rights in the Company:

Name of board member	Number of direct voting rights	Number of indirect voting rights (*)	Percentage of total voting rights
DON JAVIER MONZON DE CACERES	162.305	7.872	0,104
DON REGINO MORANCHEL FERNANDEZ	97.883	0	0,060
DON MANUEL SOTO SERRANO	12.110	185.000	0,120
MEDIACION Y DIAGNOSTICOS, S.A.	12.110	0	0,007
ADMINISTRADORA VALTENAS, S.L.	6.826	0	0,004
DON ALBERTO TEROL ESTEBAN	7.100	0	0,004
CASA GRANDE DE CARTAGENA, S.L.	8.206.647	0	5,000
DON DANIEL GARCÍA-PITA PEMÁN	3.546	8.300	0,007
DOÑA ISABEL AGUILERA NAVARRO	10.943	0	0,007
DON JUAN MARCH DE LA LASTRA	1.388	0	0,001
DON LUÍS LADA DÍAZ	6.926	0	0,004
DOÑA MÓNICA DE ORIOL ICAZA	6.826	0	0,004
PARTICIPACIONES Y CARTERA DE INVERSION, S.L.	12.110	0	0,007
DOÑA ROSA SUGRAÑES ARIMANY	5.330	0	0,003

Percentage of voting rights held by the board of directors 5,333



Please complete the following tables with details of the Company's board members who hold rights over the shares of the Company:

Name of board member	Number of direct option rights	Number of indirect option rights	Number of equivalent shares	Percentage of total voting rights
DON JAVIER MONZON DE CACERES	284.553	0	284.553	0,173
DON REGINO MORANCHEL FERNANDEZ	178.862	0	178.862	0,109

A.4 If applicable, please specify 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:

A.5 If applicable, please specify 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:

A.6 Please specify whether the Company has been notified of any shareholder agreements that may affect it, in accordance with section 112 of the Spanish Securities Market Law. If so, please describe these agreements and list the shareholders they bind:

NO

Please specify whether the Company is aware of any existing initiatives agreed by and among its shareholders. If so, please provide a brief description:

NO

If any of the aforementioned agreements or agreed initiatives have been modified or terminated during the year, please specify expressly:

A.7 Please specify whether any individual or company exercises or may exercise control over the Company in accordance with section 4 of the Spanish Securities Market Law. If so, please provide details:

NO

**A.8 Please complete the following tables with details of the Company's own shares:**

At year end:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
1.368.400	0	0,834

(\*) Through:

Total	0
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Please detail any significant changes during the year pursuant to Royal Decree 1362/2007:

Date of communication	Total direct shares acquired	Total indirect shares acquired	Total percentage of share capital
03/02/2010	1.805.928	0	1,098
11/05/2010	1.647.203	0	1,005
27/07/2010	1.641.979	0	1,001

Gains/(losses) from disposal of own shares during the year (thousands of Euros)	-1.283
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**A.9 Please provide a detailed description of the conditions and term of the board of directors' current mandate, granted by the shareholders, to acquire or transfer own shares:**

At the Ordinary General Meeting held on 24 June 2010, under item 5 on the agenda and with the favourable vote of 90.44% of the capital present, the shareholders agreed:

"To authorise the board of directors to perform derivative acquisitions of the Company's own shares by acquiring them on the stock exchange, either directly or through subsidiaries, up to a maximum of 10% of the share capital, at a maximum price of Euros 30 per share and with no minimum price limit.

Article 75.1 of the Spanish Companies Act specifically states that the acquired shares may be subsequently granted to board members, management personnel and employees of the Company, directly or by exercising any option rights they may hold.

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This authorisation is valid for 5 years as of the date of approval, rendering the previous authorisation approved at the General Meeting held on 25 June 2009 null and void."

**A.10 If applicable, please specify any legal and statutory limitations to the exercise of voting rights, as well as any legal limitations to the acquisition or transfer of ownership of shares. Please specify whether there are any legal limitations on the exercise of voting rights:**

NO

Maximum percentage of voting rights that may be exercised by a shareholder under legal limitations 0

**Please specify whether there are any statutory limitations on the exercise of voting rights:**

NO

Maximum percentage of voting rights that may be exercised by a shareholder under statutory limitations 0

**Please specify whether there are any legal limitations on the acquisition or transfer of equity interests:**

NO

**A.11 Please specify whether, pursuant to the provisions of Law 6/2007, shareholders at the General Meeting have resolved to adopt measures to neutralise a take-over bid:**

NO

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

## **B - COMPANY ADMINISTRATION STRUCTURE**

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### **B.1 Board of directors**

**B.1.1 Please detail the maximum and minimum number of board members established in the articles of association:**

Maximum number of board members	<u>16</u>
Minimum number of board members	<u>8</u>

**B.1.2 Please complete the following table with details of board members:**

<b>Name of member</b>	<b>Representative</b>	<b>Position on the board</b>	<b>Date of 1st appointment</b>	<b>Date of most recent appointment</b>	<b>Election procedure</b>
DON JAVIER MONZON DE CACERES	--	Chairman	7/12/1992	6/06/2008	VOTE AT SHARE HOLDERS' MEETING
DON REGINO MORANCHEL FERNANDEZ	--	Executive Vice-chairman	04/06/2001	26/06/2008	VOTE AT SHARE HOLDERS' MEETING
DON MANUEL SOTO SERRANO	--	Vice-chairman	05/03/1999	26/06/2008	VOTE AT SHARE HOLDERS' MEETING
MEDIACION Y DIAGNOSTICOS, S.A.	MATÍAS AMAT ROCA	Vice-chairman	02/11/2000	26/06/2008	VOTE AT SHARE HOLDERS' MEETING
ADMINISTRADORA VALTENAS, S.L.	FELIPE FERNÁNDEZ FERNÁNDEZ	Member	21/06/2007	24/06/2010	VOTE AT SHARE HOLDERS' MEETING
DON ALBERTO TEROL ESTEBAN	--	Member	24/06/2010	24/06/2010	VOTE AT SHARE HOLDERS' MEETING
CASA GRANDE DE CARTAGENA, S.L.	EUSEBIO VIDAL-RIBAS MARTI	Member	21/06/2007	24/06/2010	VOTE AT SHARE HOLDERS' MEETING
DON DANIEL GARCÍA-PITA PEMÁN	--	Member	25/06/2009	25/06/2009	VOTE AT SHARE HOLDERS' MEETING

Name of member	Representative	Position on the board	Date of 1st appointment	Date of most recent appointment	Election procedure
DOÑA ISABEL AGUILERA NAVARRO	--	Member	27/06/2005	26/06/2008	VOTE AT SHARE HOLDERS' MEETING
DON JUAN MARCH DE LA LASTRA	--	Member	29/07/2009	24/06/2010	VOTE AT SHARE HOLDERS' MEETING
DON LUÍS LADA DÍAZ	--	Member	21/06/2007	24/06/2010	VOTE AT SHARE HOLDERS' MEETING
DOÑA MÓNICA DE ORIOL ICAZA	--	Member	21/06/2007	24/06/2010	VOTE AT SHARE HOLDERS' MEETING
PARTICIPACIONES Y CARTERA DE INVERSION, S.L.	RODRIGUEZ-PONGA Y SALAMANCA	Member	02/11/2000	26/06/2008	VOTE AT SHARE HOLDERS' MEETING
DOÑA ROSA SUGRAÑES ARIMANY	--	Member	26/06/2008	26/06/2008	VOTE AT SHARE HOLDERS' MEETING
Total number of board members	14				

Please specify any resignations from the board of directors during the period:

Name of member	Capacity of member at time of resignation	Date of resignation
DON SALVADOR GABARRÓ SERRA	Proprietary	22/04/2010
DON JOAQUIN MOYA-ANGELER CABRERA	Independent	24/06/2010

**B.1.3 Please complete the following tables with details of the board members and their different capacities:**

**EXECUTIVE BOARD MEMBERS**

<b>Name of member</b>	<b>Committee that proposed appointment</b>	<b>Position in the Company</b>
DON JAVIER MONZON DE CACERES	APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	CHAIRMAN
DON REGINO MORANCHEL FERNANDEZ	APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	CHIEF EXECUTIVE OFFICER
Total number of executive board members	2	
Total percentage of board	14,286	

**PROPRIETARY EXTERNAL MEMBERS**

<b>Name of member</b>	<b>Committee that proposed appointment</b>	<b>Name of significant shareholder represented by the member, or who proposed the appointment</b>
MEDIACION Y DIAGNOSTICOS, S.A.	APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID
ADMINISTRADORA VALTENAS, S.L.	APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	CAJA DE AHORROS DE ASTURIAS
CASA GRANDE DE CARTAGENA, S.L.	APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	CASA GRANDE DE CARTAGENA, S.L.
DON JUAN MARCH DE LA LASTRA	APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	CORPORACION FINANCIERA ALBA, S.A.
PARTICIPACIONES Y CARTERA DE INVERSION, S.L.	APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID
Total number of proprietary external board members	5	
Total percentage of board	35,714	

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## INDEPENDENT EXTERNAL MEMBERS

### Name of member

MR MANUEL SOTO SERRANO

### Profile

Born in 1940, Mr Soto has a B.Sc. in Business Administration. He was Chairman of the World Board of Arthur Andersen Partners and was one of the firm's international partner-directors. He is a vice-chairman of Banco de Santander and a member of the board of directors of Cartera Industrial REA, S.A.

### Name of member

MR ALBERTO TEROL ESTEBAN

### Profile

Born in 1955, Mr Terol holds a degree in Business Administration and Economics from the Complutense University of Madrid. He began his career at Arthur Andersen, where he was a partner, participating in various management activities, and was a member of the firm's Worldwide Advisory Council and its European Executive Committee. Mr Terol has also held the position of managing partner at the Garrigues-Andersen law firm, and was head of Andersen Europe for 18 months, as well as being a member of its Worldwide Executive Committee. Moreover, he was a member of Deloitte's Worldwide Executive Committee, serving as its Chairman for Latin America, and subsequently for Europe, the Middle East and Africa. Furthermore, Mr Terol is the chairman and CEO of several family businesses, and an independent director to OHL. S.A.

### Name of member

MR DANIEL GARCÍA-PITA PEMÁN

### Profile

Born in 1947 and a law graduate, Mr García-Pita worked for law firm JA Garrigues, where he was appointed partner, between 1969 and 2003. He was a lecturer in corporate law at the Central University of Madrid, and was a member of the board of governors of the Madrid Bar Association. He has acted as legal advisor and sat on the board of directors of numerous companies. Until June 2009, he was Secretary of the board of directors of Indra Sistemas, S.A.

### Name of member

MS ISABEL AGUILERA NAVARRO

### Profile

Born in 1960, Mr Aguilera has a B.Sc. in Architecture and Urban Planning, an MBA from the Instituto de Empresa (Madrid), and the PDG general management programme at IESE. She has worked for numerous IT companies such as Olivetti, HP/Compaq, Vodafone, Dell, where she was Chairman and CEO for Spain, Portugal and Italy, NH Hoteles, where she was Managing Director of Operations, and Google Inc., where she was Managing Director for Spain and Portugal until January 2008. She was also the Chairman of General Electric for Spain and Portugal until May 2009.

**Name of member**

MR LUÍS LADA DÍAZ

**Profile**

Born 1949, Mr Lada is a telecommunications engineer with an extensive professional career with the Telefónica Group, where he was the chairman of Telefónica Móviles and Telefónica de España. He was also a member of the board of directors of numerous companies and of various forums relating to the information technologies industry. Mr Lada is an advisor to the Telefonica Group and to Teldat, S.A., as well as a member of the board of Telefónica ID, Telefónica O2 Czech Republic, Telcel (Telefónica Venezuela), Gamesa Corporación Tecnológica, S.A. and Ydilo, AVS, S.AY.

**Name of member**

MS MÓNICA DE ORIOL ICAZA

**Profile**

Born in 1961, Ms de Oriol holds a Ph.D. in Economics and Business Studies from the Complutense University of Madrid, and a diploma from the London School of Economics. She has combined her corporate career with her work as a university lecturer at Complutense University, the Centro de Estudios Universitarios (CEU) and Saint Louis University in Madrid.

In 1989, she was a founding member of the Seguriber Group, of which she is the main shareholder, and she is currently the sole administrator of the companies comprising this group.

**Name of member**

MS ROSA SUGRAÑES ARIMANY

**Profile**

Born in 1957, Mr Sugrañes has a B.Sc. in Business Administration. She is the founding member and chair of the board of directors of Iberia Tiles. She was a member of the board of directors of Florida East Coast Industries from 2006 until the sale of the company, and is a member of the board of the Sabadell United Bank in Florida (Banco Sabadell Group) and the Rosa Gres Group in Barcelona.

Total number of independent board members	7
Total percentage of board	50,000



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## OTHER EXTERNAL MEMBERS

Please explain why these members may not be considered full or independent members, and what their connection is with the Company, its management or its shareholders.

Please specify any variations that have occurred during the year to each type of member:

B.1.4 If applicable, please explain the reasons for the appointment of any full board members at the request of shareholders with less than 5% of share capital.

Please specify whether the board has failed to meet any formal requests to appoint members to the board by shareholders whose share percentage is equivalent to or higher than that of others at whose request full members have been appointed. If this is the case, please explain why the aforementioned requests were not met.

NO

B.1.5 Please specify whether any members have resigned from the board before completion of their mandates, whether the resigning member provided an explanation for his or her resignation and, if these reasons were provided in writing and addressed to the entire board, specify the reasons given:

YES

**Name of member**

MR JOAQUÍN MOYA-ANGELER CABRERA

**Reason for leaving**

Mr Joaquín Moya-Angeler relinquished his board membership at the General Shareholders' Meeting held on 24 June 2010, pursuant to the criteria for continuous renewal of independent members set forth in section B.1.26, approved by the board of directors following recommendations raised by the Appointments, Remuneration and Corporate Governance Committee. The criteria for the regular renewal of board members are set forth in article 22 of the board of directors' regulations.

**Name of member**

MR SALVADOR GABARRÓ SERRA

**Reason for leaving**

Mr Salvador Gabarró Serra tendered his resignation as representative director due to Gas Natural's sale of its 5% interest in Indra, as a result of which it ceased to be a shareholder of Indra.

**B.1.6 Please specify any powers delegated to the chief executive officer/s:**

**Name of member**

MR JAVIER MONZON CACERES

**Brief description**

All the powers of the board, except those that may not be delegated under prevailing legislation and those established in article 5.3 of the board regulations.

**Name of member**

MR REGINO MORANCHEL FERNANDEZ

**Brief description**

All the powers of the board, except those that may not be delegated under prevailing legislation and those established in article 5.3 of the board regulations.

**B.1.7 Please identify any board members who assume positions as directors or officers in other companies in the group of which the listed company is parent:**

**B.1.8 Please detail any board members who have notified the Company of their membership of the boards of directors of other companies (other than Group companies) listed on official securities markets in Spain:**

<b>Name of board member</b>	<b>Name of listed company</b>	<b>Position</b>
DON JAVIER MONZON DE CACERES	ACS ACTIVIDADES DE CONSTRUCCION Y SERVICIOS. S.A.	BOARD MEMBER
DON MANUEL SOTO SERRANO	CARTERA INDUSTRIAL REA. S.A.	BOARD MEMBER
DON MANUEL SOTO SERRANO	BANCO SANTANDER. S.A.	VICE-CHAIRMAN
MEDIACION Y DIAGNOSTICOS, S.A.	REALIA BUSINESS. S.A.	BOARD MEMBER
DON ALBERTO TEROL ESTEBAN	OHL.S.A.	BOARD MEMBER
DON JUAN MARCH DE LA LASTRA	ACS ACTIVIDADES DE CONSTRUCCION Y SERVICIOS. S.A.	BOARD MEMBER
DON JUAN MARCH DE LA LASTRA	CORPORACION FINANCIERA ALBA. S.A.	BOARD MEMBER
DON LUÍS LADA DÍAZ GAMESA	CORPORACIÓN TECNOLÓGICA. S.A.	BOARD MEMBER
PARTICIPACIONES Y CARTERA DE INVERSION, S.L.	REALIA BUSINESS. S.A.	BOARD MEMBER

**B.1.9 Please specify whether the Company has established rules concerning the number of boards on which its directors can hold seats, providing details if applicable:**

YES

Article 34 of the board of directors' regulations stipulates that board members shall invest the necessary time and effort to perform their duties adequately. Consequently, they shall inform the board of directors of any other activities that might affect their performance as board members. As a general rule, board members may belong to a number of other boards of directors, provided this does not prevent or hinder their dedication as members of the board of directors of Indra. This number shall depend on each board member's professional and personal circumstances, including: personal attendance at all board and committee meetings, the performance of executive duties entailing a full-time commitment in other organisations, and the level of commitment that membership of other governing bodies may require.

