03
Director's Report

1. **SUMMARY OF 2011**

Despite a worse than expected deterioration of the macro economic environment, Indra has met all its objectives in 2011:

- Revenues increased by 5%, including the impact of the Brazilian Politec and the Italian Galyleo (the acquisitions [(1)]). Excluding these acquisitions growth would have reached 3%, 1% above the guidance released at the beginning of the year.

- Order intake grew 3% (+2% excluding acquisitions), being 11% higher than revenues of the period.

- EBIT margin stood at 10%. Excluding the impact of acquisitions, EBIT margin would have reached 10.5%, in line with the target announced at the beginning of the year.

(1) Galyleo and Politec's contribution in 2011 amounts €48m in Order Intake, €115m in Order Backlog and €62m in sales, with circa flat EBIT margin excluding integration and acquisition costs, and a loss of €7m including these costs.

(2) These acquisitions have an impact in the international order intake and the Services segment, thus not having any effect in the domestic market nor the Solutions segment.

During 2011, Indra has continued to move forward and develop actions to maintain a growth and high profitability profile, such as:

- Increase its exposure to emerging and high growth potential markets, through the acquisition of Politec in Brazil and the establishment of subsidiaries in countries of the Asia-Pacific region.

  Revenues in international markets represent already circa half of Indra's pro-forma sales, posting an increase of 17%, and double digit growth excluding the positive impact of the acquisitions [(2)].

  Order intake in the international arena has also shown a strong performance, growing 9%, and represents 47% of Indra's order intake.

- During 2011, Indra has accomplished the necessary actions to develop and adapt its offer to the requirements of the international markets where it is building its presence and to the new needs of its current relevant clients. The technological investment carried out by Indra allows maintaining a high competitive offer, with a significant growth potential.

- Indra has improved its position in those clients and local markets where it operates, benefiting from the trend of its largest clients and their main markets to concentrate its portfolio of suppliers into larger companies with a global offering and delivery service.

At the closing of the exercise, the evolution of the main magnitudes versus 2010 was the following:

Order Intake:

- Reached €2,976m, posting an increase of 3% compared to the same period of previous year, being 11% higher than revenues of the period (book to bill ratio at 1.11x).

- Excluding acquisitions, order intake would have increased 2% versus 2010.

- International order intake represented 47% of Indra's total order intake, posting a 9% growth. Excluding the contribution from acquisitions, the rate of growth would have reached +5%.

- Commercial activity in international markets is key in Indra's growth strategy. In this sense, relevant contracts have been awarded during the year 2011, such as the project to develop a high speed train line between La Meca-Medina in Saudi Arabia, the modernisation of the air traffic management system in Oman as well as the modernisation of Bahrain's healthcare system or other contracts in the energy sector in Latin-American.

- Domestic market registered a slight decrease of 1%, with a positive performance in the areas of telecommunications and air traffic management, as well as in balloting processes, as in 2011 took place general and regional elections in Spain

- Services segment continues growing, and registers double digit growth rate. This increase responds to the positive contribution of the acquisitions (5 percentage points of growth) and to client's preferences to invest in projects that increase efficiency versus projects that generate growth. Solutions segment has remained flat.

Revenues:

- Reached €2,688, growing 5% compared to the previous year, and 3% excluding acquisitions.

- International market grows at double digit rate excluding acquisitions. These increase the rate of growth up to +17%. All regions posted positive growth excluding the impact of acquisitions, highlighting the c. 20% rates in Latin America, Asia Pacific and Middle East region as well as Africa. Europe registers a flat performance.

- Domestic market revenues decreased by 3% compared to 2010, affected by the weak macroeconomic domestic situation which has deteriorated in the second half of the year.

- Services segment increased by 20% (or 12% without acquisitions), while Solutions decreased slightly (-1%). Demand for solutions in mature markets has been lower than in emerging markets, where demand for services that improve efficiency has intensified.

- It should be highlighted that all verticals, except Security & Defence, show a positive evolution:

  - Telecom & Media (+24%, +22% ex-acquisitions), Energy & Industry (+12%, +7% ex-acquisitions), Public Administration (+9%, +4% ex-acquisitions), Transport & Traffic (+8%), and Financial Services (+5%, +1% ex-acquisitions).
  - Security & Defence (-14%) posted a negative performance in 2011, although improving, as expected, in the last quarter of the year.

Order backlog:

- Order backlog reached €3,231m, having increased by 11% versus 2010.

- At the close of the year, order backlog represents 1,2x the last twelve month (LTM) revenues, ratio which has increased for the third consecutive year.

Income statement and Balance Sheet

- Net operating profit (EBIT) reached €268m, 6% ahead of the figure reported the previous year.

- No extraordinary costs have been registered during the year. In 2010 €33m extraordinary costs were accounted.

- Net operating margin (EBIT/Sales) stood at 10%, 1.2pp below the Recurrent Operating Margin (before extraordinary costs) of 2010. This difference is not only due to the decrease in the contribution margin in Services and Solutions but also to the impact of the acquisitions, which have lower contribution margins than Indra's. Excluding this effect, net operating margin would have reached 10.5%.

- Net profit reached €181m, 4% below net profit in 2010 (€188.5m). Excluding the contribution of the acquisitions, net profit would have been €191m.

- Net working capital is equivalent to 98 days of annualised revenues (versus 93 days at the end of 2010), including the positive effect of acquisitions. Excluding this impact, net working capital would have reached 100 days of annualised revenues. This level is below the 108 DOS target announced in November mainly due to some unexpected revenues' collection by year end.

- Regarding financial items:

  - During the year, total tangible and intangible investments (net of capital grants) have amounted €111m.
  - Ordinary dividend payment on 2010 results reached €111m.
  - Net debt position stood at €514m by the end of the year, equivalent to 1.6x EBITDA, versus €275m reported in 2010.

2. TRADING UPDATE AND 2012 AND MID TERM TARGETS

Despite higher difficulties to make forecasts coming from the complexity and uncertainty of the general economic environment, Indra's current backlog, commercial ongoing initiatives, its position in solid clients, and the growing presence in high growth markets grants Indra enough visibility to present its 2012 targets. Indra is fully confident that it will meet these targets, as it has done in the past, even on such difficult years as the recent ones.

The acute and swift economic deceleration seen in some of the markets where Indra operates, in particular in the Spanish one, impacts negatively in the very short term. Indra is reacting to the situation although the initiatives undertaken and ongoing will have full effect in a longer timeframe. Thus, Indra is presenting its targets to 2014 so that the impact and costs of such actions can be fully assessed.

The nature of Indra's activities and its market position, together with the actions it has quickly and surely adopted, have allowed to sustain, during these years of economic crisis, its growth profile with recurrent operating profitability of double digit and a solid financial position. All with the ultimate objective of maintaining Indra's shareholders remuneration policy.

These objectives will continue to be key in managing through 2012 and in the following years, as the complex and difficult economic environment in Spain continues, progressively and softly improving from next year on.
In this context, international markets will continue being Indra's growth engine. In 2012 we expect international order intake to be larger than the domestic one, and that international revenues will account for 50% of total revenues. The strong international growth is based, amongst other factors in the improvement of Indra's portfolio of solutions to adapt them to the specifics of the international markets, and on the acceleration of Indra's positioning in high growth geographies.

In the domestic market, although the suppliers' concentration trend by large clients benefits Indra, we will follow a policy of very selective growth prioritizing profitability and net working capital.

The higher weight of services and the dilutive impact from the lower operating margin of acquisitions, mainly Politec in Brazil, in a context of lower pricing power, will reduce Indra's profitability in 2012. Profitability will progressively recover with the increase in the operating margins in Brazil and the positive impact of the initiatives undertaken to increase the efficiency of Indra's production processes. Such organizational and resources allocation initiatives will imply extraordinary costs of around 1% and 0.5% of revenues in 2012 and 2013 respectively. The strengthening of Indra's portfolio of solutions will also have a positive impact. Investments in developing new offer will not only help in the international expansion but also allow to leverage the demand for high added value solutions in areas where Indra already has a leading position (transport & traffic, energy, healthcare, financial services, security,...) and other emerging areas (cloud, analytics, ...). The size of such investments will decrease in the coming years thanks to the efforts already made in the last years.

In this context, Indra aims to achieve the following targets for 2012 and following two years:

- Revenues are expected to grow between 6.5% and 7.5% in 2012, with positive performance excluding Politec and Galileo acquisitions. The domestic revenues are expected to decrease at a single digit rate and International markets are expected to post a relevant growth rate. During the following two years, we expect the domestic market to progressively recover and to maintain a relevant rate of growth in international markets.

- Book-to-bill ratio above 1x every year so that order backlog will continue to grow.

- Recurrent EBIT margin is expected to be between 8% and 9%, recovering progressively to levels around 10% in 2014.

- Maintain net working capital between a range of 110-100 DOS, converging towards the lower range at the end of the period.

- Decrease the level of net tangible and intangible capex to €65-75m per year.

3. MAIN FIGURES

The table below shows Indra's 2011 main figures, including the impact of the acquisitions of Galyleo (consolidated since July 1st) and Politec (consolidated since October 1st):

INDRA	2011 (€M)	2010(€M)	Variation (%)
Order Intake	2.975,8	2.882,0	3
Revenues	2.688,5	2.557,0	5
Backlog	3.230,9	2.899,2	11
EBIT margin (before non recurrent extraordinary costs)	10,0%	11,2%	(1,2) pp
Extraordinary costs	-	(33,4)	na
Net Operating Profit (EBIT)	267,8	251,9	6
EBIT Margin	10,0%	9,9%	0,1 pp
Attributable Profit	181,0	188,5	(4)
Net debt position	513,6	274,9	87

Earnings per Share (according to IFRS)	2011 (€M)	2010(€M)	Variation (%)
Basic EPS	1.1129	1,1605	(4)
Diluted EPS	1.1129	1,1605	(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 Indra's balance sheet during the year.

- Diluted EPS is the same as basic EPS given that Indra has not issued convertible shares or any other similar financial instruments.

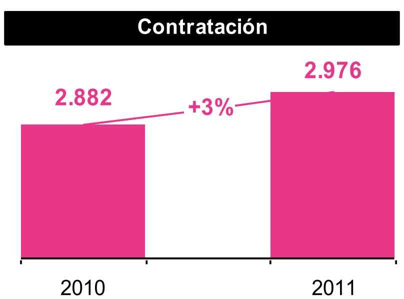
- At the close of December 2011, Indra held 1,332,549 weighted treasury shares representing 0.81% of total outstanding shares.

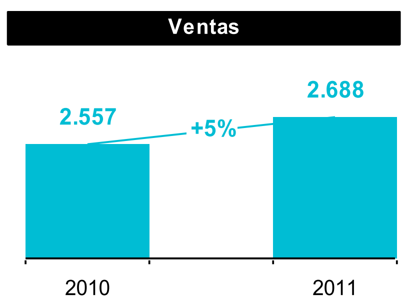
	2011 (€M)	2010(€M)
Total number of shares	164.132.539	164.132.539
Weighted treasury stock	1.491.128	1.687.159
Total shares considered	162.641.411	162.445.380

4. ANALYSIS OF REVENUES AND COMMERCIAL ACTIVITY

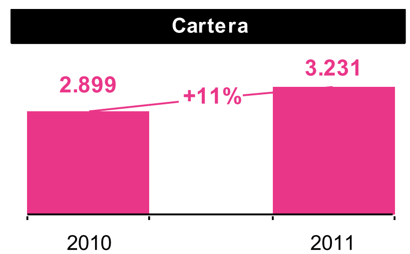
INDRA

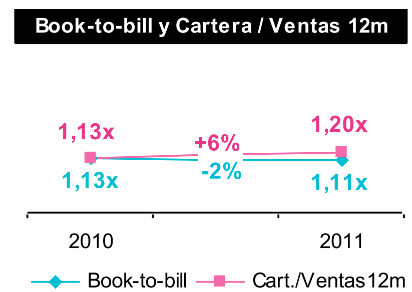
- Indra's order intake during 2011 has posted a 3% growth reaching €2,976m.
- This amount includes the positive impact from Galyleo and Politec. Excluding this effect, the underlying order intake for the period has grown 2%
- Total revenues registered a 5% growth, standing at €2,688m, being the underlying growth, excluding the positive impact from Galyleo and Politec, of 3%





- Order backlog grew by 11% representing, at the close of the year, 1.2x LTM revenues, above the ratio reached at the end of 2010 (1.1x).
- Book-to-bill ratio (order intake / revenues of the period) by the year end stands at 1.11x, similar level to that posted in 2010.





4.1. ANALYSIS BY SEGMENT

Solutions

- Revenues have experienced a slight decreased (-1%) versus previous year, given that reported growth in Transport & Traffic and in Telecom & Media verticals have partially offset the decline in sale of Solutions registered in the Security & Defence vertical.