**B.1.10 In relation to recommendation number 8 of the Unified Code, please mark the general policies and strategies of the Company reserved for approval by the board at its plenary sessions:**

Investment and financing policy	YES
Definition of group structure	YES
Corporate governance policy	YES
Corporate social responsibility policy	YES
Strategic or business plan, annual management goals and budget	YES
Policy on the remuneration of senior management and performance evaluation	YES
Risk control and management policy, as well as regular monitoring of internal information and control systems	YES
Policy on dividends and own shares portfolio, particularly the limits thereof	YES

B.1.11 Please complete the following tables with details of the aggregate remuneration accrued by board members during the year:

a) In the Company subject to this report:

<b>Remuneration item</b>	<b>Amount in thousands of Euros</b>
Fixed remuneration	1.710
Variable remuneration	1.710
Allowances	0
Statutory benefits	2.072
Share options and/or other financial instruments	0
Other	2.361
Total	7.853

<b>Other benefits</b>	<b>Amount in thousands of Euros</b>
Advances	0
Loans extended	0
Pension funds and plans: contributions	0
Pension funds and plans: obligations undertaken	0
Life insurance premiums	50
Guarantees extended by the Company on behalf of board members	0

b) Due to board members sitting on the boards of directors and/or holding senior management positions in other Group companies:

<b>Remuneration item</b>	<b>Amount in thousands of Euros</b>
Fixed remuneration	0
Variable remuneration	0
Allowances	0
Statutory benefits	0
Share options and/or other financial instruments	0
Other	0
Total	0

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<b>Other benefits</b>	<b>Amount in thousands of Euros</b>
Advances	0
Loans extended	0
Pension funds and plans: contributions	0
Pension funds and plans: obligations undertaken	0
Life insurance premiums	0
Guarantees extended by the Company on behalf of board members	0

**c) Total remuneration by type of member:**

<b>Type of member</b>	<b>From the Company</b>	<b>From the Group</b>
Executive members	6.059	0
Proprietary external members	753	0
Independent external members	1.041	0
Other external members	0	0
Total	7.853	0

**d) Compared to profit attributable to the parent company:**

Total remuneration of board members (in thousands of Euros)	7.853
Total remuneration of board members as a percentage of profit attributable to the parent company	4,2

**B.1.12 Please identify senior management personnel who are not executive board members, and their total remuneration accrued during the year:**

<b>Name</b>	<b>Position</b>
MR RAFAEL GALLEGO CARBONELL	GENERAL MANAGER-OPERATIONS
MR JOAQUIN UGUET CARRASQUER	GENERAL MANAGER
MR JAVIER DE ANDRES GONZALEZ	GENERAL MANAGER
MRS EMMA FERNANDEZ ALONSO	GENERAL MANAGER- TALENT, INNOVATION AND STRATEGY
MR CRISTOBAL MORALES BUITRAGO	GENERAL MANAGER - INTERNATIONAL
MR SANTIAGO ROURA LAMA	GENERAL MANAGER - OPERATIONS
MR JUAN CARLOS BAENA MARTIN	GENERAL MANAGER – FINANCES AND CORPORATE DEVELOPMENT
MR EMILIO DÍAZ EXPÓSITO	GENERAL MANAGER-OPERATIONS

Total senior management remuneration (in thousands of Euros) 5.986

**B.1.13 Please identify the total amount of any guarantee or “golden parachute” clauses for situations of dismissal or change of control present in the contracts of senior management of the Company or Group, including executive board members. Please specify whether the governing bodies of the Company or Group must be notified of and/or approve these agreements:**

Number of beneficiaries 11

	Board of directors	Annual General Meeting
Body authorising the clause	NO	YES

Are the shareholders notified of the clauses at their General Meeting? Yes

**B.1.14 Please explain the process followed to establish remuneration for members of the board of directors and the relevant clauses in the articles of association.**

Process to determine remuneration for members of the board of directors and relevant clauses in the articles of association

The procedure for establishing the remuneration of the members of the board of directors is as follows: the Appointments, Remuneration and Corporate Governance Committee submits a proposal to the board of directors, drawn up in accordance with the terms of the articles of association. The proposal addresses the system of remuneration, its components and the amount of payments. If necessary, external advisors are consulted. The Board studies the proposal and submits it for approval by the shareholders at the General Meeting. Following approval of the proposal, the board of directors distributes among its members the maximum approved amount. Since 2002, it is standard Company practice to set directors' remuneration for a three-year period coinciding with their statutory term of office.

Pursuant to article 27 of the articles of association, board members receive a fixed amount, the maximum limit of which is determined by the shareholders at their General Meeting, and a share of the Company's profit. Board members may also receive shares or stock options, subject to the approval of the shareholders at their General Meeting.

The articles of association authorise the board of directors to distribute to its members a global consideration established by the shareholders.

In 2008 the board engaged the Appointments, Remuneration and Corporate Governance Committee to review its remuneration plan. The Committee analysed market practices in Ixex-35 companies comparable to Indra and companies listed on other similar international markets.

The Committee's proposal, presented by the board to the shareholders and approved at the General Meeting in June 2008, was as follows:

- To establish the remuneration of the board for a three-year period (2008, 2009 and 2010), during which time it must remain unchanged unless specific circumstances dictate otherwise. In this event, any change to remuneration would be submitted to the shareholders for approval at their General Meeting.
- To establish the annual fixed amount at a maximum of Euros 875,000.
- To maintain the following limitations on profit-sharing in addition to those established in the articles of association: (i) the maximum annual amount may not exceed 1.4 times the maximum fixed remuneration, i.e. Euros 1,225,000; and (ii) 50% of the gross amount received in respect of profit-sharing must comprise shares in the Company.

The board of directors, which is authorised by the articles of association to distribute amongst its members the global consideration determined by the shareholders at their General Meeting, resolved the following:

- (i) Of the fixed amount, members receive Euros 32,000 for board membership; Euros 18,000 for Delegate Committee membership; Euros 24,000, for Audit and Compliance Committee membership and Euros 18,000

for membership of the Appointments, Remuneration and Corporate Governance Committee. The chairs of these Committees, with the exception of the Delegate Committee, receive a consideration equivalent to 1.5 times the aforementioned amounts.

(ii) The share in profit is distributed on an equal basis amongst all the board members, in proportion to the length of time for which they have held their positions during the year.

The board members have undertaken to maintain ownership of the shares received as remuneration throughout the time they hold their positions.

The board has agreed on a year-on-year basis that, in the event that the growth and profitability objectives announced for each year are not achieved, it would reconsider the amount of profit-sharing received and submit any relevant proposal made to the shareholders at their General Meeting. This has not applied for any of the years since this remuneration was established in 1999, as the Company has consistently achieved or exceeded its published targets throughout this period.

The statutory remuneration of the board described above is compatible with and independent from the salary received by executive board members from the Company under the terms of their employment.

**Please specify whether the board at its plenary sessions has reserved approval of the following decisions:**

On proposal by the first executive of the Company, the appointment and possible removal of senior management, as well as their indemnity clauses.	YES
Remuneration of board members, as well as, in the case of executive members, additional remuneration for executive functions and any other conditions included in their contracts.	YES

**B.1.15 Please specify whether the board of directors approves a detailed remuneration policy and identify issues on which it issues an opinion:**

YES

Fixed amounts, with their breakdown if applicable, paid for participation in the board and its committees, and estimate of annual fixed remuneration as applicable.	YES
Variable remuneration items	YES
Main characteristics of benefits, estimated amount thereof or equivalent annual cost.	YES
Conditions to be included in the contracts of members who hold senior management positions as executive members.	YES



**B.1.16 Please specify whether the board presents a report (for consultation purposes) on the policy for remuneration of board members to the shareholders to vote on as a separate item on the agenda at their General Meeting. If so, please explain the aspects of the report related to the remuneration policy approved by the board for future years, the most significant changes in these policies compared to the policy applied during the year and a global summary of how the remuneration policy was applied during the year. Please detail the role played by the Remuneration Committee, specify whether external advisory services were used and, if so, provide the identity of the external advisors consulted:**

YES

**Issues considered in the remuneration policy**

The report on the policy for remuneration of Indra board members and senior management is prepared by the board of directors on proposal by the Appointments, Remuneration and Corporate Governance Committee, pursuant to article 29 of the board regulations. The contents of this report are detailed in recommendation 40 of section F of this report.

The report on the remuneration policy for board members and senior management was discussed separately by shareholders as point 7 on the agenda at the Ordinary General Meeting held on 24 June 2010, and approved by a favourable vote from 96.53% of the share capital present. This report stipulates the following:

1. – Remuneration policy, structure and amount of remuneration of members for their participation in the board of directors.

Detailed description of the items comprising remuneration, criteria for accrual and method of payment, with itemised information on the amount received by each member of the board and an explanation of the related remuneration item, a comparison between 2008 and 2009 and details of board member remuneration in relation to the Company's profit for the year.

For the 2008-2010 period, at their ordinary General Meeting the shareholders approved a new remuneration plan, whereby members receive annual average remuneration of approximately Euros 140,000, of which Euros 58,333 relate to the fixed amount and Euros 81,667 (1.4 times the fixed amount) to profit-sharing (50% of gross remuneration by profit-sharing continues to be paid in shares in the Company).

As a result of the approved remuneration plan, in 2010 average remuneration per member will have increased at an annual average rate of 3.1% since 2005.

The board considers that the total average remuneration approved for the 2008-2010 period is reasonable considering the comparative analysis performed, and that it is appropriate in light of the characteristics of the Company, the professional profiles that the Company requires for its board members and the availability and dedication required for an adequate performance of the functions involved.

Similarly, the new fixed amount complies with the board regulations in that the remuneration of external members is appropriate to their dedication, qualifications and responsibility, but does not represent, in the case of independent members, an obstacle to their independence. It also complies with the principle that the fixed amount should represent a moderate portion of total board member remuneration, considering the different levels of dedication required by the various board committees.

2. – Remuneration policy, structure and amounts paid to senior management personnel.

Detailed description of the items included in this remuneration, criteria for accrual and method of payment, as well as information on the overall amount received by senior management as a whole for each related remuneration item, with a comparison between 2008 and 2009, a separate breakdown for senior management personnel who are also members of the board and details of senior management remuneration in relation to the Company's profit.

The Company's policy for the remuneration of senior management is based on the fundamental criteria of attracting, retaining and motivating these professionals so that Indra can achieve its annual and medium-term strategic objectives within the increasingly more competitive international environment in which the Company operates.

In 2008 the board reviewed the remuneration of senior management, consulting independent experts in the process. To determine the terms and amounts of each item in the new remuneration framework for senior managers, the board applied the following principles: variable remuneration should represent a substantial portion of total remuneration; medium-term remuneration should have a significant weight; and remuneration referenced to the stock exchange value of Indra shares should be significant but not excessive.

The board of directors resolved to establish a remuneration framework for 2008, 2009 and 2010. The elements are similar to those in place for the prior period (2005-2007), some applied on an annual and others on a year-on-year basis.

On the basis of the new amounts agreed, fixed remuneration will have increased at an annual average rate of 3.6% in the 2005-2010 period for average senior management personnel. If established objectives are determined to have been achieved satisfactorily, 60% of total remuneration for senior management as a whole would be variable and 40% would take the form of medium-term remuneration.

Both the Appointments, Remuneration and Corporate Governance Committee and the board of directors consider that the remuneration framework established for the 2008-2010 period, the remuneration amounts and the proportion they represent in relation to those applied in the 2005-2007 period are adequate and reasonable, considering market practices, the characteristics of the Company and the profile and circumstances of each senior management figure.

Note 37 to the Company's annual accounts for 2010, published together with this report, includes detailed, itemised information on the remuneration of the board of directors and senior management corresponding to 2009 and 2010.

3. – Contractual framework for the employment of senior management personnel.

Detailed description of applicable conditions upon the termination of employment on grounds not attributable to the senior management figure, as well as the content of any non-competition commitments signed between the Company and senior management personnel.

#### **Role of the Remuneration Committee**

Article 29 of the board regulations establishes that the remuneration policy report should be prepared by the board of directors each year on the basis of a proposal submitted by the Appointments, Remuneration and Corporate Governance Committee.

Were external advisory services used? YES

Identification of external consultants Egon Zehnder

**B.1.17 Please identify any board members who are also board members, management personnel or employees of companies with significant ownership interests in the listed Company and/or other Group companies:**

<b>Name of member</b>	<b>Name of significant shareholder</b>	<b>Position</b>
MR DANIEL GARCÍA-PITA PEMÁN	CIBELES CAJA MADRID, S.A.	BOARD MEMBER
MR JUAN MARCH DE LA LASTRA	CORPORACION FINANCIERA ALBA, S.A.	BOARD MEMBER

Please detail any relevant relationships, other than those presented in B.1.17, between members of the board of directors and significant shareholders in the Company and/or Group companies:

**Name of the associated director**

MEDIACION Y DIAGNOSTICOS, S.A.

**Name of the associated significant shareholder**

CORPORACIÓN FINANCIERA CAJA MADRID, S.A.

**Description of relationship**

GROUP COMPANY

**Name of the associated director**

CASA GRANDE DE CARTAGENA, S.L.

**Name of the associated significant shareholder**

LOLLAND

**Description of relationship**

GROUP COMPANY

**Name of the associated director**

PARTICIPACIONES Y CARTERA DE INVERSIÓN, S.L.

**Name of the associated significant shareholder**

CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID

**Description of relationship**

GROUP COMPANY

**B.1.18 Please specify whether the board regulations were amended during the year:**

YES

**Description of amendments**

On 22 April 2010 Indra's board of directors agreed to amend Article 34 of the board of directors' regulations in order to establish rules regarding the number of other board memberships that Indra's members can hold, in accordance with the terms set forth in B.1.9.

The new text was submitted to the CNMV (Spanish Securities Market Commission) and filed at the Mercantile Registry, and has been on the company's website ([www.indra.es](http://www.indra.es)), in the section on Shareholders and Investors, under the heading Corporate Governance, since the notification was issued to the CNMV.

In accordance with Article 115 of the Spanish Securities Market Law, these amendments were duly noted at the General Shareholders' Meeting held on 24 June 2010.

**B.1.19 Please specify the procedures for appointment, re-election, assessment and removal of board members: the competent bodies, steps to follow and criteria applied in each procedure.**

**1. APPOINTMENT AND RE-ELECTION:**

As established in article 21 of the board regulations, members are nominated, re-elected or ratified by the shareholders at their General Meeting or by the board in application of the provisions set forth in the Spanish Companies Act and the articles of association.

Proposals for the appointment of members are submitted by the board to the shareholders for consideration at their General Meeting, and any decisions on interim appointments taken by the board pursuant to its legally established co-opting powers must be based on the corresponding proposal by the Appointments, Remuneration and Corporate Governance Committee in the case of independent board members and a report from the aforementioned Committee in any other cases.

If the board does not follow the recommendations expressed by the Appointments, Remuneration and Corporate Governance Committee, it is required to explain the reasons for this, stating them for the record in the minutes.

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Any individual proposed for appointment must have a recognised personal and professional reputation, sufficient capability to commit to the Company and no interests that are incompatible with the position involved.

If the member of the board is a company, the suitability criteria applicable to members should apply to the individual representing this company. This individual is personally subject to the duties of confidentiality, loyalty and diligence established for board members in the Spanish Companies Act, the articles of association and the board regulations.

The board and the Appointments, Remuneration and Corporate Governance Committee, within the scope of their respective competences, should be extremely rigorous when considering individuals proposed for positions as independent members.

As established in article 21 of the board regulations, the board should present each proposal for the appointment or re-election of its members to the shareholders at their General Meeting to vote on separately. Any re-elections of members proposed to the shareholders by the board must undergo a formal process equivalent to that applied when appointing new members.

This separate voting procedure for each appointment and re-election of board members has been applied at all General Shareholders' Meetings since 2005 in which board members have been appointed or re-elected.

#### **RE-ELECTION:**

As established in article 21 of the board regulations, members are nominated, re-elected or ratified by the shareholders at their General Meeting or by the board in application of the provisions set out in the Spanish Companies Act and the articles of association.

Proposals for the appointment of members are submitted by the board to the shareholders for consideration at their General Meeting, and any decisions on interim appointments taken by the board pursuant to its legally established co-opting powers must be based on the corresponding proposal by the Appointments, Remuneration and Corporate Governance Committee in the case of independent board members, and a report from the aforementioned Committee in any other cases.

If the board does not follow the recommendations expressed by the Appointments, Remuneration and Corporate Governance Committee, it is required to explain the reasons for this, stating them for the record in the minutes. Any individual proposed for appointment must have a recognised personal and professional reputation, sufficient capability to commit to the Company and no interests that are incompatible with the position involved.

If the member of the board is a company, the suitability criteria applicable to members should apply to the individual representing this company. This individual is personally subject to the duties of confidentiality, loyalty and diligence established for board members in the Spanish Companies Act, the articles of association and the board regulations.

The board and the Appointments, Remuneration and Corporate Governance Committee, within the scope of their respective competences, should be extremely rigorous when considering individuals proposed for positions as independent members.

As established in article 21 of the board regulations, the board should present each proposal for the appointment or re-election of board members to the shareholders at their General Meeting to vote on separately. In any event, any re-elections of members proposed by the board to the shareholders must undergo a formal process equivalent to that applied when appointing new members.

This separate voting procedure for each appointment and re-election of board members has been applied at all General Shareholders' Meetings since 2005 in which board members have been appointed or re-elected.

#### **ASSESSMENT:**

Pursuant to article 14 of the board regulations, the board of directors 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.

To carry out the assessment for 2009, the board agreed not to contract external advice as it did for 2005 and 2008, considering that, for a company with the experience and development of Indra in this process, the participation of external consultants is efficient if implemented periodically (every two or three years or when new circumstances so dictate).

Assessment for 2009 involved a formal process to assess multiple aspects relating to the composition and proceedings of the board and its Committees, as well as the efficiency of their actions and the contributions of their members, estimated by 81 variables.

The board of directors examined the conclusions of this report carefully and issued a positive opinion on its performance and the quality of its work and that of its committees in 2009.

Similarly, article 17 of the board regulations establishes that the board Committees must report to the board of directors on an annual basis to provide details of initiatives carried out during the year, presenting their respective activity reports for approval. As recommended by the CNMV (Spanish Securities Market Commission) and as it has done since 2003, the Company intends to publish its Audit and Compliance Committee Activity Report for 2010, along with any other information made available to the shareholders when called to their Ordinary General Meeting.

As established in article 11 of the board regulations, the board must issue an annual evaluation of the work performed by its chair both in this capacity and as first executive, if applicable. If the chair does not call for this

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evaluation, the vice-chair appointed from among the independent members should do so. The chair should be absent when this assessment is discussed, and the aforementioned vice-chair is required to preside over the meeting.

Article 20.4 k) of the board regulations establishes that the Appointments, Remuneration and Corporate Governance Committee should submit its report to the board of directors for the purpose of the annual assessment of the chairperson.

At the proposal of the Appointments, Remuneration and Corporate Governance Committee, the assessment of the chairman of the board for 2009 mainly considered: adequate differentiation between the chairmanship of the board and the position of first executive; leadership of the board in exercising its functions and competences efficiently, ensuring that, provided that the right information is available, any issues established in the regulations and other relevant questions in the Company's interest are submitted to the board for consideration; promoting active participation by board members in analysis and discussion to gain sufficient understanding of the issues discussed and take decisions based on justified criteria; boosting relations with shareholders and investors, as well as information and transparency policies.

On the basis of the assessment carried out, the board issued a remarkably positive unanimous opinion on the performance of the chairman of the board in 2009.

#### **REMOVAL:**

As established in article 24 of the board regulations, members should be relieved of their duties on the decision of the shareholders at their General Meeting, when they submit their resignation to the Company and when the term of their mandate is completed, in accordance with article 145 of the Mercantile Registry regulations.

If, in exceptional circumstances, the board proposes that an independent member be removed before the term of his or her mandate has been completed, this proposal must be accompanied by reasoned justification and a prior report from the Appointments, Remuneration and Corporate Governance Committee. If the member in question does not step down at the board's request, the relevant proposal for removal should be submitted to the shareholders at their General Meeting.

Article 24 of the board regulations establishes that the Company must explain the reasons for the removal of any members before completion of the term of their mandates in the Annual Corporate Governance Report.

**B.1.20 Please specify the situations in which the board members are required to resign:**

As established in article 24 of the board regulations, members, notwithstanding the capacity in which they have been appointed, must hand in their resignation or take formal steps to do so when requested by the board, if one of the following situations applies:

- a) The member has incurred a legally established incompatibility or circumstances in which membership is prohibited or must be relinquished or removed.
- b) The member has seriously breached his or her obligations as a member, or has taken action or incurred a failure to act that breaches the diligence and responsibility that must be shown in the performance of a member's duties.
- c) The continuation of the member in his or her position may jeopardise the interests of the Company or adversely affect its standing or reputation or the functioning of the board.
- d) The reasons for which the member was appointed cease to exist.
- e) The member in question cannot maintain the necessary dedication to perform his or her duties efficiently.
- f) The shareholder represented by full members sells its entire shareholding or reduces its percentage ownership to a level that requires a decrease in the number of full members representing this shareholder.
- g) Procedural, penal or administrative action is taken by the Securities Market supervisory authorities and may involve disciplinary proceedings for serious or severe negligence or misconduct, if this event may seriously affect the standing and reputation of the Company.
- h) A change occurs in the conditions or circumstances concerning an independent member that may affect the member's independent status.
- i) An executive member leaves, for any reason, the executive position to which his or her appointment as member is related.

Any members to whom any of the above situations apply must notify the Company as soon as they become aware of the circumstances.

**B.1.21 Please specify whether the first executive function in the Company is held by the member who chairs the board of directors. If so, please explain the measures taken to limit the risk of powers being held by one single person:**

YES

**Measures to limit risks**

Articles 11.6 and 12 of the board regulations establish that a vice-chairperson must be appointed from among the independent members, 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



chairperson in this capacity and as first executive of the Company. The chairperson must be absent from the meeting when this evaluation is discussed and the meeting should be chaired by the vice-chairperson; (iii) co-ordinate and process as applicable any concerns as expressed by external members and, particularly, independent members.

Article 14 of the board regulations states that the chair must call a board meeting if formally requested to do so by a vice-chairperson or by one third of the members in the exercise of their duties. If the chairperson is absent or does not fulfil the aforementioned request, any vice-chairperson may call a meeting of the board.

Any member of the board may propose issues for discussion by the board and request the inclusion of items on the agenda at any meeting called, as set forth in article 14 of the board regulations.

The board of directors designates a Chief Executive Officer, authorised with the same powers as the chair of the board.

The board Committees perform monitoring functions and, with the exception of the Delegate Committee, are made up of external members only, the majority of whom, as well as their chairpersons, are independent (articles 19 and 20 of the board regulations).

**Please specify and, if applicable, explain whether rules have been established to authorise any independent member of the board to request that a meeting of the board be called, or that new items be included on the agenda, in order to co-ordinate and reflect the concerns of external members and to manage the evaluation thereof by the board of directors.**

YES

#### **Explanation of rules**

As explained in the preceding section, and pursuant to the board regulations, any member may propose issues for discussion by the board and request the inclusion of items on the agenda for any meeting called. Furthermore, any vice-chairperson, including the vice-chairperson appointed from among the independent members, may request formally that the board be called to meet and, if the chair is absent or does not fulfil this request, any vice-chairperson may call a meeting of the board.

As established in the board regulations, the vice-chairperson of the board appointed from among the independent members co-ordinates and voices the concerns of external members and, particularly, independent members, 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 chairperson in this capacity and as first executive of the Company.

**B.1.22 Are qualified majorities other than those established by law necessary for any specific decision?**

NO

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Please explain how resolutions are passed by the board of directors, specifying at least the minimum quorum of members present and the majorities required for resolutions to be passed:

B.1.23 Please state whether there are any specific requirements, other than those relating to board members, to be appointed chair of the board.

NO

B.1.24 Please specify whether the chair has a casting vote:

YES

**Matters for which there is a casting vote**

All, except for sessions which, as stipulated in the board regulations, the chairperson must not attend or in which the chairperson must abstain from voting.

B.1.25 Please specify whether the articles of association or the board regulations establish any limit as to the age of board members:

NO

<b>Age limit for chairperson</b>	<b>Age limit for CEO</b>	<b>Age limit for member</b>
0	0	0

B.1.26 Please specify whether the articles of association or the board regulations establish any limit to the mandate of independent members:

NO

Maximum number of years of mandate 0

B.1.27 If the number of female members is low or zero, please explain the reasons for this situation and the initiatives taken to change it.

Please specify whether the Appointments and Remuneration Committee has established procedures so that selection processes are not implicitly biased in a way that hinders the selection of female members, and so that female candidates fulfilling the required profile are deliberately sought:

YES

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**Please specify the main procedures**

Article 21.3 of the board regulations establishes that any individual proposed for appointment must be of recognised 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 regulations states that, when selecting individuals to perform duties board members, the board of directors and the Appointments, Remuneration and Corporate Governance Committee must take particular care to apply the criteria and policies intended to include both genders on the board.

In addition, article 20.4 of the board regulations establishes that the Appointments, Remuneration and Corporate Governance Committee is responsible for, inter alia, ensuring that selection procedures include criteria conducive to the presence of both genders on the board.

Since prior to 2005 the board has been particularly careful to ensure that, when new members are to join, particularly independent members, the Company achieves gender diversity in its governing bodies. The aforementioned criteria set out in the board regulations were applied for the first time in 2005, when Ms Isabel Aguilera was appointed as an independent member. This process continued in 2007 with the appointment of Ms Mónica de Oriol as an independent member and in 2008 with the appointment of Ms Rosa Sugrañes as an independent member.

The three female board members account for 21,43% of the total number of members, 25% of external members (independent plus full), and 42,86% of independent members, which is the category in which the board is most capable of exercising its influence to apply gender diversity policies.

It is important to consider that, in the case of executive members, the Chair and the CEO – both male – have not changed throughout this period. As for full members, the board and the Appointments, Remuneration and Corporate Governance Committee can only recommend that shareholders consider allocating women to positions as board members in Indra in representation of their shareholdings, although this depends on women holding top-level positions in their respective organisations, as it is in the interest of the Company that full members are from the highest level of its shareholders' organisations. With independent members, however, the board and the Appointments, Remuneration and Corporate Governance Committee have more capacity to manoeuvre as they can consider a much larger number of potential candidates for the position of member of the board.

**B.1.28 Please specify whether there are any formal processes whereby members of the board of directors can vote by proxy. If so, please provide a brief explanation.**

In addition to legally established provisions, article 15.2 of the board regulations stipulates that, if a member is unable to attend a meeting, the member should try and provide a proxy, preferably with voting instructions, unless, in the member's opinion, this would not be suitable. The proxy may be appointed by e-mail, letter, fax, telegram or any other valid means that can be recorded. Independent members should try to designate their proxy to another member with the same status.

**B.1.29 Please specify 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 chairperson being present.**

Number of board meetings	11
Number of meetings of the board without the chairperson being present	2

**Please specify the number of meetings held by the different board committees in the year:**

Number of meetings of the Executive or Delegate Committee	11
Number of meetings of the Audit Committee	8
Number of meetings of the Appointments and Remuneration Committee	10
Number of meetings of the Appointments Committee	0
Number of meetings of the Remuneration Committee	0

**B.1.30 Please specify the number of meetings held by the board of directors during the year in which some of its members were not present. For the calculation, proxies given without any specific instructions should be considered as non-attendance:**

Number of member absences in the year	0
Absences as a percentage of total votes in the year	0,000

**B.1.31 Please specify whether the individual and consolidated financial statements submitted to the board for approval are previously certified:**

YES

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

<b>Name</b>	<b>Position</b>
MR REGINO MORANCHEL FERNANDEZ	CHIEF EXECUTIVE OFFICER
MR JUAN CARLOS BAENA MARTIN	FINANCES AND CORPORATE DEVELOPMENT GENERAL MANAGER

**B.1.32 Please explain any mechanisms established by the board of directors to prevent the individual and consolidated financial statements prepared by the board from being submitted to the shareholders at their General Meeting with a qualified audit opinion.**

Article 42.2 of the board regulations 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 monitoring 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 for this purpose and obtaining, if applicable, specific reports from the audit firm in relation to the main aspects and the development and stage of completion of the audit process. It also evaluates the management team's response to recommendations by the external auditors and intermediates in 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.

**B.1. 33 Is the secretary of the board a director?**

NO

**B.1.34 Please explain procedures for appointment and removal of the Secretary of the board, specifying if said appointment and removal are based on a report by the Appointments Committee and approved by the board in full.**

**Appointment and removal procedure**

Article 13 of the board regulations establishes that appointment, remuneration and removal of the Secretary must be approved by the board after a report by the Appointments, Remuneration and Corporate Governance

Committee. Furthermore, as established in article 20 of the regulations, one of the duties of the Appointments, Remuneration and Corporate Governance Committee is to issue reports on proposals for appointment or removal of the Secretary or Vice-Secretary of the board.

The duties of Secretary and lawyer-advisor to the board must be exercised by the individual designated by the board. To be the Secretary of the board it is not necessary to be a director. When the Secretary is also the lawyer-advisor, a legal professional of proven prestige and experience should be designated.

Does the Appointments Committee issue reports on appointments?	YES
Does the Appointments Committee issue reports on removals?	YES
Are appointments approved by the board in plenary session?	YES
Are removals approved by the board in plenary session?	YES

**Is it the duty of the Secretary of the board to take particular care of good governance recommendations?**

YES

**Observations**

Pursuant to article 13.3 of the board regulations, the Secretary of the board must ensure that actions and resolutions by the board and its Committees are legal in subject and in form, as well as that governance rules and procedures are observed.

**B.1.35 Please specify any mechanisms established by the Company to ensure the independence of its auditor, financial analysts, investment banks and rating agencies.**

Article 19.4 (f) of the board regulations establishes that one of the duties of the Audit and Compliance Committee is to establish measures to safeguard the independence of the external auditor and, consequently:

- (i) to propose that the board file a relevant event report 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) to ensure that the Company and the auditor observe prevailing regulations on the provision of non-audit services;
- (iii) if the external auditor resigns, to examine the circumstances leading to this resignation.

Furthermore, article 42 of the board regulations establishes measures to ensure auditor independence, expressly stipulating that:

- The board must refrain from commissioning 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 prevailing regulations, the fees paid by the Company to the audit firm for non-audit services.

-The professional responsible for the audit and the external audit team members must rotate periodically, as established by prevailing legislation and in accordance with the criteria that the board may determine when proposed by the Audit and Compliance Committee.

Pursuant to Law 12/2010 of 30 June amending the Spanish Audit Law and the Securities Market Act, which are applicable to audits of annual accounts from 2010 on, the Company is reviewing its internal regulations in order to adapt them to the new legal requirements as necessary including, among other issues, the new regime governing auditor independence.