  It's worth mentioning that Galyleo and Politec acquisitions have no impact in the Solution's performance (neither at revenues nor at order intake level) as both companies are Services' oriented.

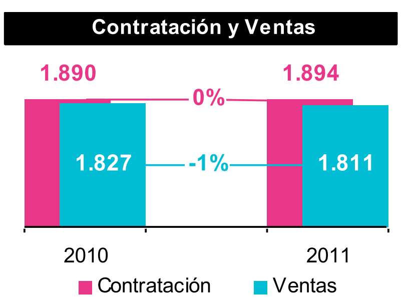
- Order Intake has reported a flat performance versus 2010 as well, mainly on the back of a lower activity in Security & Defence.

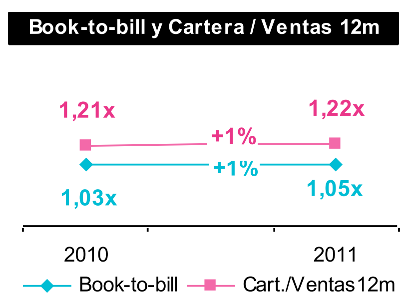
- Order intake during the period was 5% ahead of sales (book-to-bill at 1.05x) slightly above of that registered by the end of 2010.

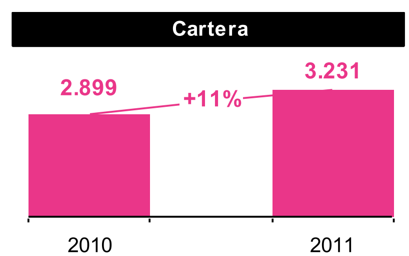
- Order backlog continues growing (+0.4%) reaching €2,216m, with order backlog / LTM sales ratio at 1.22x, as well above 2010's order backlog.

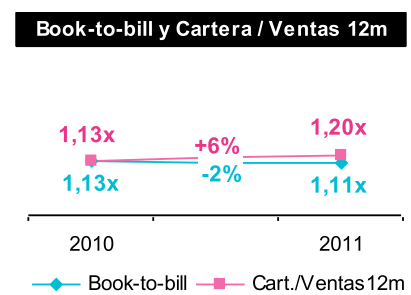
- Along 2011, Indra has maintained it differentiation policy on its Solutions' offering base. This has implied investments in all verticals, being worth highlighting the following:

  - Development of the Security & Defence offer base.
  - Natural extension of the Solutions in rail transport.
  - Development of smart grid systems particularly related to utilities.
  - Large systems for the banking and insurances sectors.

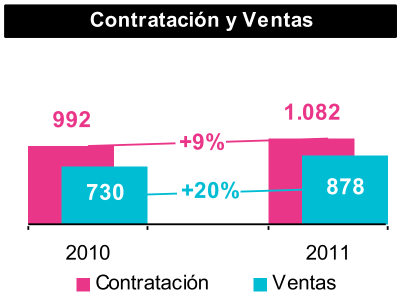


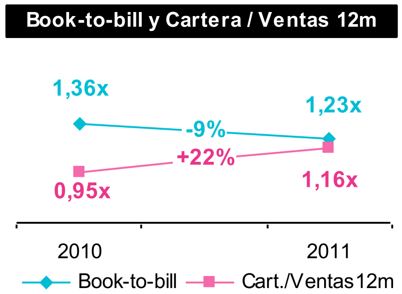






Services





- Sales increased by 20% during the period, reflecting not only the double digit organic growth, but also the positive impact from Galyleo and Politec. Excluding these, the underlying growth reaches 12%.
- Order intake grew by 9% in the year to €1,082m (4% excluding acquisitions) and more than 20% ahead of sales, therefore setting the book-to-bill ratio (order intake / revenues) at 1,23x. Concentration of suppliers' trend in large clients has allowed Indra to renew multiannual Services contracts in almost all verticals.
- Order backlog shows a strong growth of 47% to €1,015m, having posted a significant growth (30%) excluding acquisitions.
- Order book / LTM sales ratio reached 1,16x, registering a 22% growth.
- It's particularly remarkable the order intake growth reported in Telecom & Media and Public Administrations & Healthcare, verticals with relative Services' weight above Indra's average.

4.2. **ANALYSIS BY VERTICAL**

VENTAS	2011 (€M)	2010 (€M)	Variation €M	Variation (%)
Telecom & Media	396,8	321,3	75,52	24
Energy & Industry	407,8	362,7	45,1	12
PPAA & Healthcare	390,5	356,6	33,9	9 **(*)**
Transport & Traffic	597,2	554,8	42,4	8
Financial Services	386,4	367,7	18,7	5
Security & Defence	509,8	593,9	(84,1)	(14)
Total	**2688,5**	**2.557,0**	**131,5**	**5**

(*) Public Administrations & Healthcare, excluding balloting projects, falls by 3%.

• **Telecom & Media** posted an organic growth of 22% that rises up to 24% after including Galyleo and Politec results.

- During the period, Indra has reinforced its presence on its main clients, having renewed relevant multiannual application management contracts, that provides mid-term stability to the vertical.

• **Energy & Industry** reached a 12% growth with positive organic performance, above Indra's initial expectations, helped by the positive impact of Galyleo and Politec which have relevant presence in this vertical.

- Domestic revenues posted positive growth, after the good performance of outsourcing activities in the utilities sector.
- International growth is supported by awarded contracts in the oil sector (in Peru and Colombia) and in the water management segment (Peru).
- Indra continues strengthening its energy Solutions backlog, particularly those related to smart grid distribution systems, a high potential segment in the mid term. As well, Indra expects to leverage its know how in Solutions real time applications.

• **Public Administrations & Healthcare** totalled a 9% growth (growing 4% excluding acquisitions), supported by the high activity registered in the balloting business both international (Colombia and Argentina) and domestic. Excluding these projects, revenues would have posted a 3% decline, mainly due to the weak domestic market demand.

- International markets have reported a positive growth for the year, particularly in the second half of the year, on the back of relevant outsourcing contracts in Latam, mainly in the tax and justice fields.
- At the same time, Indra has started the execution of a relevant healthcare contract in Bahrain, a project that Indra expects will strength its healthcare business presence in the Middle East, complementing its positive outlook in the Latam market.

• **Transport & Traffic** reaches an 8% growth in the period, becoming the vertical with higher relative weight of revenues. Its worth highlighting:

- The international market performance, which posted a double digit growth, increasing its relative revenues weight in the vertical to more than 50%. Air Traffic Management business continues posting sustainable growth in the international arena.
- As well in the international area, its important to mention the awarded contract in Saud Arabia to a Spanish consortium on which Indra participates as supplier of different systems (control centres, communications, ticketing, management systems, etc) and that will be put in force in 2012, being reflected in the order intake of such period.
- The importance of this contract will allow Indra to increase its presence in the railway sector, on which it continues the development of advanced Solutions, particularly in the signalling field.
- Indra expects to opt for some important commercial opportunities in the mid term on international markets, both in high speed and in conventional railways.

- Domestic performance shows a small weakness on an annual basis, regardless of the good performance in the last quarter of the year. Growth coming from the air, rail or sea transport, via clients financed by their own or by the central government has partially offset the activity decline coming from public entities linked to regional administrations.

• **Financial Services** reports a 5% growth in the period (1% excluding the acquisition's impact) helped out by the activities coming from Galyleo and Politec, in a general context of cost control and moderated investments from clients.

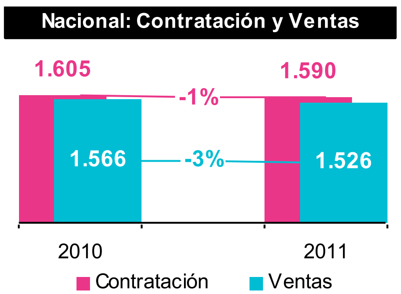
- Despite this environment, during 2011, Indra has increased its presence in the big financial institutions, both in the banking and in the insurance sectors, leveraging on its ability to offer outsourcing services in the application and process management businesses.
- In these areas, Indra has not only managed to renew multiannual projects, but it has also increased its clients' base, both in the domestic and in the International markets.
- Concentration in the banking system has speed up and this will, eventually, allow Indra to lever its position and offering in the sector. Indra's position has been reinforced along the year on the back of the agreement reached with a financial entity for a jointly operation of Treasury and capital markets departments.
- International markets, and Latam in particular, continues registering good pace of growth, which it's expected to be consolidated thanks to Politec's position in the Brazilian financial services market.

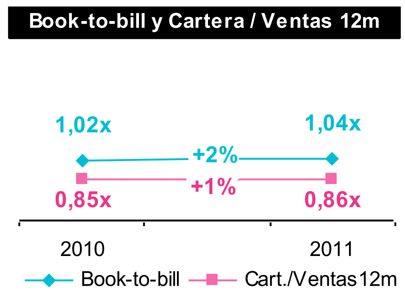
• **Security & Defence** has reported a 14% decline on its 2011 revenues, in line with Indra's expectations.

- The negative performance totalled in the domestic market continues showing the difficult domestic budgetary environment which it's not expected to revert in the short term. However, budget's cuts suffered in the Ministry of Defence in the previous years, and already reflected in the domestic activity, drives Indra to expect that 2012 negative performance will be moderate compared to that reported in 2011.
- In the international segment, it's worth highlighting the slowdown of the annual activity at the Eurofighter programme, which is partially compensated through an extension of its lifespan. It's expected that the adjustment on this programme ends in 2012, reaching thereafter a stable volume of activity.

4.3. **ANALYSIS BY GEOGRAPHY**

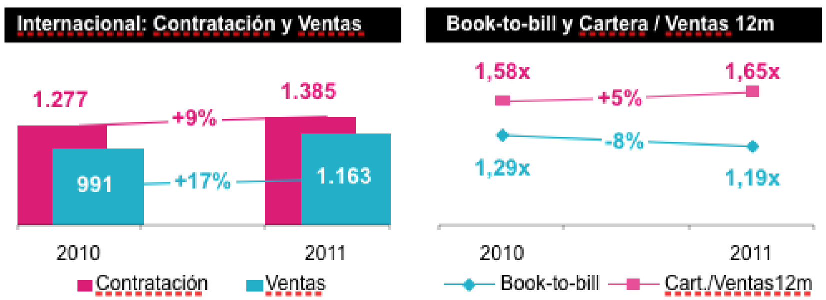
Domestic market:





- Revenues decreased by 3% versus 2010, reaching €1,526m, in line with Indra's expectations.
- Telecom & Media and Energy & Industry showed the strongest revenue growth, while those markets with a higher component of institutional demand (Security & Defense, Transport & Traffic and Public Administrations) have registered a decrease in revenues.
- Order intake decreased by 1% (showing a worse performance markets with institutional demand). Despite this slight decrease in order intake, book-to-bill in 2011 exceed 1.0x (1.04x), reaching a similar level than the one in 2010.
- Backlog / LTM ratio reached 0.86x , same level as in 2010.
- Indra's domestic backlog stability at the end of 2011 is one of the main indicators that allow anticipating that, despite domestic sales will probably decline in 2012, this slowdown will be moderate.

International market:



- The international market registered a growth in sales of 17% versus 2010, helped by the contribution of Galyleo and Politec.

- Excluding this contribution, revenues in international markets increased by 11%, slightly above Indra's expectations announced at the beginning of the year.

- Considering that Galyleo and Politec will consolidate 12 months in 2012 (versus 6 and 3 months respectively in 2011), international markets will represent in 2012 more than 50% of total revenues.

- Order intake has reached €1,385m in 2011, increasing 9% versus 2010 (excluding acquisitions, growth reached 5%). This figure is almost 20% above international revenues (book-to-bill of 1.19x), allowing for a significant increase of international order backlog (even excluding Galyleo and Politec acquisitions).
- Order backlog represents 1.65x international sales, posting an increase of 5% versus 2010 level.

- It should be highlighted that this order backlog does not include some of the relevant international contracts awarded at the end of 2011, such as the high speed train La Meca-Medina in Saudi Arabia, since this contract will be put in force during 2012.