**B.1.36 Please specify whether the Company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:**

NO

Outgoing auditor \_\_\_\_\_ Incoming auditor \_\_\_\_\_

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

NO

**B.1.37 Please specify 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

	<b>Company</b>	<b>Group</b>	<b>Total</b>
Amount for non-audit services (thousands of Euros)	121	0	121
Amount for non-audit services/total amount billed by the audit firm (%)	27,800	0,000	12,600

**B.1.38 Please specify 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.**

NO

**B.1.39** Please provide details of the number of years for which the current audit firm has been auditing the financial statements of the Company and/or Group. Furthermore, please specify the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Company	Company Group
Number of uninterrupted years	19	19
Number of years audited by the current audit firm/number of years that the Company has been audited (%)	95,0	95,0

**B.1.40** Please provide details, to the extent that they are known to the Company, of the interests held by the members of the board of directors in companies with identical, similar or complementary statutory activities to those of the Company or Group. Please also specify the positions or duties held by the members in question in these companies:

Name of board member	Name of the target company	Percentage interest	Position or duties
PARTICIPACIONES Y CARTERA DE INVERSION, S.L.	EUROBITS TECHNOLOGIES, S.L.	40,000	

**B.1.41** Please specify whether there is a procedure whereby board members can contract external advisory services, and provide details if applicable:

YES

**Explanation of procedure**

Article 27 of the board regulations establishes that, to obtain appropriate information and advice regarding the exercise of their duties, board members may ask the Company to engage 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 board member.

The chairperson must be notified of the decision to engage external advisory services, and the board may veto this decision if the following is proven:

- (i) the board does not require any external advice for the performance of the duties designated to external members;
- (ii) the related cost is not reasonable considering the size or the importance of the problem; 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 regulations 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 chairperson, at his or her own discretion or on request by a vice-chairperson or one third of the board members, 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 at the discretion or on request by the chair of the Committee in question).

**B.1.42 Please specify whether there is a procedure for providing information to board members to allow them to prepare for meetings of administration bodies with sufficient notice. If so, explain the procedure:**

YES

**Explanation of procedure**

Article 14 of the board regulations establishes that the board must prepare an annual schedule of ordinary 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 must always be sent out, except in urgent circumstances, no less than three days prior to the date of the meeting. In accordance with article 11 of the board regulations, the chairperson of the board must ensure that board members receive appropriate information on the issues to discuss suitably in advance of the meeting in question.

Article 26 of the board regulations also establishes that any board member has ample authority to obtain information on any aspect related to the Company, to examine the books, records, documents and any other background details on the Company's operations, and to inspect all the Company's facilities. Additionally, article 30 of the board regulations establishes that all board members are responsible for the diligent procurement of information on the Company's position and development, and preparing for the meetings of the board and any Committees to which they belong.

**B.1.43 Please specify whether the Company has established rules whereby board members must provide information on and, if applicable, resign in any circumstances that may damage the Company's standing and reputation. If so, provide details:**

YES

**Explanation of rules**

Article 24 of the board regulations establishes that any board member that enters any of the circumstances established in this article must inform the Company as soon as he or she becomes aware of the situation. The

circumstances stipulated include the following: (i) if the continuation of member 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 or severe negligence or misconduct, procedural, penal or administrative action is taken by the Securities Market supervisory authorities and may involve disciplinary proceedings, provided that this event could seriously affect the Company's standing and reputation.

**B.1.44 Please specify 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 established in section 124 of the Spanish Companies Act.**

NO

**Please explain whether the board of directors has examined the case. If so, please explain and provide reasons for the decision taken as to whether the board member in question should continue in his or her position.**

NO

Decision taken	Reasoned explanation
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## B.2 Board of directors' Committees

**B.2.1 Please provide details of all committees of the board of directors and their membership:**

### EXECUTIVE OR DELEGATE COMMITTEE

Name	Position held	Category
MR REGINO MORANCHEL FERNANDEZ	MEMBER	EXECUTIVE
ADMINISTRADORA VALTENAS, S.L.	MEMBER	PROPRIETARY
MR DANIEL GARCÍA-PITA PEMÁN	MEMBER	INDEPENDENT
MRS ISABEL AGUILERA NAVARRO	MEMBER	INDEPENDENT
MR JUAN MARCH DE LA LASTRA	VOCAL	PROPRIETARY
MR LUIS LADA DÍAZ	MEMBER	INDEPENDENT
MEDIACIÓN Y DIAGNÓSTICOS, S.A.	MEMBER	PROPRIETARY
MS ROSA SUGRAÑES ARIMANY	MEMBER	INDEPENDENT

## AUDIT COMMITTEE

Name	Position held	Category
MR MANUEL SOTO SERRANO	CHAIRMAN	INDEPENDENT
MR ALBERTO TEROL ESTEBAN	MEMBER	INDEPENDENT
CASA GRANDE DE CARTAGENA, S.L.	MEMBER	PROPRIETARY
MS ISABEL AGUILERA NAVARRO	MEMBER	INDEPENDENT
PARTICIPACIONES Y CARTERA DE INVERSIONES, S.L.	MEMBER	PROPRIETARY

## APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE

Name	Position held	Category
MR DANIEL GARCÍA-PITA PEMÁN	CHAIRMAN	INDEPENDENT
MR JUAN MARCH DE LA LASTRA	MEMBER	PROPIETARY
MEDIACIÓN Y DIAGNÓSTICOS, S.A.	MEMBER	PROPIETARY
MS MONICA DE ORIOL ICAZA	MEMBER	INDEPENDENT
MS ROSA SUGRAÑES ARIMANY	MEMBER	INDEPENDENT

### B.2.2 Please indicate whether the Audit Committee assumes the following functions:

Supervision of the process of preparation and the completeness of financial information relating to the Company and, where appropriate, the Group, reviewing compliance with regulatory requirements, the proper scope of the consolidated Group and the correct application of accounting principles. YES

Regular review of the internal control and risk management systems, to ensure that the main risks are properly identified, managed and communicated. YES

Verification that the internal audit service is both independent and efficient; proposal of the selection, appointment, re-election and dismissal of the head of the internal audit service; proposal of the budget for this service; receipt of regular information on its activities; and verification that senior management considers the conclusions and recommendations contained in its reports. YES

Implementation and supervision of a mechanism 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. YES

**B.2.2 Please indicate whether the Audit Committee assumes the following functions:**

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 this auditor is hired.	YES
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.	YES
Confirmation that the external auditor is independent.	YES
In the case of groups, encouraging the assumption of responsibility by the group auditor for the audit of group companies.	YES

**B.2.3. Please describe the organisational and operational rules and areas of responsibility assigned to each board committee.**

**Committee name**

APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE

**Brief description**

In accordance with Article 20 of the board regulations (which stipulates that the Committee must be comprised of a minimum of three directors, all external), this Committee is made up of five directors, all external, the majority (three) of which are independent.

This Committee is required to be chaired by an independent director. When the chairman is absent, 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 Managing Director are to be consulted and called to meetings of the Committee that deliberate on issues relating to senior management personnel other than themselves.

Notwithstanding any other tasks that may be assigned to it by the board or its regulations, the powers of the Appointments, Remuneration and Corporate Governance Committee are as follows:

- To report on the composition of the board of directors, subsequent board membership profiles required and the criteria to be applied in the selection of members. The Committee is responsible for verifying that the selection procedures applied include criteria favourable to gender diversity in the composition of the board.
- To assess the extent to which the knowledge, skills and experience of proposed candidates for membership of the board and its various Committees meet the required profiles, and verify compliance with applicable requirements considering the category of membership position in question.

The Committee is required to consider possible candidacies for vacancies on the board suggested by other board members.

- To present to the board, prior to the re-election of board members, a report on the performance of their duties to date.

- d) To verify annually that the category of board membership position to which each director is appointed remains correct (his information must be included in the Annual Corporate Governance Report).
- e) To report to the board on the process of succession to the chairmanship and the position of chief executive officer, and supervise plans for succession to senior management positions.
- f) To report on proposals for the appointment or dismissal of the Secretary and Vice-secretary of the board.
- g) To present proposals to the board for the remuneration system for board members, the composition of this remuneration and the amounts, within the limits established in the articles of association and resolutions of the shareholders at their General Meeting. The Committee is also required to report on the remuneration of the Secretary if this is a non-voting position.
- h) To report to the board on proposals for the appointment and dismissal of Company senior management personnel, and report – prior to approval by the board – on the remunerative conditions thereof and the terms and conditions of their employment contracts with the Company, including clauses regarding compensation on termination of employment.
- i) To present to the board an annual assessment evaluating the performance by senior management personnel in their duties, including the chairman if the chairmanship is an executive position.
- j) To propose the annual report on remuneration policy to be presented by the board to the General Meeting – prior to its issue by the board – in accordance with Article 30 of the regulations, as well as the information on remuneration published by the Company.
- k) To present a report to the board of directors for the purposes of the annual assessment of the chairman of the board.
- l) To report to the board of directors – prior to approval by the board – on related-party transactions with directors with significant shareholders or parties represented on the board, senior management personnel or individuals related to any of the above.
- m) To perform regular evaluations of the extent to which the Company's corporate governance rules, procedures and practices conform to national and international standards, recommendations and best practices.
- n) To carry out an annual evaluation of the effectiveness of, and compliance with, the Company's Corporate Governance rules and procedures, and regularly review the corporate governance information that the board of directors is required to approve and include in its annual public report.
- o) To propose to the board amendments to the Company's Corporate Governance rules, explaining why it considers such amendments to be advisable.
- p) To report to the board of directors – prior to approval by the board – on the information that the Company discloses publicly in relation to matters falling within its area of competence.
- q) To consider suggestions on issues falling within its area of competence made by shareholders, directors or senior management personnel of the Company.

**Committee name**

EXECUTIVE OR DELEGATE COMMITTEE

**Brief description**

In accordance with article 18 of the board regulations (which states that the number of directors is to be established in each case by the board, the minimum number being four and the maximum being nine), the

Delegate Committee has eight members and must be chaired by the chairman of the board or, if the board chairman is not a Committee member, the Managing Director.

The composition of the Delegate Committee is required to reflect, to a reasonable extent, the composition of the board and the proportions established in the board between the different categories of board members.

The appointment of members of the Delegate Committee and the permanent delegation of powers to this Committee by the board requires the favourable vote of at least two thirds of board members. Delegated powers may include all the powers of the board except those that cannot, by law or by virtue of the articles of association and Article 5 of the board regulations, be delegated.

Article 5 of the board regulations stipulates that the board cannot delegate powers that, in accordance with the law or the articles of association, must be exercised directly by the board itself. The board may not delegate the powers necessary for it to responsibly exercise its general supervisory function, such as the approval of:

- a) The Company's general strategies and, where appropriate, specific strategic plans, annual targets and budgets.
- b) The general policy for risk management and the definition of suitable control and reporting systems.
- c) The policy with for financing, own shares and shareholder returns.
- d) The corporate structure, including all the various activities in which the Company engages.
- e) Operations involving the acquisition and disposal of Company assets and corporate transactions of amounts exceeding Euros 30 million.
- f) Related-party transactions, in accordance with pertinent legal provisions and the stipulations of these regulations.
- g) The creation or acquisition of interests in special-purposes entities or entities domiciled in countries or territories classified as tax havens, and any other similar transactions that could prove detrimental to the Group's transparency.
- h) Operations that have an effect equivalent to the winding up of the Company.
- i) The conversion of the Company into a mere holding company through the allocation of its businesses and activities to subsidiaries.
- j) The policy for reporting to and communications with shareholders, markets, and the public in general, and in particular:
  - i) the preparation and approval of the information that the Company issues publicly on an annual basis together with the financial statements submitted for approval by the shareholders at their General Meeting; and
  - ii) the approval of the financial information that the Company is required to publish regularly in accordance with prevailing legislation.
- k) Proposals regarding directors' remuneration and the determination of the amount thereof, in accordance with the pertinent provisions of the articles of association and resolutions of the shareholders at their General Meeting.
- l) The appointment, terms of contract – including indemnity clauses in particular – remuneration, dismissal, and performance monitoring of senior management personnel.
- m) General corporate responsibility policies.
- n) Corporate governance policies and rules governing the internal functioning of the board and its Committees, and the evaluation of the quality and efficiency of its functioning and the work of the board and its Committees.
- o) And all other matters specifically envisaged in the board regulations.

The resolutions passed by the Committee in the performance of its functions are to be submitted to the board in plenary session for ratification whenever the chairman or a third of members of the Delegate Committee consider this to be advisable, in view of the importance of the issue in question. The same rule applies to matters that the board has referred to the Delegate Committee for study but reserved for itself the final decision-making authority.

In all other cases, resolutions passed by the Delegate Committee are valid and binding, with no need for subsequent ratification by the board in plenary session.

**Committee name**

AUDIT COMMITTEE

**Brief description**

In accordance with article 30.3 of the articles of association (which stipulates that this Committee must be comprised of a minimum of three and a maximum of five directors, all external), the Audit Committee comprises five external directors, three of which are independent directors.

The chairman of the Committee is required to be an independent director and must be replaced at least once every four years, with the possibility of re-election once one year has elapsed from the date of his or her dismissal. When appointing the chairman special consideration is to be given to the candidate's knowledge, skills and experience in the areas involved in the functions of this Committee.

If the chairman is absent, the meeting is to be chaired by an independent director appointed for this purpose by the Committee, or by a director appointed by the Committee.

The responsibilities of the Committee are regulated by Article 30 of the articles of association and Article 19 of the board regulations, and are as follows:

- a) Report to the shareholders at their General Meeting on points raised by the shareholders regarding matters that fall within the Committee's area of competence.
- b) Submit to the board of directors proposals for the appointment of the external auditor and the related contractual terms, the scope of the auditor's mandate and, where appropriate, the revocation or non-renewal of appointment.
- c) Liaise directly with the external auditor and evaluate the development and results of its work, paying special attention to any issues that might pose a threat to auditor independence and any other issues related to the performance of the financial audit process, and maintain all other communications required by audit legislation and technical audit rules.
- d) Supervise the functioning of the Company's internal audit area.
- e) Know the workings of the financial reporting process and internal control systems and verify their adequacy and integrity.
- f) Supervise the preparation process and the integrity of financial information relating to the Company and, where appropriate, the consolidated Group, reviewing compliance with regulatory requirements, the proper scope of the consolidated Group and the correct application of accounting principles.

- g) Act as a channel of communication between the board and the external auditor, from whom regular information is received on the audit plan and the results of its implementation. The Committee also evaluates the management team's responses to the external auditor's recommendations and arbitrates in the event of any discrepancies between the external auditor and the management team in relation to the principles and standards applied in the preparation of the financial statements. The Committee must encourage the auditor of the parent company to assume responsibility for the audits of all Group companies.
- h) Report to the board - prior to adoption of the corresponding decisions - on the creation or acquisition of conduit companies or companies domiciled in tax havens, and on any other transaction or operation that could jeopardise the Company's transparency.
- i) Review issue brochures.
- j) Report to the board - prior to adoption of the corresponding decisions - on the financial information that the Company, as a listed entity, is required to publish on a regular basis. The Committee must ensure that the quarterly and six-monthly accounting statements are prepared using the same accounting standards as in the annual statements.
- k) Establish measures to safeguard the independence of the external auditor and, to this effect:
- i) ) to propose that the board file a relevant event report 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) to ensure that the Company and the auditor observe prevailing regulations on the provision of services other than audit services, in accordance with the provisions of article 43 of these Regulations, and;
  - (iii) if the external auditor resigns, to examine the circumstances leading to this resignation.
- l) Oversee the performance of the audit contract, aiming to ensure that the opinion on the financial statements and main content of the audit report are prepared in clear and precise terms.
- m) Regularly review the Company's internal control and risk management systems.
- n) Ensure that the internal audit service is both independent and efficient; propose the selection, appointment, re-election and dismissal of the head of the internal audit service; propose the budget for such service; receive regular information on its activities; and verify that senior management considers the conclusions and recommendations contained in its reports.
- o) Establish and supervise a mechanism whereby employees can confidentially report any potentially significant irregularities that they detect in the Company, especially those of a financial or accounting nature.
- p) Consider suggestions from shareholders, directors and senior management personnel of the Company on matters within its area of competence.
- q) Exercise all other functions attributed to it by the board regulations or by the board of directors.

Pursuant to Law 12/2010 of 30 June amending the Spanish Audit Law and the Securities Market Act, which are applicable to audits of annual accounts from 2010 on, the Company is reviewing its internal regulations in order to adapt them to the new legal requirements and introduce the competencies regulated by the new rules as necessary.