- Latin America continues to show a positive trend, with 30% growth in revenues (sales increased 20% without Politec):

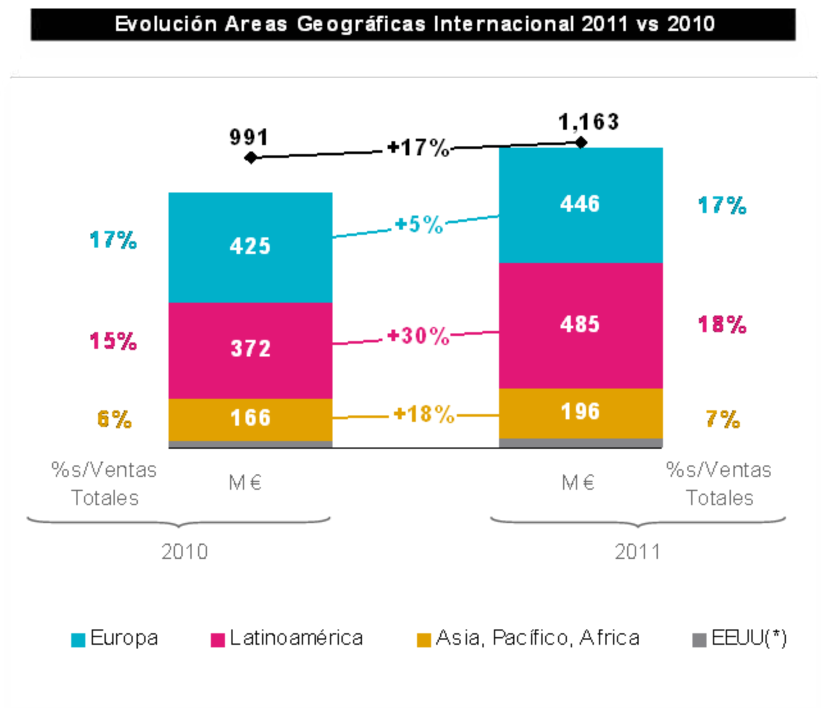
  - Brazil, Argentina, Colombia and Peru have maintained a positive trend along the year, with rates of growth above the average of the region.
  - During 2011 Indra has reinforced its presence in Brazil, not only through organic growth but also through the critical mass provided by the acquisition of Politec. Politec consolidates since October 1st.

- In Europe, revenues posted a 5% growth. This increase includes the impact of:

  -The slowdown in the production of the Eurofighter programme, which negatively affects growth in the European market.
  - Galyleo's sales contribution, as the company consolidates globally since July 1st.. Excluding this acquisition, sales in the European market would have remained flat.

- Lastly, Asia Pacific and Africa's revenues have posted a 18% rate of growth in 2011:

  -Commercial efforts in this area is one of Indra's strategic priorities.
  -During 2011 Indra has opened subsidiaries in several countries, reinforcing its commercial presence In the area .



5. ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Income statement

- Net operating profit (EBIT) reached €268m, 6% ahead of the figure reported in the same period of the previous year.

- No extraordinary costs have been accounted this year, compared to €33.4m registered in 2010. Adjusted by the above mentioned extraordinary costs, recurrent EBIT decreased by 6%.

- Net operating margin (EBIT/Sales) stood at 10%, in line with the guidance announced, including the dilution effect from the lower profitability of the acquired companies, as well as the acquisition and integration costs. Excluding these impacts, Operating Margin reached 10.5%.

- Reported Operating margin is 1.2pp below the Recurrent Operating Margin (excluding extraordinary costs) announced in 2010.

- Contribution Margin declined, in line with Indra's expectations, by 1.0pp to 17.3%. This dilution includes the impact from the acquired companies (Galyleo & Politec) which have registered contribution margins below Indra standalone.

During FY11, margin pressure factors have remained in place:

- Pricing pressure, regardless it is not been equally spread out along the different geographies and markets on which Indra operates;
- Increasing revenue growth in the Services segment relative to that registered in Solutions.
- The decrease contribution margin in the Services segment, by 0.9pp, and the one of Solutions, by 0.8pp, to 14.4% and 18.7% respectively.
- The commercial effort implied in the international expansion process, not only derived from the tendering process but also from the setting up costs of the different subsidiaries.

- Overheads account for 7.3% of revenues, representing an increase of 8% vs. last year. This amount includes the impact derived from the closing of the acquisitions.

- Net financial expenses reached €37.7m compared to €19.1m in 2010. The increase, derives not only from a higher average net debt and higher cost, but also from the accounting of the hyperinflation registered in Venezuela and from the accounting of long term R&D zero coupon loans.

- Tax rate stood at 22%, slightly ahead of that registered during 2010 (20%).

- Net profit reached €181m (growing to €191m excluding the impact from the acquisitions), which represents a 4% decline vs. 2010.

Balance Sheet and Cash Flow Statement

- Net working capital reached €756m, equivalent to 98 days of revenues including the positive impact from the acquisitions. Excluding the acquisitions, net working capital would have reached 100 days of revenues.

- During the year, total tangible and intangible investments (net of capital grants) have sum up €111m, including:

  - €42m investments in tangible expenditures.
  - €69m in intangible investments (net of capital grants), including €20m from FY10.

- Payments from acquisitions, reached a total of €45M, of which more than 40% belong to transactions done during the previous year.

- Ordinary dividend payment on 2010 results reached €111m.

- Net investments in treasury stock totalled €3.6m in the year, closing the period with a 0.81% of total outstanding shares.

- Net debt position stood at €514m by the end of the year, equivalent to 1.6x 2011 EBITDA, versus €275m reported in 2010.

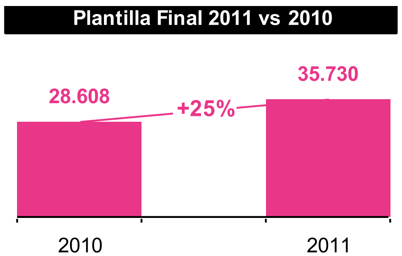
6. **HUMAN RESOURCES**

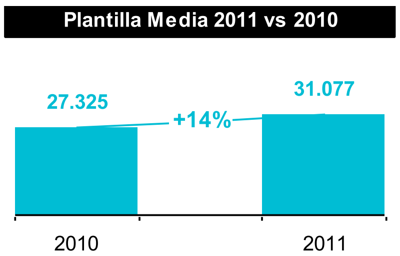
- Total workforce at the close of the year 2011, stood at 35,730 employees (of which 41% is located in international markets), 25% up on 2010.

  - Galyleo and Politec acquisitions implied more than 5,000 new employees in Indra, representing more than 70% of the total workforce increase.
  - The main increase in absolute terms took place in Latin America, home to 35% of the total workforce, after the acquisitions of Politec (80% of the increase) and the organic growth of Indra's activity in the area (20% of the rest of growth).

    - International workforce in emerging markets accounts already for 37% of total workforce.
    - Domestic workforce in Spain has increased by 5%, reflecting the increase of activity in the Services segment.

- Average workforce grew by 14% versus 2010 to 31,077 employees.





7. 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% of turnover for the year.

8. 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

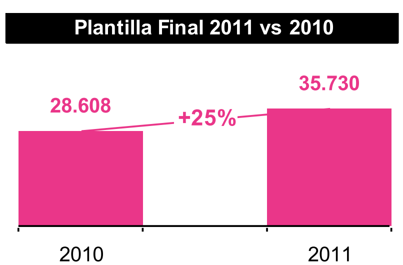
Indra has prepared a risks map through which risks are managed. Risks are detected and the necessary guidelines and monitoring and control systems are established to prevent risks and minimise their impact. Risk management is described in more detail in the Corporate Governance report.

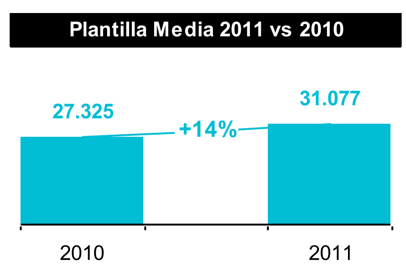
8. SHARE CAPITAL STRUCTURE

At 31 December 2011 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 2011, with over 3% of capital are: Banco FInanciero y de Ahorros (20.13%); Corporación Financiera Alba (11.32%); Fidelity Management and Research LLC (9.96%); Liberbank (5.01%) 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.





10. OTHER INFORMATION

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, to the Executive Vice Chairman Mr. Regino Moranchel and to the Managing Director Mr. Javier de Andrés, except for those which are non delegable by law or considered as such by article 5 of the Board of Directors regulations.

The authorisation given by the Ordinary General Meeting held in June 24th, 2010 to the Board of Directors regarding the possibility to issue or repurchase the Company's own shares is still in force. By virtue of this, the Board of Directors is entitled to acquire in the stock market, directly or through subsidiaries, shares representing up to a maximum of 10% of the share capital, at a maximum fixed price and up to a maximum of a 5 years period. These faculties can be executed 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. By virtue of these contracts, senior management are entitled to an indemnity of between 1 and 3.5 times their annual remuneration (as defined in their respective labour contracts), 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 Vice Chairman. The Executive Directors and General Managers of Operations have also signed non-competition agreements, 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.

11. SHAREHOLDER REMUNERATION

On July 4th 2011, the ordinary dividend of Euros 0.68 gross per share approved by the shareholders at their Annual General Meeting was paid, totalling Euros 110,897 thousand.

The board will propose to the shareholders at their next General Meeting the approval of a gross ordinary dividend of Euros 0.68 per share, with charge to 2011 profit, which implies maintaining the ordinary dividend flat compared to the amount distributed with charge to 2010.

12. **ANNUAL CORPORATE GOVERNANCE REPORT**

Attached to this report, and forming an integral part thereof, is the Annual Corporate Governance Report, pursuant to article 538 of the Spanish Companies Act. The Annual Corporate Governance Report has been published under the format established by the Circular 4/2007 of December 27th, of the Comisión Nacional del Mercado de Valores (National Securities Market Commission). Attached to this report is the additional information required by article 61 of the Ley de la Comisión Nacional del Mercado de Valores (National Securities Market Commission), in which is included a description of the main characteristics of the internal control systems related to the issuance of financial information (SCIIF) and the External Audit Report which evaluates their the effectiveness.

13. **OWN SHARES**

As authorised by the shareholders at their Annual General Meeting, at 31 December 2011 the Company holds 1,332,549 treasury shares amounting to Euros 15,187 thousand.

In 2011 the Company acquired 6,940,600 treasury shares on the stock market (2.43% of official volume for the period) and sold 6,976,451 treasury shares (2.44% of official volume for the period).

14. SUBSEQUENT EVENTS

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

ANNUAL CORPORATE GOVERNANCE REPORT

LISTED COMPANIES

Issuer's identification data: INDRA
Year ended: 31 December, 2011
CIF (Tax Id. No.): A-28599033
Company name: Indra Sistemas, S.A.

this document contains the annual corporate governance report submitted to the comisión nacional del mercado de valores ("spanish securities market commission" or "cnmv") pursuant to the form prescribed by the cnmv; additionally, this report contains all the commentaries and notes on each section to facilitate its understanding.

MODEL ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

For a better understanding of this report and the commentaries which follow, one should read the instructions which appear at the end of this report. Information regarding non-public Códigos de Identificación Fiscal ("CIF" or "Corporate Tax Identification Numbers"), Números de Identificación Fiscal ("Personal Tax Identification Numbers" or "NIF") or similar non-public data, will be filled out in all cases necessary for submission of identifying data of the corresponding natural persons or legal entities:

NIF, CIF or similar Other data

A-28599033

A - CAPITAL STRUCTURE

A.1 Please complete the table below with details of the treasury shares of the Company:

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

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

Yes ☐ No ☑

Class	Number of Shares	Par Value	Number of Votes	Associated Rights

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

Name of Shareholder	Number of Direct Votes	Number of Indirect Votes(*)	Percentage of Total Votes
Banco Financiero y de Ahorros, S.A.	32.813.822	224.006	20,129
Corporación Financiera Alba, S.A.	0	18.587.155	11,32
Lolland, S.A.	0	8.212.998	5,004
Liberbank, S.A.	0	8.225.554	5,012
FMR LLC	0	16.350.795	9,962

(*) Banco Financiero y de Ahorros, S.A through:

Name of Direct Shareholder	Number of Direct Votes	Percentage of Total Votes
Bankia, S.A.	186.870	0,11
Mediación y Diagnósticos, S.A.	18.675	0,011
Participaciones y Cartera de Inversión, S.L.	18.461	0,011

(*) Corporación Financiera Alba, S.A. through:

Name of Direct Shareholder	Number of Direct Votes	Percentage of Total Votes
ALBA Participaciones, S.A.	18.587.155	11,32

(*) Lolland, S.A. through:

Name of Direct Shareholder	Number of Direct Votes	Percentage of Total Votes
Casa Grande de Cartagena, S.L.U.	8.212.998	5,004

(*) Liberbank, S.A. through:

Name of Direct Shareholder	Number of Direct Votes	Percentage of Total Votes
Cantábrica de Inversiones de Cartera, S.L.	8.212.805	5,004
Administradora Valtenas, S.L	12.749	0,008

(*) FMR LLC through:

Name of Direct Shareholder	Number of Direct Votes	Percentage of Total Votes
FID LOW PRICED STOCK FUND Y OTROS	16.350.795	9,962

Please indicate significant changes in Company Shareholder (hereinafter "Shareholder") composition during the fiscal year:

Name of Shareholder	Date of Change	Description of Change
FMR LLC	23.06.2011	Reduced below 10% of outstanding shares
	20.07.2011	Increased to more than 10% of outstanding shares
	03.08.2011	Reduced below 10% of outstanding shares

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

Name of Director	Number of Direct Votes	Number of Indirect Votes	Percentage of Voting Rights
Administradora Valtenas, S.L	12.749	0	0,008
Isabel Aguilera Navarro	17.937	0	0,011
Javier de Andrés González	53.228	0	0,032
Casa Grande de Cartagena, S.L.U	8.212.998	0	5,004
Daniel García-Pita Pemán	8.886	14.546	0,014
Luís Lada Díaz	12.849	0	0,008
Juan March de la Lastra	7.953	0	0,005
Mediación y Diagnósticos, S.A.	18.675	0	0,011
Javier Monzón de Cáceres	219.971	7.872	0,139
Regino Moranchel Fernández	137.656	0	0,084
Monica De Oriol Icaza	12.749	0	0,008
Participaciones y Cartera de Inversión, S.L.	18.461	0	0,011
Ignacio Santillana	1.380	0	0,001
Rosa Sugrañes Arimany	11.895	0	0,007
Alberto Terol Esteban	12.111	0	0,007

Percentage of voting rights held by the Board of Directors 5,351

Please complete the following tables with details of the Company's Directors who hold Company share options:

Name of Director	Number of Direct Option Rights	Number of Indirect Option Rights	Number of Equivalent Shares	Percentage of Total Voting Rights
Javier Monzón de Cáceres	284.553	0	284.553	0,173
Regino Moranchel Fernández	178.862	0	178.862	0,109
Javier de Andrés González	32.520	0	32.520	0,02

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:

Name of Related Party	Nature of Relationship	Brief Description
-	-	-

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:

Name of Related Party	Nature of Relationship	Brief Description
-	-	-

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 Ley del Mercado de Valores ("Spanish Securities Market Law" or "LMV"). If so, please describe these agreements and list the party Shareholders:

Yes ☐ No ☑

Parties to the Shareholder Agreement	Percentage of Affected Shares	Brief Description of the Agreement
-	-	-

Please specify whether the Company is aware of any coordinated actions among its Shareholders. If so, please provide a brief description:

Yes ☐ No ☑

Parties to the Coordinated Act	Percentage of Affected Shares	Brief Description of the Agreement
-	-	-

If any of the aforementioned agreements or coordinated acts 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 LMV. If so, please provide details:

Yes ☑ No ☐

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

At the close of the fiscal year:

Number of Direct Shares	Number of Indirect Shares (*)	Total Percentage of Share Capital
1.332.549	-	0,81

Please detail any significant changes during the fiscal year in accordance with Royal Decree 1362/2007:

Date of Notification	Totoal Number of Direct Shares Acquired	Total Number of Indirect Shares Acquired	Total Percentage of Share Capital
4-01-2011	1.642.266	0	0,997
6-05-2011	1.665.698	0	1,015
14-07-2011	1.655.294	0	1,006
23-09-2011	1.718.529	0	1,048
14-12-2011	1.650.110	0	1,003
Gains/(losses) from disposal of treasury shares during the financial year			(4.362 m€)

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

At the Meeting held on 24 June 2010, under Item 5 of the agenda and with a favourable vote of 90.44% of the capital present, the Shareholders agreed:

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

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

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

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

A.10 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.

None

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

Yes ☐ No ☑

Maximum percentage of voting rights that may be exercised by a Shareholder due to limits imposed by law

Please specify whether there are any limits in the Bylaws on the exercise of voting rights:

Yes ☐ No ☑

Maximum percentage of voting rights that may be exercised by a Shareholder due to limits imposed by the Bylaws

Description of the restrictions described above

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

Yes ☐ No ☑

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

Yes ☐ No ☑

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

B - COMPANY ADMINISTRATIVE STRUCTURE

B.1 Board of Directors

B.1.1 Please detail the maximum and minimum number of Directors established in the Bylaws:

Maximum number of Directors	16
Minimum number of Directors	8

B.1.2 Please complete the following table regarding Directors:

Name of Director	Representative	Position on the Board	Date First Named to Board	Last Reelection Date	Method of Selection to Board
Javier Monzón de Cáceres		Chairman	17 December, 1992	21 June, 2011	Annual Shareholders Meeting
Mediación y Diagnósticos, S.A. (Caja Madrid)	Matías Amat	Vice-chair	02 November, 2000	21 June, 2011	Annual Shareholders Meeting
Daniel García-Pita Pemán		Vice-chair	25 June, 2009	25 June, 2009	Annual Shareholders Meeting
Regino Moranchel Fernández		Executive Vice-chair	04 June, 2001	21 June, 2011	Annual Shareholders Meeting
Javier de Andrés González		CEO	21 June, 2011	21 June, 2011	Annual Shareholders Meeting
Isabel Aguilera Navarro		Director	27 June, 2005	21 June, 2011	Annual Shareholders Meeting
Administradora Valtenas, S.L. (Cajastur)	Felipe Fernández Fernández	Director	21 June, 2007	24 June, 2010	Annual Shareholders Meeting
Casa Grande de Cartagena, S.L.U	Eusebio Vidal-Ribas Martí	Director	21 June, 2007	24 June, 2010	Annual Shareholders Meeting
Luís Lada Díaz		Director	21 June, 2007	24 June, 2010	Annual Shareholders Meeting
Juan March de la Lastra		Director	29 July, 2009	24 June, 2010	Annual Shareholders Meeting
Mónica de Oriol e Icaza		Director	21 June, 2007	24 June, 2010	Annual Shareholders Meeting
Participaciones y Cartera de Inversión, S.L. (Caja Madrid)	Estanislao Rodríguez-Ponga	Director	02 November, 2000	21 June, 2011	Annual Shareholders Meeting
Rosa Sugrañes Arimany		Director	26 June, 2008	21 June, 2011	Annual Shareholders Meeting
Alberto Terol Esteban		Director	24 June, 2010	24 June, 2010	Annual Shareholders Meeting
Ignacio Santillana del Barrio		Director	21/06/2011	21 June, 2010	Annual Shareholders Meeting
Total number of Directors	**15**		21 June, 2011	21 June, 2011	

Please indicate if any Directors have left the Board during the period:

Name of Director: Manuel Soto Serrano
Director Type at Time of Leaving: Independent
Date Director Left: 21 June, 2011

B.1.3 Please complete the following tables regarding the Directors and their roles:

EXECUTIVE DIRECTORS

Director Name	Committee which Proposed Directorship	Position with the Company
Javier Monzón de Cáceres	Nomination, Compensation and Corporate Governance Committee	Chairman of the Board
Regino Moranchel Fernández	Nomination, Compensation and Corporate Governance Committee	Vice-chair
Javier de Andrés González	Nomination, Compensation and Corporate Governance Committee	CEO

Total Number of Executive Directors	3
Percentage of Directorship	20

PROPRIETARY DIRECTORS

Name of Director	Committee Proposing Directorship	Name of Significant Shareholder Represented or Proposing Directorship
Administradora Valtenas, S.L.	Nomination, Compensation and Corporate Governance Committee	Liberbank, S.A.
Casa Grande de Cartagena, S.L.U	Nomination, Compensation and Corporate Governance Committee	Lolland, S.A.
Juan March de la Lastra	Nomination, Compensation and Corporate Governance Committee	Corporación Financiera Alba, S.A.
Mediación y Diagnósticos, S.A.	Nomination, Compensation and Corporate Governance Committee	Banco Financiero y de Ahorros, S.A.
Participaciones y Cartera de Inversión, S.L.	Nomination, Compensation and Corporate Governance Committee	Banco Financiero y de Ahorros, S.A.

Total Number of Proprietary Directors	5
Percentage of the Board	33,33

INDEPENDENT DIRECTORS

Name of Director	Profile
Isabel Aguilera Navarro	Born in 1960. Architect and Urban Planner, MBA from the Instituto de Empresa, Degree in Executive Management from IESE, Certificate in Executive Management (ADEL, "Alta Dirección de Empresas Líderes,") San Telmo. She has spent her career in several IT companies such as Olivetti, HP/Compaq, Vodafone, and Dell, where she was Chair and Chief Executive for Spain, Portugal and Italy; NH Hotels, where she was COO; Google Inc. where she was also General Manager for Spain and Portugal; and General Electric, where she was in charge of Spain and Portugal until May, 2009. Since October, 2011 she has served as Chair of the Social Council of the Universidad de Sevilla.
Daniel García-Pita Pemán	Born in 1947. Lawyer. He has spent his career at the law firm of J&A Garrigues, which he joined in 1969 and where he is a Managing Partner. He has served as Professor of Business Law at the Universidad Central de Madrid, a member of the Governing Board of the Madrid Bar Association. Legal Counsel to numerous organizations and member of the Board of important listed companies, Indra among them, where he was non-member Secretary until 2009. Currently he is Director and non-executive Chair of Banco Inversis, S.A. having been unanimously elected by the Independent Directors and shareholders.
Luis Lada Díaz	Born in 1949. Telecommunication Engineer and Académico de Número of the Royal Academy of Engineering, with a long career in Grupo Telefónica where he has been head of Telefónica Móviles and Telefónica de España. Additionally, he has been a director and leading member of many companies and organizations related to IT. He is an advisor to Grupo Telefónica, de Teldat, S.A. and Assia Inc., a Manager at Ribafuerte, S.L. and director at Telefónica I+D, Gamesa Corporación Tecnológica, S.A. and Ydilo, AVS, S.AY.
Mónica de Oriol e Icaza	Born en 1961. Degree in Economics and Business Administration from the Universidad Complutense de Madrid and a gradúate of the London School of Economics. For years she has combined her business career with academic pursuits, as professor at the Universidad Complutense de Madrid, at the Centro de Estudios Universitarios (CEU) and at Saint Louis University in the United States. Since 1989 she has been the chief shareholder and founder of Grupo Seguriber and currently is the Sole Member of the companies which form the group.

Ignacio Santillana	Born in 1948. Degree in Economics from the Universidad Central de Barcelona, Doctorate in Economics from the Universidad Autónoma de Madrid; Masters and Ph. D. in Economics from the University of Indiana. In 1998 he joined Grupo Prisa as General Manager and member of the Business and Corporate Committee. At Prisa he has been responsible for Operations, Organization, Resources and Technology, as well as Financial Administration, focusing his attention currently on strategy. Before that, he spent his career in the United States as Executive Vice President and member of the Executive Committee at GTE (now Verizon) and at Telefónica, where he worked ten years as CFO, CEO of Telefónica Internacional, and General Manager of Telefónica. Earlier, he was Chairman of the Empresa Nacional de Innovación (ENISA) and Economist at AEBP (Asociación Española de la Banca Privada). He has combined his business career with an academic one, serving currently as professor of International Economics at the Universidad Autónoma de Madrid. He is a director at Banco Gallego as well.
Rosa Sugrañes Arimany	Born in 1957. Degree in Business Administration. Founding member and Chairman of the Board of Directors of Iberia Tiles. Was a member of the board of Florida East Coast Industries from 2006 until the company was sold. Member of the board of Sabadell United Bank en Florida (USA) (Grupo Sabadell) and of Grupo Rosa Gres de Barcelona.
Alberto Terol Esteban	Born in 1955. Degree in Economics and Business Administration from the Universidad Complutense de Madrid. He began his career at Arthur Andersen where he was made partner and headed various projects. He was a member of the Board of Partners of Andersen Worldwide and of the Executive Committee in Europe. He has been Managing Partner of Garrigues-Andersen. He filled the post of head of Europe for Andersen for a year and a half, and was a member of the Worldwide Executive Committee. He was also a member of the Executive Committee for Deloitte, where he was head of Latin America and later of Europe, Middle East and Africa. Currently he is Chairman and CEO of several family businesses and Independent Director at OHL, S.A. where he is head of the Audit, Compliance and Corporate Social Responsibility Committee, as well as International Senior Advisor to BNP Paribas.

Number of Independent Directors	7
Percentage of the Board	46,67

OTHER OUTSIDE DIRECTORS

Name	Profile

Number of Outside Directors	
Percentage of the Board	

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

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

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

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

B.1.4 If applicable, please explain the reasons for the appointment of any Proprietary Directors at the request of shareholders with less than a 5% equity interest.