**B.2.4. Please indicate the advisory and consulting functions and any delegated powers corresponding to each of the committees:**

**Committee name**

APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE

**Brief description**

The function of this committee is primarily to advise and make proposals to the board of directors and, where appropriate, to the shareholders at their General Meeting, in respect of issues falling within its area of responsibility, as listed in section B.2.3. above.

**Committee name**

EXECUTIVE OR DELEGATE COMMITTEE

**Brief description**

All powers of the board of directors are permanently delegated to this Committee, except for those that are reserved by law or by the articles of association for the board and those foreseen in Article 5 of the board regulations. The Committee is able to adopt executive resolutions when exercising these delegated powers. These powers are listed in detail in section B.2.3. above.

**Committee name**

AUDIT COMMITTEE

**Brief description**

The function of this committee is primarily to advise and make proposals to the board of directors and, where appropriate, to the shareholders at their General Meeting, in respect of issues within its area of responsibility, as listed in section B.2.3. above.

**B.2.5. Please indicate, where applicable, the existence of any regulations governing board committees, where these regulations may be consulted and any amendments thereto made them during the year. Please also state whether any annual reports on the activities of each committee have been voluntarily prepared.**

**Committee name**

APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE

**Brief description**

The composition, organisation and areas of competence of the Appointments, Remuneration and Corporate Governance Committee are regulated by the articles of association and by the board regulations, which are permanently available for consultation on the Company's website ([www.indra.es](http://www.indra.es)) and on the website of the National Securities Market Commission.

No amendments have been made to the regulations governing this committee during 2010. As mentioned earlier, a review of the regulations governing the competencies of the Audit and Compliance Committee is under way to adapt them to the aforementioned Law 12/2010.

This Committee, like the other committees and the board itself, prepares an annual report detailing its activities and initiatives taken during the year, as foreseen in the board regulations. This report is submitted to the board for its annual evaluation of its own operations and the quality of its work and that of its committees.

Pursuant to the CNMV's recommendation in this regard and as has been Company practice since 2003, the report of the Audit and Compliance Committee was presented at the Annual General Meeting on 24 June 2010, along with the other information that was made available to shareholders.

**Committee name**

EXECUTIVE OR DELEGATE COMMITTEE

**Brief description**

The composition, organisation and areas of competence of the Delegate Committee are regulated by the articles of association and by the board regulations, which are permanently available for consultation on the Company's website ([www.indra.es](http://www.indra.es)) and on the website of the National Securities Market Commission.

No amendments have been made to the regulations governing this committee during 2010. As mentioned earlier, a review of the regulations governing the competencies of the Audit and Compliance Committee is under way to adapt them to the aforementioned Law 12/2010.

This Committee, like the other committees and the board itself, prepares an annual report detailing its activities and initiatives taken during the year, as foreseen in the board regulations. This report is submitted to the board for its annual evaluation of its own operations and the quality of its work and that of its committees.

In accordance with the recommendation made by the National Securities Market Commission, 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 their Ordinary General Meeting for 2010, along with the rest of the information made available to shareholders.

**Committee name**

AUDIT COMMITTEE

**Brief description**

The composition, organisation and areas of competence of the Audit Committee are regulated by the articles of association and by the board regulations, which are permanently available for consultation on the Company's website ([www.indra.es](http://www.indra.es)) and on the website of the National Securities Market Commission.

No amendments have been made to the regulations governing this committee during 2010. As mentioned earlier, a review of the regulations governing the competencies of the Audit and Compliance Committee is under way to adapt them to the aforementioned Law 12/2010.

This Committee, like the other committees and the board itself, prepares an annual report detailing its activities and initiatives taken during the year, as foreseen in the board regulations. This report is submitted to the board for its annual evaluation of its own operations and the quality of its work and that of its committees.

In accordance with the recommendation made by the National Securities Market Commission, 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 their Ordinary General Meeting for 2010, along with the rest of the information made available to shareholders.

**B.2.6. Please indicate whether the composition of the Executive Committee reflects the participation of the different categories of director in the board of directors:**

YES

**C RELATED-PARTY TRANSACTIONS**

**C.1. Please state whether the approval - following a favourable report by the Audit Committee or other committee entrusted with this task - of transactions performed by the Company with directors, with significant shareholders or shareholders represented on the board, or with persons related to any of the above, is reserved for the board in plenary session:**

YES

**C.2. Please describe relevant transactions involving a transfer of resources or obligations between the Company or entities within its Group and the Company's significant shareholders:**

<b>Name of significant shareholder</b>	<b>Name of company or group entity</b>	<b>Nature of relationship</b>	<b>Type of transaction</b>	<b>Amount (in thousands of Euros)</b>
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	VARIOUS GROUP COMPANIES	CONTRACTUAL	Finance expenses	656
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	VARIOUS GROUP COMPANIES	CORPORATE	Dividends and other distributions of profits	21.669
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	VARIOUS GROUP COMPANIES	COMMERCIAL	Services rendered	19.539

Name of significant shareholder	Name of company or group entity	Nature of relationship	Type of transaction	Amount (in thousands of Euros)
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	VARIOUS GROUP COMPANIES	CONTRACTUAL	Repayment and cancellation of créditos y loans and lease contracts (lessor)	24
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	VARIOUS GROUP COMPANIES	CONTRACTUAL	Finance income	7
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	VARIOUS GROUP COMPANIES	CONTRACTUAL	Other expenses	81
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	VARIOUS GROUP COMPANIES	CONTRACTUAL	Financing agreements, loans and capital contributions (borrower)	84.819
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	VARIOUS GROUP COMPANIES	CONTRACTUAL	Commitments undertaken	82.683
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	VARIOUS GROUP COMPANIES	CONTRACTUAL	Financial renting contracts (lessor)	115
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	VARIOUS GROUP COMPANIES	CONTRACTUAL	Financing agreements, loans and capital contributions (moneylender)	27.250
CORPORACION FINANCIERA ALBA, S.A.	VARIOUS GROUP COMPANIES	CONTRACTUAL	Other expenses	15

<b>Name of significant shareholder</b>	<b>Name of company or group entity</b>	<b>Nature of relationship</b>	<b>Type of transaction</b>	<b>Amount (in thousands of Euros)</b>
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	VARIOUS GROUP COMPANIES	CORPORATE	Dividends and other distributions of profits	12.743
CORPORACION FINANCIERA ALBA, S.A.	VARIOUS GROUP COMPANIES	CORPORATE	Dividends and other distributions of profits	10,854
CAJA DE AHORROS DE ASTURIAS	VARIOUS GROUP COMPANIES	COMMERCIAL	Services rendered	70
CAJA DE AHORROS DE ASTURIAS	VARIOUS GROUP COMPANIES	CORPORATE	Dividends and other distributions of profits	5.423
LOLLAND, S.A.	VARIOUS GROUP COMPANIES	CORPORATE	Dividends and other profits	6.159
GAS NATURAL SDG, S.A.	VARIOUS GROUP COMPANIES	COMMERCIAL	Services rendered	4.335
GAS NATURAL SDG, S.A.	VARIOUS GROUP COMPANIES	COMMERCIAL	Leases	405
GAS NATURAL SDG, S.A.	VARIOUS GROUP COMPANIES	COMMERCIAL	Receipt of services	2.146

**C.3. Please describe relevant transactions which involve a transfer of resources or obligations between the Company or entities within its Group and the directors or management personnel of the Company:**

<b>Name of significant shareholder</b>	<b>Name of company or group entity</b>	<b>Nature of relationship</b>	<b>Type of transaction</b>	<b>Amount (in thousands of Euros)</b>
MR JOAQUIN MOYA-ANGELER CABRERA	VARIOUS GROUP COMPANIES	COMMERCIAL	Leases	127
MS MONICA DE ORIOL ICAZA	INDRA SISTEMAS, S.A.	COMMERCIAL	Receipt of services	980
MS MONICA DE ORIOL ICAZA	INDRA SISTEMAS, S.A.	COMMERCIAL	Services rendered	11

**C.4. Please describe 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 (in terms of their purpose and conditions) form part of the Company's ordinary business activities.**

**C.5. Please state whether the members of the board of directors have been in any situation during the year which is regarded as a conflict of interests pursuant to the provisions of Article 127.3 of the Spanish Companies Act.**

NO

**C.6. Please describe the mechanisms in place to detect, determine and resolve potential conflicts of interests between the Company and/or its Group and its directors, management personnel or significant shareholders.**

Board members are required by Article 33 of the board regulations 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 stakes held in capital or office held or provision of services in/to other companies or entities which are, or may foreseeably become, competitors of the Company, or which are, or could foreseeably come to be, in a situation of conflict of interests with respect to the Company.

In the cases specified in the preceding paragraph, the board, following a report from the Appointments, Remuneration and Corporate Governance Committee, is required to order the adoption of such measures as it considers necessary to safeguard the interests of the Company. If the director in question fails to act in accordance with such order, the board is required to present the corresponding proposal for dismissal to the shareholders at their General Meeting.

Board members must refrain from attending and taking part in any deliberations, decisions and resolutions involving matters in relation to which they are in a situation of conflict of interests.

The Company is required to make public any situations of conflict of interests in which board members may find themselves, in the terms envisaged in applicable legislation.

Article 32 of the board regulations stipulates that:

a) Board members 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, board members may be released from the obligation to provide such compensation, although in this case the resulting gain is to be regarded as indirect remuneration requiring authorisation by the board, following a report from the Appointments, Remuneration and Corporate Governance Committee.

b) Board members 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 Appointments, Remuneration 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) The board members may not perform, for their own benefit, investment or any other operations linked to the Company's assets which have come to their knowledge through the performance of their duties, when the investment or operation 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) Board members 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 they may be involved, 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) Board members may not use the name of the Company nor use their status as directors thereof to carry out operations on their own behalf.

Similarly, Article 34 of the board regulations stipulates that board members 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.

### C.7. Is there more than one Group company listed in Spain?

NO

Please name the listed subsidiaries:

## D - RISK CONTROL SYSTEMS

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### D.1 General description of the Company's and/or Group's risk policy by detailing and assessing risks covered by the system together with the justification of the adequacy of these systems to the profile of each type of risk.

#### Global risk management

Indra's risk management is based on the following principles:

- An organisation entirely focused on identifying and managing risk.
  - A specific unit, independent from operations, to control and monitor operational risk. An ad hoc unit was created in 2010 to monitor global risks. It is responsible for drawing up and monitoring Indra's global risk map.
  - Comprehensive regulations on monitoring and supervision, safeguarding the decision-making process.
- Indra monitors risks that might affect the main companies in the Group by means of a comprehensive risk map that includes potential risks facing the Company in the various geographical regions in which it is present.

Risks are classified and assessed on the basis of their probability of occurrence and the intensity of their potential economic impact. Once they are classified, they are managed internally and minimised by means of specific action plans.

By creating and monitoring its risk map, the Company has an active, dynamic tool that allows it continuously to identify, evaluate and manage risks in order to mitigate them.

The principal risks are grouped into the following categories:

- (i) Strategic risks
- (ii) Operational risks
  - a) Project management risks
  - b) Physical risks
  - c) Human capital risks
  - d) Information technology management risks
- (iii) Economic and financial risks
- (iv) Compliance risks
  - (a) Legal, contractual and regulatory risks
  - (b) Health and safety in the workplace risks
  - (c) Environmental risks
- (i) Strategic risks



The current social and economic climate has forced Indra to implement measures (organisational, international business development, etc.) to offset the potential detrimental impact of a decline in demand in Spain.

Growth in geographic regions might entail other types of risk. These are mitigated by using a clear regional strategy with regard to implementation or export of Indra's offering. The strategy is further backed by a strong organisational focus on this objective, clear definition of responsibilities and authorisation limits, and use of corporate tools to undertake, control and monitor all key business processes consistently.

A continuously evolving technology market such as that in which Indra is present means that success will, to some extent, depend on the Company's capacity to innovate and anticipate technological change. To address this aspect, Indra has a technological innovation unit that analyses, classifies and directs such projects.

All strategic decisions are taken by the corresponding decision-making bodies, subsequently informing the departments involved so that they can apply and monitor them. The organisational structure and tools available are sufficient to compare the results obtained.

(ii) Operational risks

This section identifies the following risks:

- a) Project management risks
- b) Physical risk
- c) Human capital risk
- d) Information technology management risks

#### **a) Project management risks**

Indra's main risk stems from project cost overruns and delays. The company has established the following measures to minimise this risk:

- A set of procedures for the presentation of bids to customers, including their prior analysis and review by a bid review committee comprising representatives from the company's operational and management control departments.
- Creation of a unit that will track projects from beginning to end, covering both pre-contractual and contractual stages, and sending timely information to management and to the business units with a view to anticipating and evaluating all project risks.
- Tools based on internal information systems, designed to follow up risks, provide information and control all pre-planned key parameters, the risk plan and its monitoring, implementation deadlines and compliance with established milestones, technical and financial progress, follow-up of projected expenses, invoicing, payment, etc. These systems include a series of indices and alarm mechanisms with the aim of anticipating any problems that may prevent projects for developing as planned and managing them in a timely manner.

In 2010, the Company has continued with its intense programme of communication, training and implementation of regulations, methods and computerised project management tools, both in Spain and in its international subsidiaries. This effort has been essential to ensure appropriate internal control and risk prevention in all the Group's companies.

Indra has also continued to strengthen the knowledge of its professionals in project management methodology, continuing to gain PMP (project management professional) certification. To date, over 250 professionals have been certified since this initiative began, making Indra the Spanish company with the largest number of PMPs.

Assuring customer satisfaction through service quality is one of Indra's key risk-related concerns. Project quality is assured by means of compulsory implementation of its proprietary project management methodology, both in Spain and abroad. Over the years, Indra has developed a quality management system that is evidenced by the appropriate quality standard certifications, depending on business area and geographical location: ISO 9001, PECAL 2110, PECAL 160, UNE-EN 9100, EASA section 145, CMMI (Capability Maturity Model Integration).

Risks deriving from Indra's work with suppliers and subcontractors when carrying out projects are covered by a well-structured purchasing department, which has two clear objectives: to optimise the purchasing process (negotiating framework agreements, planning delivery deadlines, optimising costs) and to monitor suppliers, verifying their technical quality and financial soundness.

#### **b) Physical risks**

Indra has a specialised service for managing business and equity risks and civil liability risks. It aims to define the coverage policy for these risks by means of internal prevention and, when the risk in question can be insured, transfer to third parties (insurance companies).

This department prepares a full risk map by separating insurable risks, for the quantification of their impact and subsequent transfer to insurance companies, and risks that cannot be insured, for coverage using specific prevention regulations. All accident risks and all kinds of liability (products, operation, professional, management, etc.) are covered. The proper definition of these risks provided by the map in relation to Indra's activity ensures their correct coverage and/or prevention.

#### **c) Human capital risks**

Our biggest asset is formed by the more than 28,600 Indra professionals all over the world. Our excellent talent management processes form one of the cornerstones of Indra's strategy, and are an essential tool to retain our professionals.

Indra has therefore continued to review and approve people management tools and processes, ranging from performance assessment and estimation of potential to our general training and development plan, including remuneration and staff planning processes to give us the best means to manage our employees' careers appropriately.

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In this way, we aim to attract, retain, and motivate the best professionals at all times, avoiding any loss of talent that could limit our capacity to successfully tackle the important challenges awaiting us in the future.

#### **(d) Information technology management risks**

At Indra the protection of information and the technological assets for processing and/or managing information is vitally important, and we understand the information and knowledge that support it to be the foundations of our business.

Therefore, the management of information security and associated technological assets is based on internationally recognised standards, specifically on international regulation UNE-ISO/IEC 27001, in which Indra was recently certified by AENOR with advanced progress.

The risk analysis procedure followed by Indra is based on knowledge of the vulnerabilities that may apply to the different assets and the likelihood that threats will materialise. We are therefore aware of the impact or, in other words, the degree of damage that may be caused to the asset, assessed in terms of loss of confidentiality, integrity and availability.

Once risks are identified, an action plan is established, identifying the measures and control procedures needed to minimise these risks. These measures are grouped as follows:

- Security policy and regulations.
- Security technology.
- Monitoring and audit.
- Training and distribution of information on security.
- Compliance with data protection legislation.