Name of Shareholder	Reason
-	-

Please specify whether the Board has failed to meet any formal requests to appoint Directors to the Board by Shareholders whose equity interest is equal to or higher than that of others at whose request Proprietary Directors have been appointed. If this is the case, please explain why the aforementioned requests were not met.

Yes ☐ No ☑

Name of Shareholder	Explanation
-	-

B.1.5 Please specify whether any Directors have left their posts before completion of their terms, whether and by what means the departing Director provided the Board with an explanation for his or her departure and, if these reasons were provided in writing to the entire Board, specify the reasons given:

Name of Director	Reason for Departure
Manuel Soto Serrano	Mr. Soto tendered his resignation effective immediately at the Annual Shareholders Meeting held 21 June, 2011 before the end of his term on 24 June, 2011. The departure of Mr. Soto was mandated by rules approved by the Board regarding tenure of Independent Directors.

B.1.6 Please identify, if any, powers delegated to the CEO/s

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

B.1.7 Please identify any Directors who are directors or officers in other companies in the group of which the listed company is a member:

Name of Director	Name of Group Member	Position
Javier de Andrés	Indra Sistemas Portugal, S.A.	Director
Regino Moranchel	Politec Tecnología da Informaçao, S.A.	Director

B.1.8 Please list any Directors who have informed the Company of their membership on the boards of directors of other companies (other than Group companies) listed on official securities markets in Spain:

Name of Director	Name of Listed Company	Position
Luis Lada Díaz	Gamesa Corporación Tecnológica, S.A.	Director
Juan March de la Lastra	Corporación Financiera Alba, S.A.	Director
	ACS Actividades de Construcción y Servicios, S.A.	Director
Mediación y Diagnósticos, S.A.	Realia Business, S.A.	Director
Javier Monzón de Cáceres	ACS Actividades de Construcción y Servicios, S.A.	Director
Participaciones y Cartera de Inversión, S.L.	Realia Business, S.A.	Director
Alberto Terol	OHL, S.A.	Director

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

Yes ☑ No ☐

Explanation of rules
Article 35 of the Board Rules establishes that a Director must devote the time and effort necessary to carry out his functions adequately. Therefore, Directors must inform the Board of any activities that could significantly affect their dedication to the Company. So far as the number of other boards to which a Director may belong is concerned, the general rule is that the Director may not belong to so many that it interferes with the Directot's dedication to the post of Director at Indfra. That number may be distinct for each Director, depending upon the personal and professional circumstances of each individual, taking into account principally the following factors: the amount of dedication that each of the other boards demands, and the demands required by the Director's position in management in any other company.

B.1.10 Regarding Recommendation Number 8 of the Unified Code, please indicate which policies and strategies of the Company are generally reserved for approval by the Board at its plenary sessions:

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

B.1.11 Please complete the following tables detailing total compensation received by Directors during the year:

a) In the Company subject to this report:

Compensation Item	Amount in thousands of euros
Fixed compensation	1.875
Variable compensation	1.688
Allowances	0
Compensation provided for in the Bylaws	2.210
Share options and/or other financial instruments	0
Other	3.847
TOTAL:	**9.620**

Other Benefits	Amount in thousands of euros
Advances	0
Loans	0
Pension Funds and Plans: Contributions	0
Pension Funds and Plans: Obligations	0
Life Insurance Premiums	64
Guarantees extended by the Company on behalf of Directors	0

b) For membership on the boards of directors and/or positions in senior management in other companies in the group:

Compensation Item	Amount in thousands of euros
Fixed compensation	0
Variable compensation	0
Allowances	0
Compensation provided for in the bylaws	0
Share options and/or other financial instruments	0
Other	0
TOTAL	**0**

Other Benefits	Amount in thousands of euros
Advances	0
Loans	0
Pension Funds and Plans: Contributions	0
Pension Funds and Plans: Obligations	0
Life Insurance Premiums	0
Guarantees extended by the Company on behalf of Directors	0

c) Total compensation by Director status:

Director Status	From the Company	From the Group
Executive	7.770	0
Outside Proprietary	750	0
Outside Independent	1.100	0
Other Outside	-	-
Total	**9.620**	**0**

d) Compared to profit attributable to the parent company:

Total compensation of Directors (in thousands of Euros)	9.620
Total Directors' compensation/profit attributable to the parent Company (stated as %)	5,3

Note 37 to the Company's annual financial statements for 2011, which are published together with this report, includes detailed individual information about the compensation of Directors.

B.1.12 Please identify Senior Management who are not Executive Directors, and their total compensation accrued during the year:

Name	Position
Juan Carlos Baena Martín	General Manager
Emilio Díaz Expósito	General Manager
Emma Fernández Alonso	General Manager
Rafael Gallego Carbonell	General Manager
Santiago Roura Lama	General Manager
Carlos Damián Suárez Pérez	General Manager
Javier de Andrés González (1)	General Manager

(1) Appointed CEO in June, 2011

Total Executive Compensation (in 1000's of euros)	7.491

B.1.13 Please identify the total amount of any guarantee or "golden parachute" clauses in the event of dismissal or change of control present in the contracts of senior management of the Company or Group, including Executive Directors. Please specify whether the governing bodies of the Company or Group must be notified and/or approve of these agreements:

Number of Beneficiaries	9

	Board of Directors	Shareholders at Annual Meeting
Body which approves of the agreements		V

	Yes	NO
Are the Shareholders informed of the terms at Annual Meeting?	V	

B.1.14 Please explain the process followed to establish compensation for Directors of the Board of Directors and the relevant clauses in the Bylaws.

Process to determine compensation for Directors of the Board of Directors and relevant clauses in the Bylaws
The process for determining compensation levels for Directors consists of a proposal brought to the Board by the Nomination, Compensation and Corporate Governance Committee (the "Committee"), in accordance with the strictures of the Bylaws and rules decided at annual Shareholders Meetings, regarding the criteria, components and amount of compensation of the Directors. Outside advisors are used when deemed necessary. The Board analyzes the Committee's proposal and brings before the annual Shareholders Meeting those matters for decision which are within the purview of the Shareholders. After approval, the Board distributes the maximum total compensation fixed at the Meeting among its members in accordance with criteria the Board approves and in accordance with stipulations from the Meeting. Upon termination of the three year period of 2008 to 2010 for which the compensation plan had been established by the Board, after receiving a report from the Committee, the Board undertook a new analysis in 2011 of the good corporate governance criteria which currently predominate in the area of compensation, as well as those which are most common in companies comparable to Indra. For proper assembly of those criteria, it relied upon advice from the independent firms of experts Egon Zehnder and PwC. This analysis caused the recommendation about the compensation systems of the Board, except for those who exercise executive functions, to not incorporate components tied to profits and stock value, in order to keep untied the compensation of the Board from short term objectives and variables. For that reason, following the proposal of the Committee, the Board considered it appropriate that the new compensation plan eliminate profit sharing and instead base compensation exclusively upon a fixed amount determined by the duties discharged by each Director, and that all compensation be paid in cash. As a result, in fiscal 2011 various resolutions regarding Board compensation were adopted at the Meeting. First, Article 27 of the Bylaws was amended to eliminate profit sharing, and a maximum total compensation amount of 2,400,000 euros was set for the Board. This amount will remain fixed unless changed at a Meeting.

Subject to this maximum annual amount, the Board decided to distribute fixed compensation according to the following criteria: 100,000 € for membership on the Board; 30,000 € for membership on the Executive Committee; 50,000 € for membership on the Audit and Compliance Committee; and 30,000 € for membership on the Nomination, Compensation and Corporate Governance Committee; the Chairs of each committee receiving 1.5 times the indicated amounts.

These amounts represent average annual compensation per Director of 150,000 euros aprox compared with 140,000 euros during the prior period (2008-2010) that represents an annual increase average of Directeros of 2.3%.

Without altering the fact that Board compensation must be paid in cash, all of the Directors have notified the Company their decision to dedicate a significant portion of their compensation (a third of gross compensation, which for a natural person Director amounts to approximately 50% of net compensation) to the purchase of Indra shares declaraing as well their commitment to retain ownership of the shares until the ends of their respective terms. The CNMV was given notice of this decision by the Directors by filing a notice of Relevant Event on 28 July, 2011 and has been in applied to compensation for all 2011.

Receipt of the compensation described above and as provided for in the Bylaws is consistent with and independent of salary received by Executive Directors because of their employment relationships with the Company.

The relevant clause in the Bylaws is Article 27, which provides that Directors receive fixed compensation which may not exceed in total the maximum amount set at the Annual Shareholders Meeting. It is up to the Board to decide, subject to that limit, the amounts to be received by each Director as well as the bases for and date of payment.

This article provides that, independent of the above mentioned compensation, the Shareholders at Meeting may agree to deliver stock, stock options, or any other compensation tied to Company share value to Directors in accordance with applicable law.

Finally, it is intended that the compensation above be consistent with and independent of wages, salaries, allowances, pensions or any other kind of payments, or with the delivery of services, made generally or specifically to Directors who have an employment relationship with the Company – Senior Management or Otherwise – consistent with membership on the Board of Directors.

Please specify whether the Board at its plenary sessions has reserved for itself approval of the following decisions:

	Yes	NO
Upon proposal by the chief executive of the Company, the appointment and eventual removal of executive managers, as well as approval of any severance clauses.	V	
Director compensation, and in the case of Executive Directors, the additional compensation to be received for discharging their management duties, and other terms of their contracts.	V	

B.1.15 Please specify whether the Board approves a detailed compensation policy, and identify matters on which it issues an opinion:

Yes ☑ No ☐

	Yes	NO
Fixed amounts, with their breakdown if applicable, paid for participation on the Board and its committees, and estimates of annual fixed compensation as applicable.	V	
Variable compensation items	V	
Main components of compensation packages, with an estímate of their amounts or equivalent annual cost	V	
Clauses contained in Director contracts who hold senior management positions, such as Executive Directors.	V	

B.1.16 Please specify whether the Board presents an advisory report on the policy for compensation of Directors to the shareholders to vote on as a separate item on the agenda at the Annual Shareholders Meeting. If so, please explain the aspects of the report related to the compensation policy approved by the Board for future years, the most significant changes in these policies compared to the policy applied during the fiscal year and a complete summary of how the compensation policy was applied during the year. Please describe the role played by the Compensation Committee, specify whether external advisory services were used and, if so, provide the identity of the external advisors consulted:

Yes ☑ No ☐

Issues considered in the report on compensation policy
The report on the policy for compensation of Indra Directors and senior management is prepared by the Board of Directors pursuant to Article 29 of the Board Rules. The report is prepared in accordance with applicable law taking into consideration recommendations and best practices in this area. The Annual Report on Compensation Policy for Indra's Directors and Senior Management was discussed separately by Shareholders as point 7 on the agenda at the Meeting and approved by a favourable vote of 72.49% of the share capital present. That Report conforms with the requirements of Ley de Economía Sostenible ("Economic Sustainability Act") and is available to the public on the Company's website (www.indra.es).

Role Played by the Compensation Committee
Pursuant to Article 29 of the Board Rules, the Annual Report on Compensation Policy for Indra's Directors and Senior Management is prepared annualy by the Board pursuant to a motion made by the Committee.

	SÍ	NO
Was external advice used?	V	
Identity of external advisors	Egon Zehnder PwC	

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

Name of Director	Name of Significant Shareholder	Post
Daniel García-Pita [1]	Cibeles Caja Madrid, S.A.	Director
Juan March	Corporación Financiera Alba, S.A.	Director

[1] Left 31 December, 2011

Please detail any relevant relationships, other than those presented immediately above, between members of the Board and significant Shareholders of the Company and/or of companies within the Group:

Name of Associated Director	Name of Associated Significant Shareholder	Description of the Relationship
Casa Grande de Cartagena, S.L.U	Lolland, S.A.	Parent Company
Mediación y Diagnósticos, S.A.	Banco Financiero y de Ahorros, S.A.	Company within the Banco Financiero y de Ahorros Group
Participaciones y Cartera de Inversión, S.L.	Banco Financiero y de Ahorros, S.A.	Company within the Banco Financiero y de Ahorros Group

B.1.18 Please specify whether the Board Rules were amended during the year:

Yes ☑ No ☐

Description of Amendment

In its session of 14 April, 2011 the Board of Indra agreed to amend the Board Rules in order to make them consonant with new legislation approved since their last amendment. The Board took advantage of this opportunity to clarify and improve the wording of some of the Articles.

Pursuant to Article 528 of the Ley de Sociedades de Capital ("Spanish Corporations Act" or "LSC"), Shareholders were informed of the changes at the Meeting held 21 June, 2011

At its June, 2011 session, in accordance with best international practices in this area, the Board approved amendment of section n) of Article 20.4 of the Board Rules relating to the duties of the Commitee in order to charge the Committee with overseeing Corporate Responsibility.

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

B.1.19 Please specify the procedures for appointment, re-election, assessment and removal of Directors: 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 Rules, members are nominated, re-elected or ratified by the Shareholders at Meetings or by the Board in application of the provisions set forth in the LSC and the Bylaws.

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

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

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

If the member of the Board is an artificial person, the criteria applicable to Directors are to be applied to the individual representing the Director, and the individual shall be held personally responsible for the duties of confidentiality, loyalty and diligence established for Directors in the LSC, the Bylaws, and Board Rules.

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

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

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

2. Assessment:

Pursuant to Article 14 of the Board Rules, 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 2010, the Board decided it unnecessary to use outside advice, as it did in fiscal 2005 and 2008, taking into account that involvement of outside consultants in this process is effective for a company with the experience and history of Indra in this process when used periodically (every two or three years or when new circumstances so dictate).

Individual assessment of each Director was accomplished by means of a formal process to assess multiple aspects relating to the structure, composition and workings of the Board and its committees, as well as the efficacy of their actions and the contributions of their members, judging 84 items.

The Board of Directors examined the conclusions of this report carefully and issued a satisfactory opinion of its performance and the quality of its work and that of its committees in fiscal 2010.

Similarly, Article 17 of the Board Rules 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 and as it has done since 2003, the Company will publish during this fiscal year its Audit and Compliance Committee Activity Report for 2011, along with any other information made available to the Shareholders when called to the Meeting.

Furthermore, as established in Article 11 of the Board Rules, the Board must issue an annual evaluation of the work performed by its chair both in this capacity and, separately, as CEO, if applicable. If the chair does not call for this evaluation, the vice-chair appointed from among the Independent Directors shall do so. The chair is to be absent when this assessment is discussed, and the aforementioned vice-chair shall preside over the meeting.

Article 20.4 k) of the Board Rules establishes that the Nomination, Compensation and Corporate Governance Committee shall submit its report to the Board of Directors for the purpose of the annual assessment of the Chairman.

At the proposal of the Nomination, Compensation and Corporate Governance Committee, the assessment of the Chairman of the Board for fiscal 2010 mainly considered: adequate differentiation between the Chairmanship of the Board and the position of chief executive; leadership of the Board in exercising its functions and duties effectively, ensuring that any issues required by the Board Rules and other relevant questions in the Company's interest are submitted with sufficient data to the Board for consideration; promoting active participation, analysis and discussion by Directors in order to gain sufficient understanding of the issues discussed and take decisions based on justified criteria; boosting relations with Shareholders and investors, and promoting information and transparency policies. The evaluation also took into account the assessments regarding the performance of the Chair included in the Board evaluation mentioned above.

On the basis of the assessment carried out, the Board issued a very satisfactory and unanimous opinion on the performance of the Chairman of the Board in fiscal 2010.

3. Termination of Directors:

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

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

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

B.1.20 Please specify the situations in which the Directors are required to resign:

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

a) When circumstances arise which are incompatible with, prohibit, or require resignation from service on the Board in accordance with law.

b) When a Director has seriously breached his or her obligations as a Director, or has committed an act or omission inconsistent with the duties of diligence and responsibility required in order to perform the Director's duties.

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

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

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

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

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

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

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

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

B.1.21 Please specify whether the chief executive function of the Company is held by the Chairman of the Board of Directors. If so, please explain the measures taken to limit the risk of concentrated power held by one single person:

Yes ☑ No ☐

Measures to limit risks

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

i) Call meetings of the Board or include new items on the agenda;

ii) Call the Board once a year, or include an item on the agenda for a session, to assess the performance of the Chairman in this capacity and as chief executive of the Company. The Chairman must be absent from the meeting when this evaluation is discussed and the meeting is to be chaired by the Vice-Chairman;

iii) Co-ordinate and attend properly to any concerns expressed by external Directors and, particularly, Independent Directors.

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

Any Director may propose issues for discussion by the Board and demand the inclusion of items on the agenda at any meeting called, as set forth in Article 14 of the Board Rules. The Board of Directors has named a Chief Executive Officer and an Executive Vice President to whom it has delegated the same powers as the Chairman of the Board.

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

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

Yes ☑ No ☐

Explanation of the Rules

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

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

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

Yes ☐ No ☑

Please explain how resolutions are passed by the Board of Directors, specifying at least the minimum quorum of Directors who must be present and the majorities required for resolutions to be passed:

Passage of Resolutions

Description of Resolution	Quorum	Type of Majority
-	-	-

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

Yes ☐ No ☑

Description of Requirements

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

Yes ☑ No ☐

Matters Where the Chairman has a Casting Vote
All, except for sessions which, as stipulated in the Board Rules, the Chairman must not attend or in which the Chairman must abstain from voting.

B.1.25 Please specify whether the Bylaws or the Board Rules establish any limit as to the age of Directors:

Yes ☐ No ☑

Age Limit for Chairman ☐

Age Limit for CEO ☐ Age Limit for Directors ☐

B.1.26 If the number of female Directors is small or zero, please explain the reasons for this situation and the initiatives taken to change it:

Yes ☐ No ☑

Term Limit

B.1.27 En el caso de que sea escaso o nulo el número de consejeras, explique los motivos y las iniciativas adoptadas para corregir tal situación.

Explanation of Reasons and Iniciatives

En particular, indique si la Comisión de Nombramientos y Retribuciones ha establecido procedimientos para que los procesos de selección no adolezcan de sesgos implícitos que obstaculicen la selección de consejeras, y busque deliberadamente candidatas que reúnan el perfil exigido:

Yes ☑ No ☐

Please Indicate the Most Important Proceduress

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

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

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

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

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

The three female Directors account for 20% of the total number of Directors, 25% of external Directors (Independent plus Proprietary), and 42.86% of Independent Directors, which is the category in which the Board is most capable of exercising its influence to apply gender diversity policies.

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

B.1.28 Please specify whether there are any formal processes whereby Directors may vote by proxy. If so, please provide a brief explanation.

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

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 Chairman being present.

Number of Board Meetings	12
Number of Board Meetings without the Chairman	2 (*)

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

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

B.1.30 Please specify the number of meetings held by the Board of Directors during the year in which some of its Directors were not present. For the purposes of this section, proxies given without specific instructions should be considered as non-attendance:

Number of Director absences during the fiscal year	0
Percentage of absent votes during the fiscal year	0

B.1.31 Please specify whether the individual and consolidated financial statements submitted to the Board for approval were previously certified:

Yes ☑ No ☐

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

Name	Position
Javier de Andrés	CEO
Juan Carlos Baena Martín	CFO

B.1.32 Please explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the Shareholders at a Meeting with a qualified audit opinion.

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

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

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

B.1.33 Is the Secretary of the Board a Director?

Yes ☐ No ☑

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

Appointment and Removal Procedure
Article 13 of the Board Rules establishes that appointment, compensation and removal of the Secretary must be approved by the Board after a report by the Nomination, Compensation and Corporate Governance Committee. Furthermore, as established in Article 20 of the Board Rules, one of the duties of the Nomination, Compensation and Corporate Governance Committee is to issue reports on proposals for appointment or removal of the Secretary or Vice-Secretary of the Board. The duties of the Secretary and legal counsel to the Board must be exercised by the individual designated by the Board. Membership on the Board is not required in order to be Secretary of the Board. When the Secretary is also the legal counsel, a legal professional of known competence and experience should be chosen. The appointment of Mr. Pedro Ramón y Cajal in June, 2009 as Secretary of the Board was approved by the Board of Directors in plenary session, taking into account a favourable report from the Appointment, Compensation and Corporate Governance Committee.

	Yes	NO
Does the Appointment Committee issue reports on appointments?	V	
Does the Appointment Committee issue reports on removals?	V	
Are appointments approved by the Board in plenary session?	V	
Are removals approved by the Board in plenary session?	V	

Is it the duty of the Secretary of the Board to oversee good governance recommendations?

Yes ☑ No ☐

Note

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

B.1.35 Please specify any measures 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 Rules establishes that one of the duties of the Audit and Compliance Committee is to establish measures to safeguard the independence of
the external auditor, specifically:

(i) To propose that the Board file a relevant event report when there is a change of auditor, along with a statement regarding any disagreements that arose with the outgoing auditor and, if applicable, their substance;

(ii) To ensure that the Company and the auditor comply with applicable law regarding the provision of non-audit services;

(iii) To analyze the reasons in the event of resignation by the external auditor.

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

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

Pursuant to changes made to the Ley de Auditoría ("Audit Law") and the LMV by Ley 12/20/2010 on 30 June, at the Meeting held 21 June 2011 changes to Article 31 of the Bylaws were approved in order to include, among other responsibilities of the Audit and Compliance Committee, the issuance of an annual report on the independence of the external auditors of the Company prior to issuance of each fiscal year's auditors' report on financial statements. This report shall describe the rendering of services in addition to that of auditing.

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

Yes ☐ No ☑

Outgoing Auditor	Incoming Auditor

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

Explanation of Disagreements

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 ☑ No ☐

	Company	Group	Total
Amount invoiced for nonaudit services (100's of euros)	116	0	116
Amount invoiced for nonaudit services/ Total amount invoiced by the audit firm (in %)	22,92	0	11,32

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.

Si ☐ No ☑

Explanation of Reasons

B.1.39 Please state the number of consecutive years 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	Group
Number of Consecutive Years	20	20

	Company	Group
Number of years audit by the current audit firm/ number of years the Company has been audited (in %)	95%	95%

B.1.40 Please state the amount of equity participation of Directors in companies with identical, similar or complementary business purposes as those of the Company or Group. Please also describe any positions or duties held by Directors in such companies:

Name of Director	Name of relevant company	% equity participation	Position or duties
Luis Lada	Telefónica I+D, S.A.U.		Director
Participaciones y Cartera de Inversión, S.L.	Eurobits Tecnologies, S.L.	49,99 (1)	Member of the Board

(1) Indirect equity participation through Bankia, S.A.

B.1.41 Please specify whether there is a procedure whereby Directors may contract with outside advisors, and provide details if applicable:

Yes ☑ No ☐

Explanation of Procedure

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

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

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

(i) outside advice is not necessary for the adequate performance of duties assigned to external Directors;

(ii) the size or the importance of the problem does not justify the cost; or

(iii) the assistance or advice required can be suitably provided by the Company's experts and technical personnel.

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

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

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

Yes ☑ No ☐

Explanation of Procedure

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

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

Additionally, Article 30 of the Board Rules establishes that all Directors are responsible for the diligent procurement of information on the Company's condition and development, and preparation 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 Directors must provide information regarding and, if applicable, resign in any circumstances that may damage the Company's standing and reputation. If so, provide details:

Yes ☑ No ☐

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

B.1.44 Please specify whether any Director has notified the Company that he or she has been tried, or notified that judiciary proceedings have been filed, for any offences described in Article 124 of the Spanish Corporations Act.

Yes ☐ No ☑

Name of Director	Criminal Charge	Remarks

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 Director in question should continue in his or her position.

Yes ☐ No ☐

Decsion Taken	Explanation
Continue/not continue	

B.2. COMMITTEES OF THE BOARD

B.2.1 Please provide details of all committees of the Board of Directors and their membership:

EXECUTIVE COMMITTEE

Name	Post	Status
Regino Moranchel Fernández	Chairman	Executive
Isabel Aguilera Navarro	Member	Independent
Javier de Andrés	Member	Executive
Matías Amat	Member	Proprietary
Felipe Fernández	Member	Proprietary
Daniel García-Pita	Member	Independent
Luis Lada	Member	Independent
Juan March	Member	Proprietary
Rosa Sugrañes	Member	Independent

AUDIT COMMITTEE

Name	Post	Status
Alberto Terol	Chairman	Independent
Isabel Aguilera	Member	Independent
Estanislao Rodríguez-Ponga	Member	Proprietary
Ignacio Santillana	Member	Independent
Eusebio Vidal-Ribas	Member	Proprietary

APPOINTMENT AND COMPENSATION COMMITTEE

Name	Post	Status
Daniel García-Pita	Chairman	Independent
Matías Amat	Member	Proprietary
Mónica de Oriol	Member	Independent
Juan March	Member	Proprietary
Rosa Sugrañes	Member	Independent

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

	Yes	NO
Supervise preparation and ensure the completeness of financial information relating to the Company and, where appropriate, the Group, reviewing compliance with regulatory requirements, the proper scope of consolidation and the correct application of accounting principles.	V	
Regular review of the internal control and risk management systems, to ensure that significant risks are properly identified, managed and recognized.	V	
Verification that the internal audit service is both independent and effective; propose selection, appointment, re-election and dismissal of the head of internal audit; proposal of the budget for this service; receipt of regular information on its activities; and verification that senior management takes into account the conclusions and recommendations contained in its reports.	V	
Implementation and supervision of measures whereby employees can report confidentially, and anonymously where appropriate, any potentially significant irregularities they detect in the Company, especially those of a financial or accounting nature.	V	
Submission of proposals to the Board for the selection, appointment, reelection and replacement of the external auditor, as well as the contractual terms under which this auditor is hired.	V	
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.	V	
Confirm that the external auditor is independent	V	
In the case of groups, have a bias towards engaging the group auditor to audit all of the group companies.	V	

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

In accordance with Article 17 of the Board Rules, absent any specific rules to the contrary, the committees manage their own procedures and they will appoint a Chairman from their Directors. The Secretary or Vice-secretary of the Board acts as secretary of the committee.