All applications and critical business services are subject to a backup policy audited annually by AENOR and supported by a disaster recovery plan with a personal backup centre.

It should also be noted that, to guarantee compliance with all security measures, Indra has implemented an audit system that verifies the security status of all its systems and brings them into line with the confidentiality provisions of data protection legislation. The Company recently performed its two-yearly audit as required by law to verify compliance with regulations on security measures (Royal Decree 1720 of 21 December 2007). This audit covered Indra Sistemas and all its subsidiaries in Spain.

This audit has been carried out on Indra Sistemas and its Spanish subsidiaries.

The audit department is currently in charge of verifying compliance with current regulations and assessing it in order to improve internal control procedures in all Group departments and companies. Annual planning of internal audit activities is done using the risk map to determine priorities.

Throughout the year, the Audit and Compliance Commission periodically reviews the previously described internal control systems during meetings with department heads and on the basis of information provided by the Internal Audit department.

#### **e) Economic and financial risks**

The main aims of the Indra Group's risk management are: to ensure the availability of necessary funds to meet financial undertakings and protect the Euros value of the financial flows expressed in foreign currencies with which Indra operates; and to prevent, as far as possible, the impact on the Company's business of risks derived from the economic environment, such as fluctuations in the price of materials, services and/or labour, fall in demand, the potential insolvency of customers or suppliers, the loss of significant customers, etc.

The volatility of foreign exchange markets and the increasing globalisation of the Group mean that the risk of foreign exchange transactions is more significant for Indra. The management of foreign currencies is centralised in the cash flow area and subject to strict internal regulations that require, from the outset, the hedging of the net flows of all projects underway to guarantee expected profitability and avoid this being compromised by the fluctuation of exchange rates.

Liquidity to tackle financial commitments arising from transactions and capital requirements is ensured by committed and flexible loan policies contracted with various financial entities. Indra negotiates centrally from the cash flow area, obtaining these short-term loans at the best market prices.

Variation in interest rates may affect the effective cost of drawdown on loan policies, increasing debt costs. To manage risks arising from interest rate fluctuations, the Company considers the possibility of using hedging instruments existing on the market.

Any exceptions to these regulations, in relation to both exchange rate hedges and fluctuations in interest rates, must go through special authorisation mechanisms.

Quality of financial reporting: In 2010, following recommendations by the CNMV (Spanish Stock Market Commission), an additional effort has been made to detect possible actions to be taken with regard to risks relating to financial reporting in order to conclude implementation of a suitable Internal Control over Financial Reporting System in 2011.

#### **f) Risk Management**

This group deals with all risks relating to failure to comply with contractual, legal, labour or environmental obligations.

##### **(a) Legal, contractual and regulatory risks**

The Secretariat-General is responsible for ensuring the full legal security of the Company's businesses and activities by actively identifying and managing legal risks to prevent them from materialising.

The Secretariat-General also monitors strict compliance with the legal and administrative obligations applicable to Indra as a listed company, as well as with the most demanding recommendations and standards established by good corporate governance practices.

As well as supervising the legal obligations that Indra shares with all companies (independently of the sector in which they operate) and compliance with the regulatory framework applicable to all listed entities, the Company also focuses on a specific risk area that relates to its activity: knowledge protection.

The board of directors of Indra approved a Code of Ethics and Professional Conduct whose implementation and compliance is supervised by the Audit and Compliance Committee. Through this Code, Indra transmits its commitment to and responsibility for the values and principles that should underlie all of its actions across all levels of the organisation.

The Audit and Compliance Committee also oversaw the establishment and start-up of a hotline (Canal Directo) that allows employees to ask questions or request clarification regarding application of the Code of Ethics and Professional Conduct, and to report irregular conduct or behaviour that infringes the principles set out in the Code.

The company has carried out an in-depth analysis of the control risks and requirements pursuant to organic law 5/2010 of 22 June 2010, which amends the Spanish Penal Code, and of other rules that are relevant to the company. As a result, the Audit and Compliance Committee approved the creation of a Legal Compliance unit, to be headed by a Chief Compliance Officer who will periodically report to the Audit and Compliance Committee, which in turn reports to the General Secretary, and whose mission it shall be to define a set of measures and procedures to prevent, monitor and detect criminal conduct and other legal risks within the company and its subsidiaries.

(b) Health and safety in the workplace risks

Indra undertakes to comply with applicable health and safety in the workplace legislation, not only in terms of organising health and safety responsibilities into a hierarchical structure but also in aiming to encourage a culture of prevention in all activities carried out by the Company, always from a perspective of continuous improvement.

Indra's specialised resources include its own joint prevention department, comprising specialised professionals who provide centralised services to Group companies, and external services specialised in health and safety in the workplace and occupational medicine, which provide support and advice and are integrated into Indra's prevention management.

The joint prevention department reports to human resources management personnel specialised in the management of this kind of risk, responsible for health and safety in the workplace activities and co-ordinating initiatives involving external specialists.

With the aim of verifying the efficiency of the preventive management system, regular external audits are performed by entities accredited by the Ministry of Labour, enabling us to establish action plans and adjustment policies aimed at continuous improvement in the area of health and safety in the workplace.

(c) Environmental risks

Although Indra is not considered to pose a notable risk to the environment (due to the nature of its activities), the Company has established systems to manage and prevent this type of risk and continues to apply and improve its environmental policy in its different work centres. Indra's activities focus on intensive solutions and services in the use of communications and information technology, and therefore do not include contaminant processes. However, given the size of the Company and its presence in different countries, it is inevitable that its activity will produce a certain impact on the environment. Indra is aware of this, and is therefore committed to limiting the negative effects that this impact may produce as much as possible. The Company also ensures that environmental protection is considered when carrying out all its activities, thereby complying with its corporate social responsibility commitments.

This undertaking forms part of the implementation of an environmental management system based on UNE-EN ISO 14001 in the most important Indra work centres, with efforts concentrated at first in the largest centres.

**D.2 Please specify whether any of the different kinds of risk (operational, technological, financial, legal, reputational or tax-related) that affect the Company and/or Group have occurred during the year:**

YES

**If so, please specify the circumstances that caused these and whether established control systems functioned correctly:**

**Risks that materialised during the year**

Cost delays and deviations during the implementation of certain projects

**Circumstances that caused this risk to materialise**

Unforeseen changes in scope, cost overruns and delays in the completion of project milestones

**Operation of control systems**

The continuous follow-up of risk plans for projects following Indra methods and alarm systems resulting from financial monitoring minimised the potential impact on cost and deadlines.

**D.3 Please specify whether any committee or other governing body is responsible for establishing and supervising these control devices:**

YES

If so, give details of its functions.

**Name of the committee or body**

Audit and Compliance Committee

**Description of functions**

In accordance with article 5 of its regulations, the board of directors reserves, and cannot delegate, decisions on the general risk management policy and the definition of control and information systems used for this purpose.

This function of the board of directors is completed by the functions attributed to the Audit and Compliance Committee, which regularly reviews internal control systems and the Company's risk management.

In practice, the Audit and Compliance Committee meets twice a year with the managers of these control systems as well as the managers of some of the areas affected in order to ascertain and assess the effectiveness of the organisation, functions and activity and, if appropriate, issue recommendations.

All topics dealt with in the Committee's sessions, its analysis and assessment and any specific proposals for action are considered in a timely manner by the board of directors.

After these meetings, the audit and compliance committee gives express instructions to the internal audit department to carry out appropriate verification processes for compliance with these recommendations.

#### D.4 Identification and description of processes for compliance with different regulations that affect your Company and/or Group:

As explained in section D.1, the Secretariat-General of the Company uses a preventive function to guarantee that legal obligations and the corresponding implications arising as a result of Indra's procedures are complied with and appropriately applied. This is achieved by monitoring compliance with applicable regulatory provisions (mercantile, administrative and securities market-related) and timely compliance with legal obligations that affect the different governing bodies of the Company. Control is also maintained by defining the legal terms governing commercial relations and the correct implementation of agreements adopted by governing bodies. Exercise of this function is supervised annually by the Audit and Compliance Committee.

### E - GENERAL MEETING

#### E.1 Please specify and, where appropriate, provide details of any differences compared to the system of minimums foreseen in the Spanish Companies Act with regard to the quorum for calling the General Meeting

NO

	<b>% quorum different to that established in art. 102 of the Spanish Companies Act for general matters</b>	<b>% quorum different to that established in art. 103 of the Spanish Companies Act for special cases under article 103</b>
Quorum required for 1st call	0	0
Quorum required for 2nd call	0	0

**E.2 Please specify and, where appropriate, provide details of any differences compared to the system set out in the Spanish Companies Act for adopting corporate agreements.**

NO

Please describe differences compared to the system set out in the Spanish Companies Act.

**E.3. Please list the rights of shareholders in relation to General Meetings which are different to those established in the Spanish Companies Act.**

The Company has recognised broader rights for its shareholders than the minimum content required by law. These rights are regulated by the General Meeting regulations, which establish the following:

**Right of information**

In accordance with article 5 of the General Meeting regulations, shareholders are entitled to extensive and specific information on the matters to be discussed and determined at the General Meeting.

As soon as the board knows the probable date that the next General Meeting will be called and held, it issues a public communiqué to the Spanish Securities Market Commission and on its corporate website, enabling shareholders to propose matters for discussion or to be included on the meeting agenda, which they can do via the shareholders office or through the corporate website.

The board of directors should encourage informed participation of shareholders in the General Meetings and take the necessary steps to ensure that the meeting effectively exercises its functions as per the law and the articles of association. Therefore, through its website and the shareholders office, the Company will provide detailed information on the call, the different items on the agenda and proposed agreements thereon. These communication channels will also enable shareholders to request clarification or additional information on these matters.

The board of directors will therefore complete the information required by law and the articles of association to the extent considered necessary. When corporate interest so advises, the board may limit information made available to shareholders. Under no circumstances may information required by the law be restricted.

Since 2003 the board of directors has prepared a report that is made available to shareholders as soon as the General Meeting is called. The purpose of this report is to inform shareholders in as much detail as possible of the content of the different items on the agenda of the General Meeting, as well as the proposals that the board of directors intends to submit in relation to each item. Each of the board's proposals is accompanied by explanatory information. While this is not compulsory, the board considers that it helps shareholders to understand the proposals, facilitates their active and informed participation in the General Meeting and enables them to cast a more informed vote. Except where required by law, this information aims to clarify rather than to comply with legal formalities.



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Shareholders may also examine the documentation referred to in the previous paragraphs at the Company's head office, and can also request that this documentation be sent to their home free of charge. Similarly, once the call for the General Meeting has been published, a channel is set up enabling shareholders to make suggestions or proposals relating to the items on the agenda, or to request clarifications or additional information on these matters, through the corporate website or the shareholders' office.

### **Right of attendance**

In accordance with article 6 of the General Meeting regulations, all shareholders that can certify, at least five days before the scheduled meeting date, ownership of at least 100 shares may attend the General Meeting; or, if this number of shares represents more than one per thousand of the share capital, the lowest number of shares that represents one per thousand. Shareholders with fewer shares may delegate the representation of these to a shareholder with right of attendance, or form a group with other shareholders to obtain the minimum required number of shares. The group should be formed specifically for each meeting and should be specified in writing. Grouped shareholders should confer their representation on one of shareholder of the group.

Exercise of representation and voting rights at the General Meeting through distance voting

Article 14 (bis) of the articles of association and articles 6 and 8 of the General Meeting regulations allow voting and representation rights at the General Meeting to be exercised through the remote means of communication authorised in the General Meeting regulations or approved in each case by the board of directors, provided that such means meet specific legal security requirements to guarantee the identity of the shareholder and the effective exercise of their rights. When the General Meeting is called, details will be provided of the procedure and requisites to exercise the right in question and the remote means of communication that may be used in each case.

Since 2005, the Company has had a system in place, via its corporate website and ordinary mail, to enable shareholders to exercise these rights. The procedure for using these means is described in the call for each General Meeting.

### **Right of representation**

Requests for delegation made by the board shall offer the alternative of delegating to their chairperson or vice-chairperson appointed from among the independent board members.

### **Right to participate in the meeting**

Shareholders present at the General Meeting will have the right to take the floor during the meeting, as established in article 11 of the General Meeting regulations.

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The chairperson will manage shareholder participation so that the meeting is held in an orderly manner, enabling shareholders to intervene on equal terms and express their opinion on each item on the agenda.

Any shareholder that intervenes may request that the full content of their participation be transcribed in the minutes, and that this transcription be provided to them.

**E.4. Please specify any measures adopted to encourage the participation of shareholders in General Meetings.**

These measures are detailed in section E.3 above.

**E.5 Please specify whether the position of chairperson of the General Meeting is the same as the chairperson of the board of directors. Please provide details, as appropriate, of measures adopted to guarantee the independence and correct operation of the General Meeting:**

YES

**Details of measures**

To guarantee the correct operation and execution of meetings, and to ensure that shareholders exercise their rights appropriately and correctly, the General Meeting regulations establish practices that the chairperson should follow at all times. The function of the chairperson is to moderate participation and ensure correct execution. All items on the agenda and proposed agreements submitted to the board are analysed and approved by the board at its plenary session, when it also decides upon the content and scope.

The chairperson of the Audit and Compliance Committee also attends the General Meeting. During the meeting, this figure should inform on matters relating to the functions of this committee, as foreseen in the articles of association and the General Meeting regulations.

Although not foreseen in the Company's internal regulations, the chairperson of the Appointments, Remuneration and Corporate Governance Committee also attends the General Meeting and responds to any shareholder queries regarding matters falling within the scope of this Committee's competence.

**E.6 Please provide details of any amendments to the General Meeting regulations during the year.**

**E.7 Please provide details of attendance at the General Meetings held in the year to which this report refers:**

Date of General Meeting	% physical presence	Details of attendance			Total
		% in representation	% distance voting		
			Electronic vote	Others	
24/06/2010	41,670	24,500	0,010	0,003	66,183

**E.8 Please provide brief details of the agreements adopted at the General Meetings held during the year to which this report refers and the percentage of votes with which each agreement was adopted.**

ONE.- Examination and approval of the annual accounts and directors' report (including the information foreseen in article 116 bis of the law governing the stock market and the annual corporate governance report) of Indra Sistemas, S.A. and its consolidated Group for the year ended 31 December 2009, and the proposed distribution of profit.

Votes in favour: 99.72%

TWO.- Approval, as appropriate, of the management of the board of directors

Votes in favour: 99.72%

THREE.- Approval of the balance sheet approved in item one of the agenda as the merger balance sheet. Approval of the merger of "CEICOM EUROPE, S.L. (solely-owned company)" (absorbed company) and "Indra Sistemas, S.A." (absorbing company) in accordance with the merger project approved by the respective governing bodies. Agreement that the merger should be subject to the neutral tax system foreseen in Royal Legislative Decree 4 of 5 March 2004, which approves the revised corporate income tax law.

Votes in favour: 99.72%

FOUR.- Specification of the number of board members as set out in Article 21 of the articles of incorporation. The number of members of the company's board of directors is established at 14, as set out in Article 21 of the articles of incorporation.

Votes in favour: 90.06%

Approval of the termination of Mr Joaquin Moya-Angeler position as a board member with Mr Joaquín Moya-Angeler's express consent.

Votes in favour: 90.06%

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Appointment of Mr Alberto Terol Esteban as an independent board member for the statutory period of three years. Mr Alberto Terol's personal details will be included in the agreement for entry into the Mercantile Registry.

Votes in favour: 90.06%

Re-election of Administradora Valtenas S.L. as a proprietary board member for the statutory period of three years, in representation of the interest held by Caja de Ahorros de Asturias. The identification details of the proposed board member and of the person appointed as its representative shall be filed at the Mercantile Registry.

Votes in favour: 90.05%

Re-election of Casa Grande de Cartagena, S.A. as a proprietary board member for the statutory period of three years, in representation of the interest held by Lolland, S.A.. The identification details of the proposed board member and of the person appointed as its representative shall be filed at the Mercantile Registry.

Votes in favour: 90.05%

Appointment of Mr Luis Lada Díaz as an independent board member for the statutory period of three years. Mr Luis Lada Díaz's personal details will be filed at the Mercantile Registry.

Votes in favour: 90.06%

Appointment of Ms Mónica de Oriol e Icaza as an independent board member for the statutory period of three years. Ms Mónica de Oriol e Icaza's personal details will be filed at the Mercantile Registry.

Votes in favour: 90.05%

Appointment of Mr Juan March de la Lastra as a proprietary board member for the statutory period of three years. Mr Juan March was appointed to the board of directors for the first time on 29 July 2009 by co-option, representing the interest of Corporación Financiera Alba, S.A. Mr March's personal data will be filed at the Mercantile Registry.

Votes in favour: 90.05%

FIVE.- Authorise the board of directors to acquire own shares directly or through subsidiaries

Votes in favour: 90.44%

SIX.- Appoint auditors for the individual and consolidated annual accounts for 2010.

Votes in favour: 99.34%

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SEVEN.- Annual report on the remuneration of board members and senior management.

Votes in favour: 96.53%

EIGHT.- Inform the Ordinary General Meeting about modifications in the Regulation Board.

NINE – Authorisation of the board of directors to interpret, amend, perform and replace agreements adopted by the shareholders at their general meeting.

Votes in favour: 99.18%

**E.9 Please specify whether there is any statutory restriction that establishes a minimum number of shares required to attend the General Meeting.**

YES

Number of shares required to attend the General Meeting 100

**E.10 Please specify and justify the Company's policies with regard to the delegation of votes in the General Meeting.**

Shareholders may confer representation for attendance at the General Meeting on any party, whether or not they are a shareholder. Representation should be conferred in writing specifically for each meeting.

When the board or its members request the delegation of votes, shareholders are advised to give voting instructions for the different items and, in any event, indicate how the representative should vote if the shareholder does not give detailed instructions.

Requests for delegation made by the board will offer the alternative of delegating to the chairperson or vice-chairperson appointed from amongst the independent board members.

In compliance with article 14 (bis) of the articles of association, for each meeting the board of directors will decide on the procedures for conferring representation by remote means of communication (including electronic means) which, in compliance with the security and efficacy requirements of this article, should at all times be compatible with the state of the art.

**E.11 Please state whether the Company is aware of institutional investors' policy for participating, or otherwise, in company decision-making:**

YES

### **Describe the policy**

Partial. For each general shareholders' meeting, the Company contacts institutional investors to request their participation in the meeting or, failing this, to request that they delegate their representation, as well as to ascertain their position and criteria regarding the different items on the agenda.

The Company is periodically in contact with institutional investors, whereby it conveys its interest in the latter playing an active role in the General Meeting and maintaining fluid communication with the Company.

**E.12 Please specify the address and access route to corporate governance content on the website.**

www.indra.es

The investor relations section contains the corporate governance and General Shareholders' Meeting chapters.

### **F - EXTENT OF FOLLOW-UP OF CORPORATE GOVERNANCE RECOMMENDATIONS**

Please specify the Company's level of compliance with recommendations from the unified code of good governance. Where the Company fails to comply with any of these, explain the recommendations, rules, practices or criteria that the Company applies.

1. That the articles of association 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.9, B.1.22, B.1.23 and E.1, E.2

Complies

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: C.4 and C.7

Not applicable

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3. That, although not expressly required by commercial law, transactions that entail a structural modification of the Company should be submitted for approval by the shareholders at their General Meeting; 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.

Complies

4. That the detailed proposals for agreements to be adopted at the General Meeting, including the information referred to in recommendation 28, be made public when the meeting is called.

Complies

5. That in the General Meeting votes should be cast separately on items that are substantially independent, enabling shareholders to exercise their voting preferences separately. This rule should apply particularly in the following cases:

- a) When appointing or ratifying board members, when votes should be made on an individual basis;
- b) In the event of amendments to the articles of association, for each article or group of articles which are substantially independent.

See section: E.8

Complies

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

See section: E.4

Complies

7. That the board execute its functions with a single purpose and independent criteria, treat all shareholders equally and be guided by the corporate interest, maximising the financial value of the Company in a sustained manner. The board will also ensure that in its relationships with stakeholders the Company respects laws and regulations; that it complies in good faith with its obligations and contracts; that it respects the uses 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.

Complies

8. That the board undertakes, as its core mission, to approve the corporate strategy and specific organisation for its implementation, and to supervise and ensure that management complies with established objectives and respects the statutory activity and corporate interest 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 remuneration and performance appraisal.
- (vii) The risk management and control policy and regular monitoring of internal information and control systems.
- (viii) The dividends and own shares policy, particularly with regard to restrictions.

See sections B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions:

(i) At the proposal of the Company's chief executive, the appointment and possible termination of senior managers, and approval of their indemnity clauses.

See section B.1.14

(ii) Remuneration of board members and, in the case of executives, additional remuneration for their executive actions and other conditions that should be respected in their contracts.

See section B.1.14

- (iii) Financial information which, as a listed entity, the Company is periodically required to publish.
- (iv) All kinds of investments or transactions which are strategic in light of their large amount or special characteristics, except when they must be approved at the General Meeting.
- (v) The creation or acquisition of interests in special purpose entities or entities domiciled in countries or territories considered tax havens, and any other transactions or similar operations which, in light of their complexity, could undermine the Group's transparency.

(c) Transactions carried out by the Company with board members, significant shareholders or those represented on the board, or related parties (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. Transactions carried out under contracts with standard conditions that apply en masse to a large number of customers.
2. Transactions carried out at prices or tariffs generally established by the party that acts as a supplier of the good or service involved.
3. Transactions for an amount not exceeding 1% of the Company's annual revenue.



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The board is advised to approve related party transactions following receipt of a favourable report from the Audit Committee or other organisation commissioned for this purpose, as appropriate. The board members involved are recommended not to exercise or delegate their right to vote and to leave the meeting room while the board deliberates and cast its votes.

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 delegated committee with subsequent ratification by the board in plenary session.

See sections: C.1 and C.6

Complies

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 members.

See section: B.1.1

Complies

10. That proprietary and independent external board members constitute a broad majority of the board and that the number of executive board members be the required minimum in relation to the complexity of the corporate Group and the percentage interest of executive board members in the share capital of the Company.

See sections: A.2, A.3, B.1.3 and B.1.14

Complies

11. That in the event of any external board member who may not be considered proprietary or independent, the Company should explain this circumstance and their relationships with the Company, its directors or shareholders.

See section: B.1.3

Not applicable

12. That, with regard to external board members, the ratio of proprietary board members to independent board members should reflect the proportion between the share capital of the Company represented by proprietary board members and the remaining share capital.

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This strict proportional criterion may be extenuated in such a way that the number of proprietary board members exceeds the number that would apply to the percentage of total share capital they represent:

1. In companies with high share capital 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 several shareholders are represented on the board and are not related to one another.
- See sections: B.1.3., A.2. and A.3

Complies

13. That the number of independent board members should represent at least one third of the total number of board members.

See section: B. 1. 3.

Complies

14. That the board of directors explain the nature of each board member to the shareholders at the General Meeting, so that the shareholders may appoint or ratify the board members, and that these details be confirmed or, where appropriate, revised each year in the annual corporate governance report after verification by the Appointments Committee. This report should also explain the reasons for the appointment of proprietary board members at the proposal of the shareholders whose interest in share capital is less than 5%. It should also explain, where applicable, why formal requests from shareholders for attendance at the board meeting were not honoured, when their interest is equal to or exceeds that of other shareholders whose proposal for proprietary board members was honoured.

See sections: B.1.3 and B.1 4

Complies

15. That when the number of female board members is minimal or nil, the board should explain the reasons and the initiatives adopted to correct this situation. In particular, the Appointments Committee should ensure that, when vacancies arise:

- a) The appointment process is unbiased so as not to hinder the selection of female board members.
- b) The Company specifically seeks and includes women with the desired profile among the potential candidates.

See sections: B.1.2., B.1.27. and B.2.3.

Complies

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16. That the chairperson, as the individual responsible for the efficient execution of the board, should ensure that board members receive sufficient information in advance; should encourage discussion and the active participation of the board members at the meeting, safeguarding their choice of stance and freedom of opinion; and should organise and coordinate, together with the chairs of the relevant committees, the periodical appraisal of the board and, where appropriate, of the managing director or chief executive.

See section: B.1.42.

Complies

17. That when the chairperson of the board is also the chief executive of the Company, one of the independent board members should be authorised to convene the board meeting or include new items on the agenda; to coordinate and reflect external board members' concerns; and to direct the board's appraisal of the chairperson.

See section: B.1.21

Complies

18. That the Secretary of the board of directors endeavours to ensure that the operations carried out by the board:

- a) Are in line with laws and regulations in letter and spirit, including any approved by regulatory bodies;
- b) Are in accordance with the Company's articles of association, the regulations of the board of directors and any other Company regulations;
- c) Consider all recommendations on good governance included in this unified code approved by the Company.

Furthermore, to ensure the independence, impartiality and professionalism of the Secretary of the board, any appointments to or dismissals from this position must be reported by the Appointments Committee and approved by the board of directors in plenary session. The aforementioned appointment and dismissal procedures must be included in the board regulations.

See section: B.1.34

Complies

19. That the board meets with the frequency necessary to perform its functions efficiently, in line with the schedule and agenda established at the beginning of each year. Board members should be able to propose that additional matters be raised that were not included in the initial agenda.

See section: B.1.29

Complies

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20. That any failure to attend by a board member must be exceptional and quantified in the Annual Corporate Governance Report. If necessary, the member must send a proxy with instructions.

See sections: B.1.28 and B.1.30

Complies

21. That, if a board member or the Secretary reports concerns regarding any proposal or, in the case of members, the Company's progress, and the matter is not resolved by the board, the concern must be stated for the record at the request of the individual who raised it.

Complies

22. 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 Appointments Committee, the performance of the chairman of the board and first executive of the Company;
- c) The performance of the board Committees, considering their reports.

See section: B. 1. 19

Complies

23. That all board members may exercise their right to obtain any additional information on the board's remit considered necessary. Unless the Company's articles of association or the board regulations state otherwise, such information requests must be reported to the chairman or Secretary of the board.

See section: B.1.42

Complies

24. That all board members are entitled to request that the Company provide sufficient advisory services to carry out their functions properly. The Company must decide on the most suitable way to exercise this right which, in particular circumstances, includes external advisory services at the Company's expense.

See section: B. 1. 41.

Complies

25. Companies should organise induction programmes for new board members to acquaint them rapidly with the workings of the Company and its corporate governance rules. Board members should also be offered refresher programmes when circumstances so advise.

Complies

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26. That companies request that board members commit the time and effort necessary to perform their tasks efficiently. As a result:

- a) Board members must inform the Appointments Committee of the rest of their professional obligations in case they could affect the member's required dedication
- b) Companies must establish rules on the number of entities in which board members may participate.

See sections: B. 1. 8, B. 1. 9 and B. 1. 17

Complies

27. That any proposed appointments or re-elections presented by the board to the shareholders at the General Meeting, as well as any temporary appointments by co-opting, must be approved by the board:

- a) At the proposal of the Appointments Committee in the case of independent board members.
- b) With a prior report from the Appointments Committee, in the case of other board members.

See section: B. 1. 2

Complies

28. That companies publish and update the following information on board members on the Company website:

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

Complies

29. That the mandate of independent board members may not exceed 12 years.

See section: B.1.2

Complies

30. That proprietary members 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 members representing this shareholder.

See sections: A.2, A.3 and B. 1.2

Complies

31. That the board of directors may not propose the dismissal of any independent board member before the completion of the statutory mandate period for which the member was appointed, unless a just cause is declared to the board and a prior report has been prepared by the Appointments Committee. Specifically, just cause is considered to exist if the board member has failed to complete the tasks inherent to his or her position or entered into any of the circumstances described in chapter III, section 5, of this Code.

The dismissal of independent board members may be proposed as a result of a public share offer, joint venture or similar operation implying 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 discussed in Recommendation 12.

See sections: B. 1. 2, B. 1. 5 and B. 1. 26

Complies

32. That companies will set certain rules requiring that board members inform the board and, where appropriate, resign from their positions, in the event of any damage to the Company's standing and reputation. Specifically, members must be required to report any criminal actions with which they are charged, as well as the consequent legal proceedings.

If a board member is tried or called to court for any of the crimes set out in article 124 of the Spanish Companies Act, the board must investigate the case as soon as possible and, based on the particular situation, decide whether the board member 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: B 1.43 and B. 1.44

Complies

33. That all board members clearly express their opposition when they consider any proposal to go against the Company's interests. This must apply to both independent and other board members who may not be affected by the 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 board member has serious reservations, the board member 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 full board member.

Complies

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34. That whenever, due to resignation or any other reason, a board member leaves his or her position before the completion of the mandate, the member is required to explain the reasons for this decision in a letter addressed to all the members of the board. Irrespective of whether the resignation has been reported to the Spanish Securities Market Commission as a relevant event, it must be included in the Annual Corporate Governance Report.

See section: B.1.5

Complies

35. That the remuneration policy approved by the board must establish at least the following:

- a) The components of fixed remuneration, with a breakdown, where appropriate, of the allowances received for participation in the board and its Committees, as well as the estimated total annual fixed remuneration they comprise;
- b) Variable remuneration, stating in particular:
  - i) The type of member to whom variable remuneration is paid, as well as an explanation of the relative weight of variable items compared to fixed remuneration components.
  - ii) The criteria used to assess results to determine whether members are entitled to receive remuneration in the form of shares, options or any variable component;
  - iii) Fundamental parameters and the basis of any annual bonus system or other benefits not paid in cash; and iv) An estimate of the absolute amount of variable remuneration that will be paid out under the proposed remuneration plan, depending on the extent to which reference objectives or targets have been met.
- c) The main characteristics of the benefits systems (for instance, complementary pensions, life insurance etc.), with an estimate of their equivalent annual cost.
- d) Conditions that must be respected in the contracts of senior management personnel such as executive board members, including:
  - i) Contract duration;
  - ii) Notice period; and
  - iii) Any other clauses relating to contract bonuses, as well as indemnities or "golden parachute" agreements applicable on early rescission or termination of the contract between the Company and the executive board member.

See section: B. 1. 15

Complies

36. That a limit is placed on the remuneration of executive board members in the form of shares in the Company or Group companies, options or instruments relating to share value, variable remuneration linked to the Company's performance or forecast systems.

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This recommendation does not apply to share-based payments, provided that board members maintain ownership of these shares until they leave their positions.

See sections: A. 3 and B. 1. 3

Complies

37. That external board members receive sufficient remuneration to reward the dedication, qualification and responsibility inherent to their posts, but not so high as to compromise their independence.

Complies

38. That, in calculating any remuneration linked to profits, the Company considers any qualification included in the external auditor's report that reduces profit for the year.

Complies

39. That the variable remuneration policy incorporates the necessary technical precautions to ensure that this remuneration rewards the professional performance of its beneficiaries and does not simply derive from the general development of the market or the Company's activity sector, or any other similar circumstances.

Complies

40. That the board presents a report on the policy for the remuneration of board members for the shareholders to vote on as a separate point in the agenda at their General Meeting, for the purposes of consultation. This report must be made available to shareholders, either individually or in any other way the Company considers convenient. This report should focus particularly on the remuneration policy approved by the board for the current year as well as, where appropriate, forecasts for the coming years. It should discuss all issues referred to in recommendation 35, except for any extreme circumstances in which disclosure may result in the divulgence of sensitive trading information. It should highlight the most significant changes in such policies applied during the year dealt with in the particular annual General Meeting, and should also include an overall summary of how the remuneration policy was applied during the last year. The board should also inform shareholders about the role played by the Remuneration Committee when preparing the remuneration policy and, if external advisory services were employed, state the identity of the consultant used.