Committees meet whenever the chairman calls for a meeting, and the chair is obligated to do so upon receipt of a request from the Chairman of the Board, any of the Vice-chairmen or from more than a half of the members of the committee.

Committees must inform the Board about the issues discussed and resolutions adopted in their meetings. In order to accomplish this, the chairman of each committee makes a report to the Board at the next meeting of the Board of Directors. Except for the Executive Committee, decisions adopted in the committees will be considered proposals or reports of the Board of Directors.

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

Committees will annually prepare an action plan and a schedule of regular meetings, and may meet in extraordinary session. They must prepare a report of activities and inform the Board about all the above.

Any member of senior management or any employee of the Company must attend meetings of the committees in order to assist and inform the committees upon request by the chairman of the committee or any of its members. Committees may demand that the external auditors attend their meetings. Committees may also seek the advice of outside advisors.

LA COMISIÓN DELEGADA

Article 18 of the Board Rules requires that the Board determine the number of members, the minimum number being four and the maximum being nine; the Executive Committee is composed of nine members.

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

The appointment of members to the Executive Committee and the permanent delegation of powers to this Committee by the Board requires the favourable vote of at least two thirds of the Directors. Executive Comittee powers may include all the powers of the Board except those that may not, by law or by virtue of the Bylaws and Article 5 of the Board Rules, be delegated.

Article 5 of the Board Rules stipulates that the Board may not delegate powers that, in accordance with the law or the Bylaws, must be exercised directly by the Board itself. The Board 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 general policy for finance, and policy regarding treasury shares or dividends.

d) The overall corporate structure through which the Company engages in business.

e) Operations involving the acquisition and disposal of Company assets and similar corporate transactions involving amounts in excess of 30 million euros.

f) Non arms' length transactions, in accordance with applicable law and Board Rules.

g) The creation or acquisition of equity interest in special-purposes entities or entities domiciled in countries or territories classified as tax havens, and any other similar transactions that could obscure the Group's transparency.

h) Information policy and the policy for communicating with Shareholders, markets, and public opinion 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 a Meeting; and

ii) the approval of the financial information that the Company is required to publish regularly in accordance with applicable law.

i) Proposals regarding Directors' compensation and the determination of the amount thereof, in accordance with the Bylaws and resolutions from Meetings.

j) The appointment, terms of contract – including severance clauses in particular compensation, dismissal, and performance monitoring of senior management.

k) General policies regarding corporate responsibility.

l) Corporate governance policies and rules governing the internal functioning of the Board and its committees, as well as evaluation of the quality and effectiveness of their functioning and accomplishments.

m) All other matters specifically provided for in the Board Rules.

Whenever the chairman or a third of the members of the Executive Committee consider a matter important enough, resolutions passed by it exercising delegated functions must be submitted to the Board in plenary session for ratification. The same rule applies to matters that the Board has referred to the Executive Committee for study but reserved for itself authority to make the final decision.

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

AUDIT AND COMPLIANCE COMMITTEE

Article 31 of the Bylaws provides that the Audit and Compliance Committee be composed of a minimum of three and a maximum of five members, all of whom must be external. The Audit Committee comprises five external directors, three of whom are Independent Directors.

The chairman of the committee must 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.

Should the chairman be absent, the meeting is to be chaired by an Independent Director appointed for this purpose by the committee, or in the absence of an Independent Director, by a member appointed by the committee.

The duties and powers of the Audit and Compliance Committee are found in Article 31 of the Bylaws:

a) Report to the Shareholders at a Meeting on points raised by the Shareholders regarding matters that fall within the committee's area of competence.

b) Supervise the functioning of the Company's internal controls, interal audit, and risk management systems, as well as discuss with external auditors areas of significant weakness in the internal control system detected during the audit.

c) Supervise the preparation and presentation of regulated financial information.

d) Deliver to the Board of Directors for submission to a Meeting proposals for the appointment of the external auditors as well as the terms of their employment, the scope of the auditor's mandate and where appropriate, dismissal or non-renewal of appointment.

e) Liaise directly with the external auditors and evaluate the development and results of their 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. In any event, the committee should receive an annual written report from the external auditors confirming the auditor' independence of the Company or entities related directly or indirectly to the Company, as well as a report describing any form of services rendered to such entities by persons or organizations related to the external auditors in accordance with applicable law on audits.

f) Issue an annual report before the auditors' report each fiscal year in which the committee expresses an opinion regarding the independence of the external auditors. This report must also describe the rendering of additional services described in the previous paragraph.

In addition to the duties described in the Bylaws, Article 19 of the Board Rules assigns the committee the following duties:

a) Act as a channel of communication between the Board and the external auditors, 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 mediates iin the event of any disagreement 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.

b) Report to the Board, prior to the Board's adoption of the corresponding decisions, on the creation or acquisition of holding companies or companies domiciled in tax havens, and on any other transaction or operation that could obscure the Company's transparency.

c) Review prospectuses for publicly traded instruments.

d) Report to the Board, prior to the Board's adoption of the corresponding decisions, regarding financial information which the Company must periodically make public by virtue of its status as a listed company. The committee will verify that the quarterly and semiannual financial statements are prepared using the same criteria as the annual financial statements.

e) Establish measures to safeguard the independence of the external auditors to include:

i) Propose that the Board file a relevant event report when there is a change of auditors, along with a statement relating any disagreements that arose with the outgoing auditor and, if applicable, the contents thereof;

(ii) Ensure that the Company and the auditors observe applicable law on the provision of services other than audit services, in accordance with the provisions of Article 43 of the Board Rules, and;

(iii) Should the external auditors resign, examine the circumstances leading to their resignation.

f) 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.

g) Ensure that internal audit is both independent and effective; propose the selection, appointment, re-election and dismissal of the head of the internal audit service; propose the budget for such service; receive periodic information on its activities; and verify that senior management considers the conclusions and recommendations contained in its reports.

h) Establish and supervise measures whereby employees can confidentially report any potentially significant irregularities that they detect in the Company, especially those of a financial or accounting nature.

i) Consider suggestions from Shareholders, Directors and Senior Management
of the Company on matters within its area of competence.

j) Perform all other functions assigned to it by Board Rules or by the Board of Directors.

In accordance with changes made to the law regarding audits by Ley 12/2010 of 30 June, 2010 and changes in the LMV, at the 2011 Meeting amendments to the Bylaws and to the Board Rules were made in order to align the duties of the Audit Commission with current law.

NOMINATION, COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE

Article 20 of the Board Rules provides that the Nomination, Compensation and Corporate Governance Committee be composed of a minimum of three members, all of whom must be external. A majority (3) of its five members are Independent Directors.

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 CEO are to be consulted and called to meetings of the committee when it deliberates on issues relating to Senior Management other than themselves.

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

a) Report on the composition of the Board of Directors, professional qualifications for membership, and the criteria to be applied in the selection of Directors. The committee is responsible for verifying that the selection procedures applied include criteria favourable to gender diversity in the composition of the Board.

b) Assess the extent to which the knowledge, skills and experience of proposed candidates for membership on the Board and its various committees meet the required profiles, and verify compliance with applicable requirements considering the category of Directorship position in question. The committee is required to consider possible candidacies for vacancies on the Board suggested by other Directors.

c) Present to the Board, prior to the re-election of Directors, a report on the performance of their duties to date.

d) Verify annually that the category of Directorship position to which each director is appointed remains appropriate and include this information in the Annual Corporate Governance Report.

e) 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) Report on proposals for the appointment or dismissal of the Secretary and Vicesecretary of the Board.

g) Report on proposals for the appointment or dismissal of members of the Advisory Council. Make proposals to the Advisory Council regarding its internal operating rules.

h) Present proposals to the Board regarding the compensation system for Directors, their components and amounts, within the limits established in the Bylaws and resolutions of the Shareholders at Meetings. The committee is also required to report on the compensation of the Secretary in the event the Secretary is not a Director.

i) Report to the Board on proposals for the appointment and dismissal of Senior Management, and report - prior to approval by the Board - on their compensation and the terms and conditions of their employment contracts with the Company, including severance clauses.

j) Present to the Board an annual assessment of the performance of Senior Management personnel in their duties, including the Chairman, if an Executive Director.

k) Propose the annual report on compensation policy to be presented by the Board to the General Shareholders Meeting as well as the information on compensation published by the Company prior to its issue by the Board and in accordance with Article 29 of the Board Rules.

l) Present a report to the Board of Directors for the purposes of the annual assessment of the Chairman of the Board.

m) Report to the Board of Directors - prior to approval by the Board – on related party transactions with Directors, with significant Shareholders or Shareholders represented on the Board, with Senior Management or with persons related to any of the above, which transactions require Board approval.

n) Perform periodic analysis of the Company's policies, norms, procedures and practices in the area of corporate governance and corporate responsibility as well as their conformity with national and international standards, recommendations and best practices.

o) Carry out an annual evaluation of the effectiveness of, and compliance with, the Company's corporate governance rules and procedures, and review before publication corporate governance information that the Board of Directors is required to approve and include in its annual public report.

p) Propose to the Board amendments to the Company's corporate governance rules, explaining why it considers such amendments to be advisable.

q) 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.

r) Consider suggestions on issues falling within its area of competence made by Shareholders, Directors or Senior Management of the Company.

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

Committee Name	Brief Description
Executive	All powers of the Board of Directors are permanently delegated to this Committee, except for those that are reserved by law, by the Bylaws, or by Article 5 of the Board Rules for the Board. The Committee is empowered to adopt executive resolutions when exercising these delegated powers, which are described in detail in section B.2.3. above.
Audit and Compliance	The function of this committee is primarily to advise and make proposals to the Board of Directors and, where appropriate, to the Shareholders at Meetings, regarding issues falling within its area of responsibility, as listed in section B.2.3 above.
Nomination, Compensation and Corporate Governance	The function of this committee is primarily to advise and make proposals to the Board of Directors and, where appropriate, to the Shareholders at Meetings, regarding issues falling 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 found, and any amendments made to them during the fiscal year. Please also state whether any annual reports on the activities of each committee have been voluntarily prepared.

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

Changes were made to the rules governing the Board committees in fiscal 2011. These changes were made to the mandate of the Audit and Compliance Committee in order to comply with Ley 12/2010, and the committee was given two new mandates (i) that of reporting proposals for appointment or removal of members of the Advisory Council as well as bringing proposals to the Board regarding the Advisory Council's internal operating rules and (ii) periodic analysis of the corporate responsibility policy.