See section: B. 1. 16

Complies

41. That the report must provides details on the individual remuneration of board members during the year including, where applicable:

a) An individual breakdown of each board member's remuneration, including, where appropriate;



- i) Attendance allowances or other fixed remuneration paid to board members;
  - ii) Any additional remuneration received for chairing or sitting on any of the board's committees;
  - iii) Any profit-sharing or bonus amounts and the reason for which they were paid out;
  - iv) Contributions to defined contribution pension plans on behalf of board members; or, in the case of defined benefit plans, any increases in the consolidated entitlement resulting from board membership;
  - v) Any indemnities agreed or paid in the event of dismissal;
  - vi) The remuneration received from other Group companies due to membership of their boards of directors;
  - vii) Remuneration of executive board members in their condition as senior management of the Company;
  - viii) Any other remuneration item concept other than those mentioned above, independently of the Group company from which it was received, especially if it is considered to be a related-party transaction or its omission would distort the total remuneration received by the board member.
- b) An individual breakdown of the final shares, options or any other instruments related to share value received by board members, including:
- i) The number of shares or options paid out in the current year and the terms of exercising options;
  - ii) Number of options exercised in the year, indicating the total shares affected and the exercise price;
  - iii) The number of options to be exercised at year end, indicating their price, date and other requirements;
  - iv) Any modifications during the year to the conditions for exercising options already distributed.
- c) Information on the relation between the remuneration received by executive board members and the Company's profits or other performance measures during the year.

Partly complies

The recommendation is fully complied with, except for disclosure of the individual remuneration received by executive board members in their condition as senior management of the Company (section 41 a) vii)). This information is presented as a total, but with a full breakdown of details per remuneration item.

42. That if there is a delegate or executive committee (hereinafter the "Delegate Committee"), the proportion of each different board member category must be similar to that of the board itself, and its secretary must be the Secretary of the board.  
See sections B.2.1 and B.2.6

Complies

43. That the board must always be aware of the subjects discussed and decisions taken by the Delegate Committee and that all members of the board receive a copy of the minutes to Delegate Committee meetings.

Complies

44. That the board of directors establishes, in addition to the Audit Committee required by Spanish Securities Market Law, a committee or two separate committees to deal with appointments and

remuneration. The rules for the composition and functioning of the Audit Committee and the Appointments and Remuneration Committee or Committees must be included in the board regulations, and include the following requirements:

- a) That, in the appointment of members of these Committees, the board must consider their knowledge, skills and experience and the tasks to be carried out by each committee. The board must also discuss the Committees' proposals and reports, and Committees must appear before the first plenary session of the board to report on their activities and answer all questions relating to the work performed.
- b) These Committees must only comprise external board members, with a minimum of three. However, executive board members or senior management personnel may participate in these Committees when committee members request their presence.
- c) They must be chaired by independent board members.
- d) They should be entitled to request external advisory services if necessary to fulfil their functions.
- e) Minutes should be taken at all committee meetings and a copy sent to all members of the board.

See sections: B. 2. 1 and B. 2. 3

Complies

45. That the supervision of compliance with the internal code of conduct and corporate governance regulations is the responsibility of the Audit Committee, the Appointments Committee or, if they exist as separate bodies, the Compliance or Corporate Governance Committees.

46. That the members of the Audit Committee, in particular its chairperson, are appointed considering their knowledge and experience of accountancy, audit and risk management issues.

Complies

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

Complies

48. That the person in charge of the internal audit function presents an annual work plan to the Audit Committee, reports on any issues that may arise during the implementation of this plan and presents an activity report at the end of each year.

Complies

49. That the control and risk management policy identifies at least the following:

- a) The different types of risk (operating, technological, financial, legal, reputational etc.) faced by the Company, including under financial and economic risks any contingent liabilities and other off-balance sheet risks;

- b) A fixed risk level deemed acceptable by the Company;
- c) The measures planned 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: D

Complies

50. That the Audit Committee is responsible for:

1. With regard to information systems and internal control:

- a) Supervising the preparation and completeness of financial information relating to the Company and, if applicable, the Group, ensuring that regulatory requirements are complied with, the scope of the consolidated Group is suitably defined and accounting criteria are correctly applied.
- b) Regularly review internal control systems and risk management in order to identify, manage and recognise the main risks.
- c) Ensure the independence and effectiveness of the internal audit function by proposing the recruitment, appointment, re-election or dismissal of the head of internal audit, drafting a budget for this department, regularly gathering information on its activities and verifying that senior management considers the conclusions and recommendations of its reports.
- d) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with potential consequences - especially those of a financial or accounting nature - that they observe in the Company.

2. With regard to the external auditor:

- a) Submit proposals to the board relating to the selection, appointment, re-election or substitution of the external auditor, as well as the suggested terms of the contract.
- b) Regularly gather information from the external auditor on the audit plan and the results thereof, ensuring that senior management takes any recommendations into consideration.
- c) Ensure the independence of the external auditor by:
  - i) Ensuring that the Company files a relevant event report 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) Ensuring that the Company and its auditor observe prevailing regulations on the provision of non-audit services, restrictions to the concentration of the auditor's business and, in general, any other regulations established to assure auditor independence;
  - iii) If the external auditor resigns, making sure that the circumstances leading to this resignation are examined.
- d) In the case of groups, encourage the group auditor to audit the companies that comprise the groups.

See sections: B.1.35, B.2.2, B.2.3 and D.3

Complies

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51. That the Audit Committee may request the presence of any employee or manager of the Company, even without the presence of any other management figure.

Complies

52. That the Audit Committee reports 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 on a regular basis. The Committee must ensure that interim accounts are prepared applying the same accounting criteria 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 discredit 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: B.2.2 and B.2.3

Complies

53. That the board of directors endeavours to submit the annual accounts to the shareholders at their General 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: B.1.38

Complies

54. That the majority of the members of the Appointments Committee - or the Appointments and Remuneration Committee if both functions are combined in one body - are independent board members.

See section: B.2.1

Complies

55. That, in addition to the functions indicated in the previous recommendations, the Appointments Committee is also responsible for the following functions:

- a) Evaluating the competence, knowledge and experience required by the board and, consequently, defining the functions and skills required by the candidates to fill a vacancy, as well as the time and dedication required to perform their duties.
- b) Adequately examining or organising succession to the positions of chairman and first executive and, when applicable, making proposals to the board to ensure a well-planned and orderly succession.

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c) Reporting on any appointments or dismissals of senior management personnel proposed by the first executive to the board.

d) Informing the board on gender diversity matters included in recommendation 14 of this Code.

See section: B.2.3

Complies

56. That the Appointments Committee consults the chairman and the first executive of the Company, especially in relation to executive board members. Any board member may ask the Appointments Committee to consider potential candidates he or she considers appropriate to fill a vacancy on the board of directors.

Complies

57. That, in addition to the functions indicated in the preceding recommendations, the Remuneration Committee is responsible for the following functions:

a) Proposing to the board of directors:

i) The remuneration policy applicable to board members and senior management

ii) The individual remuneration of executive board members and the terms and conditions of their contracts

iii) The basic conditions of contracts signed with senior management

b) Ensuring compliance with the remuneration policy established by the Company.

See section: B.1.14 and B.2.3

Complies

58. That the Remuneration Committee consults the chairman and the first executive of the Company, especially in relation to executive board members and senior management.

Complies

## **G. FURTHER INFORMATION OF INTEREST**

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If you consider that any relevant aspects relating to the corporate governance procedures applied by your Company have not been dealt with in this report, please indicate below and provide details:

With regard to point A.2 on the direct and indirect ownership of significant shareholdings, it should be clarified that, as stated in a report filed with the Spanish Securities Market Commission on 21 December 2010, FMR LLC owns the stated interest. The aforementioned report does not indicate the number of shares directly held by each of these funds only the interest of the fund FID LOW PRICED STOCK FUND which reaches 8.830%.

Significant movements in the shareholding structure are as follows:

On 4 April 2010 Gas Natural SDG, S.A. sold among its qualified investors, other national and foreigners 8,206,627 shares, equivalent to 5% of the share capital of Indra, On 4 September 2009 Gas Natural SDG, S.A. merged with Unión Fenosa, S.A., losing presence in the capital structure of this company.

Regarding the breakdown of significant changes in the company's portfolio of own shares in 2010 set out in section A.8, on 4 January 2010 notification was sent to the Spanish Securities Market Commission (CNMV) within the legally stipulated period specifying all transactions with own shares from 27 July 2010 until the close of trading on 29 December 2010. The total number of shares acquired at 29 December 2010 was 1,642,266 shares representing 0.997% of share capital.

With regard to point B.1.8 on Company board members who are also members of the boards of directors of other companies listed on Spanish securities markets, Mr Matías Amat and Mr Estanislao Rodríguez-Ponga (representatives, respectively, of Indra, Mediación y Diagnósticos, S.A. and Participaciones y Cartera de Inversión, S.L.) have informed the Company that Mr. Amat represents Inmogestión y Patrimonios, S.A. on the board of Realía Business, S.A., and Mr Rodríguez-Ponga is on the board of Testa Inmuebles en Renta, S.A.

With regard to point B.1.12 on the identity of senior management members, Mr Cristóbal Morales Buitrago and Mr Joaquín Uguet Carrasquer left the Company in 2010, and Mr Emilio Díaz Expósito was appointed Managing Director of the Company.

With regard to the remuneration of senior management personnel who are not executive directors, it should be noted that Note 37 of the Company's annual accounts

of the Company corresponding to 2010, which are published together with this report, includes detailed, individual information in this respect.

With regard to point B 1.13 on guarantee or "golden parachute" clauses for situations of dismissal or change of control present in the contracts of senior management of the Company or Group, including executive board members, it should be noted that each senior manager has signed a contract with the Company stating the conditions applicable to his or her employment. These contracts were authorised by the board of directors after a favourable report and corresponding proposal by the Appointments, Remuneration and Corporate Governance Committee, and were submitted to the shareholders at their ordinary General Meeting in 2007. By virtue of these contracts, in the event of the termination of their employment with the Company unless due to voluntary redundancy or fair dismissal, senior managers are entitled to an indemnity equivalent to that specified in article 56 of the National Labour Relations Act, i.e. an amount equal to 45 days' annual remuneration per year of tenure in the Company, with a limit of 3.5 times their yearly salary, and a minimum of three times the yearly salary in the case of the chairman and managing director. Executive directors and chief operating officers (including the international general manager) have signed a non-competition agreement with the parent Company valid for

up to two years after the completion of their employment, which establishes the applicable compensation at between 0.5 and 0.75 times their annual remuneration per year of non-competition.

In addition to the information included in this report, the Company also publishes information on indemnity clauses in the annual accounts presented to the shareholders for approval at their General Meeting and in the remuneration policy report.

With regard to point B. 1.17 on members of the board who are also board members, managers of employees in companies that own significant shareholdings in the listed Company and/or Group companies, please note the following details for 2010:

- Mr Felipe Fernández Fernández (representative of Administradora Valtenas, S.L.) is the general manager of Caja de Ahorros de Asturias.
- Mr Matías Amat (representative of the board member Indra Mediación y Diagnósticos, S.A.) is the CEO of Caja de Ahorros y Monte de Piedad de Madrid.
- Mr Estanislao Rodríguez-Ponga (representative of Participaciones y Cartera de Inversión S.L.) is director of Caja de Ahorros y Monte de Piedad de Madrid.
- Mr Eusebio Vidal-Ribas (representative of Casa Grande de Cartagena, S.L.) is director and general manager of Casa Grande de Cartagena, S.L.

With regard to point B 1.26 on whether the articles of association establish any limit to the mandate of independent directors, please note that although the Company has specifically established criteria for the maximum term of office of independent directors, as well as their renewal, it is understood that this matter cannot be formally documented in the regulations of the board of directors or the Company's articles of association.

Specifically, in accordance with article 22 of the board regulations on the regular renewal of its composition, at the beginning of 2005 the board agreed to apply the following criteria following recommendations submitted by the Appointments, Remuneration and Corporate Governance Committee: except in certain justified cases, independent directors may not hold positions on the board for longer than four terms of office as stipulated in the articles of association (three years), and the board must renew positions on a gradual, ongoing basis.

The application of these criteria began at the ordinary General Meeting in 2005, in which shareholders agreed the appointment of Ms Isabel Aguilera as an independent director, replacing Mr Moya Francés. The process continued in 2007 with the appointment of Ms Mónica de Oriol and Mr Luís Lada, in substitution of Mr Manuel Azpilicueta and Mr Juan Carlos Ureta, in 2008 with the appointment of Ms Rosa Sugrañes to replace Mr Francisco Constans, in 2009, with the appointment of Mr Daniel García-Pita in substitution of Mr Pedro Ramón y Cajal, and in 2010, with the appointment of Mr Alberto Terol to replace Mr Joaquín Moya-Angeler.

With regard to point B.1.29 on the number of meetings of the board from which the Chairman was absent, the chair did not attend two (2) sessions, as these related to his annual performance evaluation as first executive and chairman of the board and to his annual remuneration.

With regard to point B.1.30 on attendance at meetings of the board of directors and of committee meetings, attendance at these in 2010 averaged 88%, rising to 96% for independent directors.

With regard to point B.1.40 on interests owned by members of the board of directors in the share capital of entities with identical, similar or complementary statutory activities to those of the Company or Group:

- Mr Felipe Fernández (representative of the board member Indra Administradora Valtenas, S.L.) has informed the Company that he also chairs the board of directors and executive committee of Infocaja, S.L.

With regard to point C.2, in which details are provided of all significant transactions in which resources or obligations were transferred between the Company or Group companies and significant shareholders, please note that all transactions with significant shareholders were authorised in accordance the board regulations and took place within the ordinary course of the Group's business and under market conditions. They do not represent, either individually or as a whole, a significant amount in relation to the Group's assets, financial situation and revenues.

- "Finance expenses" relate to expenses and interest as a result of financial brokerage services and drawdown on credit facilities.
- "Receipt of services" refers to services contracted by Indra from the specified shareholder in the ordinary course of business.
- "Services rendered" reflect services for which Indra was contracted by the specified shareholder in the ordinary course of business.
- The amounts classified as "other expenses" are guarantee management expenses.
- "Finance income" is interest received by Indra on current deposits.
- "Financing agreements" include several items: the maximum limit of credit facilities that mature on an annual basis (Euros 27,250 million)
- "Commitments undertaken" reflects the upper limit on guarantees and credit cards, and the upper limit on hedges and commercial loans. The latter (upper limit on líneas derivadas and commercial loans) is shown on the semi-annual report, under the heading other operations, which is not available on this form.

In the information published every six months, "other related parties" include transactions with Banco Inversis, S.A., in which Indra has a 12.77% interest and Caja Madrid a 38.48% interest.

With regard to point C.3, in which details are provided of all significant transactions in which resources or obligations were transferred between the Company or Group companies and its directors or management personnel, please note that all such transactions were authorised in accordance the board regulations and took place within the ordinary course of the Group's business and under market conditions. They do not represent, either individually or as a whole, a significant amount in relation to the Group's assets, financial situation and revenues.

The lease with the director Mr Joaquín Moya-Angeler relates to a building with an area of 4,226m<sup>2</sup> located in Torrejón de Ardoz, rented from Inmoan, S.A., of which Mr Moya-Angeler is the sole shareholder. The lease contract



was signed in 1999 for eight years and extended in December 2007 under the terms and conditions set forth therein. The terms of this lease were negotiated with Mr Moya-Angeler before his appointment as a director of Indra, after which, at the request of Mr Moya-Angeler, the board expressly authorised the transaction after a favourable report from the Appointments, Remuneration and Corporate Governance Committee. The amount declared corresponds to the income of the first semester of 2010. In June 2010 Mr Moya-Angeler ceased to be a member of the board of the Company- and, consequently, a related party- in June 2010.

The services received from director Ms Mónica de Oriol comprise security services rendered by Seguriber, in which Ms Oriol holds an indirect share of 41.85% and is the sole administrator. Seguriber had a commercial relationship with Indra prior the appointment of Ms Oriol as board member.

This section can be used to provide any other information, explanations or clarifications relating to previous sections of the report, provided that this information is relevant and not repeated elsewhere.

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

Binding definition of an independent director:

Indicate whether any independent director has, or has had in the past, a relationship with the Company, its significant shareholders or management personnel. If the relationship is/was significant, state whether it would mean that the director cannot be considered independent under the definition provided in section 5 of the Unified Good Governance Code:

NO

Signature and date:

This annual corporate governance report has been approved by the board of directors of the Company in the meeting held on

17/03/2011

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

NO