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

In accordance with the recommendation made by the CNMV, and as has been the case since 2003, the Report on the Activities of the Audit and Compliance Committee was published when Shareholders were called to the 21 June 2011 Meeting, 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 ☑ No ☐

If the answer is No, please describe the compostion of the Executive Committee

C. RELATED-PARTY TRANSACTIONS/

C.1. Please state whether approval - following a favourable report by the Audit Committee or other committee entrusted with this task - of transactions entered into 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 ☑ No ☐

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:

Name of Significant Shareholder	Name of Company within the Group	Nature of the Relationship	Type of Transaction	Amount (1000`s of euros)
BANCO FINANCIERO Y DE AHORROS	VARIOUS GROUP COMPANIES	CONTRACTUAL	Finance Expenses(1)[(1)]	629
BANCO FINANCIERO Y DE AHORROS	VARIOUS GROUP COMPANIES	COMMERCIAL	Leasing	161
BANCO FINANCIERO Y DE AHORROS	VARIOUS GROUP COMPANIES	COMMERCIAL	Receipt ofservices [(2)]	710
BANCO FINANCIERO Y DE AHORROS	VARIOUS GROUP COMPANIES	CONTRACTUAL	Other expenses[(3)]	103
BANCO FINANCIERO Y DE AHORROS	VARIOUS GROUP COMPANIES	CONTRACTUAL	Finance income[(4)]	6
BANCO FINANCIERO Y DE AHORROS	VARIOUS GROUP COMPANIES	COMMERCIAL	Services Rendered[(5)]	13.461
BANCO FINANCIERO Y DE AHORROS	VARIOUS GROUP COMPANIES	CONTRACTUAL	Finance Agreements: Credits (Lender)[(6)]	15.305
BANCO FINANCIERO Y DE AHORROS	VARIOUS GROUP COMPANIES	CONTRACTUAL	Leaseback (lessor)	185
BANCO FINANCIERO Y DE AHORROS	VARIOUS GROUP COMPANIES	CONTRACTUAL	Amortization or cancelatiion of credits and leasing contracts (lessor)	42
BANCO FINANCIERO Y DE AHORROS	VARIOUS GROUP COMPANIES	CONTRACTUAL	Commitments undertaken[(7)]	91.918

BANCO FINANCIERO Y DE AHORROS	VARIOUS GROUP COMPANIES	INTERNAL	Dividends and other benefits paid	22.329
BANCO FINANCIERO Y DE AHORROS	VARIOUS GROUP COMPANIES	CONTRACTUAL	Other activities(8)	114.879
LOLLAND, S.A.	CASA GRANDE DE CARTAGENA	INTERNAL	Dividends and other benefits paid	5.581
LIBERBANK	VARIOUS GROUP COMPANIES	COMMERCIAL	Services rendered(5)	20
LIBERBANK	CANTABRICA DE INVERSIONES, S.L.	SOCIETARIA	Dividends and other benefits paid	5.590
CORPORACIÓN FINANCIERA ALBA, S.A.	BANCA MARCH, S.A.	CONTRACTUAL	Finance expenses(1)	73
CORPORACIÓN FINANCIERA ALBA, S.A.	BANCA MARCH, S.A.	CONTRACTUAL	Other expenses(3)	26
CORPORACIÓN FINANCIERA ALBA, S.A.	BANCA MARCH, S.A.	CONTRACTUAL	Dividends and other benefits paid(7)	13.853
CORPORACIÓN FINANCIERA ALBA, S.A.	ALBA PARTICIPACIONES, S.A.	INTERNAL	Dividends and other benefits paid	11.183

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

Name of administrator or Manager	Name of Company within the Group	Nature of the Relationship	Type of Transaction	Amount (1000`s of euros)
MONICA DE ORIOL E ICAZA	INDRA SISTEMAS, S.A.	COMMERCIAL	Receipt of Services(1)	987
MONICA DE ORIOL E ICAZA	INDRA SISTEMAS, S.A.	COMMERCIAL	Receipt of Services	33

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 form part of the Company's ordinary business activities in terms of their purpose and conditions:

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

C.5. Please indicate if any Directors have found themselves in a conflict of Interest as defined in Article 127.3 of the LSA during the fiscal year..

Yes ☐ No ☑

Name of Director	Description of Conflict of Interest

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.

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

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

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

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

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

Article 32 of the Board Rules stipulates that:

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

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

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

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

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

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

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

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

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

Yes ☐ No ☑

Please name the listed subsidiaries:

Listed Susidiaries

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

Yes ☐ No ☐

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

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

Measures taken to resolve potential conflicts of interest

D - RISK CONTROL SYSTEMS

D.1 General description of the Company's and/or Group's risk policy, detailing and assessing risks covered by the system together with the reasons why they are adequate for the types of risk anticipated.

Risk management within the Group is a cross functional process involving all unit members, operations and process. The objective of risk management is to lower risk and to make it predictable and manageable.

In 2011, the Department of Global Risk was integrated into the organizational structure of Indra under the supervision of the Executive Committee, with the mission of implementing a periodic review of the level of risk to which the organization, its businesses and its corporate areas are subject.

The process of risk management that was implemented addresses the methodological principles of the Committee of Sustaining Organizations and includes:

- Continuous identification of the most significant risks Indra faces using analysis of historical information, interviews, and analysis of process flows.
- A periodic evaluation of risk portfolio using a combination of quantitative and qualitative techniques. Evaluation of the two basic dimensions of risk, impact and probability, allows creation of a global risk map.

- Assessment of the management of identified risks in order to create action plans necessary to guarantee achievement of defined risk tolerance levels.

The global risk map and its oversight are reported periodically to the Audit and Compliance Committee, which is tasked with supervising the effectiveness of internal control of the Company, internal audit, and risk management systems.

The principal risks are grouped into the following categories:

- Strategic risks
- Operational risks
  a. Risks associated with the process of completing projects
  b. Risks associated with management of human capital
  c. Physical risks
  d. IT risks
- Economic and financial risks
- Compliance risks
  a. Legal, contractual and regulatory risks
  b. Labor risks
  d. Environmental risks

Strategic Risks

The national and international socioeconomic and sociopolitical situation has forced Indra to establish the means necessary to minimize the possible negative effect of low demand in Spain by means of expansion in new geographic areas and by searching for new resources to develop.

Expansion into other geographic areas brings with it new types of risks which are being mitigated with a clear strategy as to which areas Indra will seek to do business.

Along these lines, risks associated with the integration of new acquisitions are carefully managed using a governance model which clearly defines responsibilities and limits of authority, and uses corporate tools which promote homogeneity among key process in the business and permit the implementation of adequate internal control and oversight.

All strategic decisions are taken by the corresponding governing bodies and subsequently reported to the different areas affected for application and monitoring, while taking advantage of an organization with tools capable of assaying the results.

The market in which Indra operates is continually evolving technologically and success depends to a certain degree upon Indra's ability to innovate and anticipate changes in technology. Regarding this, Indra has a division responsible for technological innovation which is tasked with analyzing, prioritizing and leading projects of this type

Operational Risks

Dhe following risks fall under this category:

a. Risks associated with the process of completing projects
b. Risks associated with management of human capital
c. Physical risks
d. IT risks

a. Risks associated with the process of completing projects

The Group has developed a system of detection, evaluation and management of risk at the business unit level for processes involved in drafting proposals and the execution of projects which permits the identification, measurement and management at all times of threats, negative events and opportunities for each of the significant projects in the Company.

Failure to meet project budgets or schedules is a primary risk for Indra.

Indra has established the following means of minimising risks of this type:

- A set of procedures for presentation of bids, including analysis and review by a bid committee from the areas of operations and management control before presentation to clients.

- Existence of an organization which follows all project phases, pre-contractual and contractual, and provides accurate information to management and business units on a timely basis, anticipating and assessing all risks.

- Tools based on internal information systems and designed to follow up risks which provide information and allow control of all key parameters identified during project planning, the risk plan established for each project and its monitoring, compliance with deadlines and other milestones established for the project such as technical and financial progress, follow-up of projected expenses, invoicing, payment, etc. These information systems include a series of indices and alarm mechanisms that allow anticipation of scheduling problems as well as any other problem which may affect proper development of projects and managing them in a timely manner.

It is important to point out that during fiscal 2011 the Company has continued with its intense programme of communication, training and implementation of standards, 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 368 professionals have been certified since this initiative began, making Indra the Spanish company with the largest number of PMPs.

Quality of services rendered and customer satisfaction are the areas of risk most closely watched by the professionals at Indra and are guaranteed by the implementation and international export of mandatory Proprietary methodologies for project management. Additionally, over the years Indra has developed a system of quality management recognized by obtaining certification for business and geographic areas: : ISO 9001, PECAL 2110, PECAL 160, UNE-EN 9100, EASA part 145, CMMI (Capability Maturity Model Integration), a model for improvement and assessment of development and maintenance processes for software systems and products.

Risks associated with supplier and subcontractor relationships are mitigated through organization of the Purchasing Department, which operates with two goals: optimization of purchasing (negotiating framework agreements, delivery times, achieving better pricing) and oversight of suppliers verifying their quality, technical capability and economic strength.

b.Risks Associated with Human Capital

Proper management of key people is an especially important mission taking into account that the primary asset of the Group is our more than 35,700 professionals placed throughout the world.

Given that the lack of training or the loss of talent could limit our ability to respond to and successfully overcome current and future challenges, and our professionals are the cornerstone of our business, human development is ensured by a policy of professional training that is based upon four themes:

- Recognition of talent
- Recognition of talent
- Rigorous and demanding evaluation of individuals
- Personnel development plan that trains and helps professional growth
- Assignment to projects that allow the acquisition and practice of knowledge and abilities and in increase in responsibility

c.Physical Risks

Indra has an insurance department specialised in the centralized management of business equity risks and civil liability risks, and whose mission is to minimize the probability that these types of risks occur and to define policy for transferring risk.

Based on a risk map, the department identifies those which may be transferable, conducting an analyses in order to quantify their impact and procede with adequate insurance coverage for them.

d.IT Risks

Indra manages IT risks and reduces them to acceptable levels with the goal of guaranteeing adequate protection for Company and client information, as well as the IT assets which process it.

Management of information security and IT assets is based on internationally recognised standards, specifically on international regulation UNE-ISO/IEC 27001, in which Indra has been certified by AENOR since 2007 with a grade of advanced development.

The IT risk analysis procedure followed by Indra consists of identification and evaluation of assets, identification and cost of threats that may affect those assets and determination of the likelihood and severity of potential threats given current vulnerabilities and controls.

To complete the process, possible consequences that these risks might have for the business are assessed.

Once risks are identified, an action plan is established, identifying the measures and controls necessary to minimise these risks. These measures are grouped into the following sections.

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

In addition, Indra has established a series of Internal Security Services charged with implementing the means necessary to ensure compliance with all established security policies. Among those are:

- Security Activation Service
- Internet Access Control Service
- Equipment Encryption
- Antivirus Service
- PKI Service
- Backup Service
- Audit of Technical Vulnerabilities
- Security Monitoring
- Personal Data Security Office
- Firewall Service
- Application Firewall Service
- Detection/prevention of instrusions
- AntiSpam

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.

This system meets the legal requirements assumed by Indra over its database which consists in performance of an audit no less than every two years, as contained in the Spanish Personal Data Protection Act, (Royal Decree 1720 of 21 December, 2007).

Compliance Risks

This group consists of all the risks associated with failure to meet contractual, legal, labor, and environmental obligations.

a)Legal, Contractual and Regulatory Risks

The legal department of the Company is responsible for ensuring that the businesses and activities of Indra are pursued with maximum legal protection, work that is done with prophylactic techniques in identification and management of legal risks.

The Secretary of the Board oversees strict compliance with legal and administrative obligations which affect Indra as a listed company and follows the strictest standards and recommendations regarding good corporate governance.

In addition to oversight of compliance with legal obligations imposed on Indra just as they are on any other company independent of the sector in which it operates or the regulatory environment applicable to all listed companies, there is an additional specific risk associated with the business in which Indra operates, which is protection of the knowledge entrusted to all of its professionals and, in particular, to the legal department.

Indra follows as well a Code of Ethics and Professional Conduct approved by the Board of Directors and whose implementation and compliance is supervised by the Audit and Compliance Committee. Through this Code, Indra has communicated to every level of the organization the commitment and responsibility of the Company to values and principles that animate all of its activities.

The Audit and Compliance Committee also has supervised the establishment and implementation of a communication channel (Canal Directo) that permits employees to receive advice or solicit clarification regarding the application of the Code of Ethics and Professional Conduct, as well as communicate conduct which is unusual or violates the principles contained in the Code.

The Company has conducted an exhaustive analysis of the risks and control requirements relative to the implementation of the new ley orgánica 5/2010 which amends the Criminal Code, as well as modification of other rules which apply to the Company. As a consequence of this process, the Audit and Compliance Committee decided in 2011 to create a new Legal Compliance Unit, reporting to the General Secretary, which sends reports periodically to the Audit and Compliance Committee and whose mission is to establish means and procedures for the prevention, control and detection of criminal conduct and other legal risks for the Company and its subsidiaries and which has resulted in the approval and publication of a Compliance Program.

b)Labor Risks

Indra is committed to comply with applicable workplace health and safety 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 for meeting this objective are: its own joint prevention department, comprising specialised professionals who provide centralised services to companies in the Group, and specialized external services which provide support and advice and are integrated into Indra's safety management.

With the aim of verifying the effectiveness of the preventive management system, periodic external audits are performed by entities accredited by the Ministry of Labour, which allow establishment of action plans and adjustment policies geared toward continuous improvement in the area of workplace safety.

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 contaminating processes.

Nonetheless, 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 and ensure that environmental protection is considered when carrying out all its activities, thereby complying with its corporate social responsibility commitments
This undertaking is given form in the adoption of an environmental management system based on UNE-EN ISO 14001, which has been implemented in Indra's work centres.

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

Yes ☑ No ☐

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

Risk which Materialized During the Fiscal Year	Circumstances which Caused it	Efficacy of the Control System
Physical	Fire in a production building.	Fire detection system worked well and there was adequate insurance coverage.
Integration of New Business	Acquisition of Politec (Brasil), MENSOR (Health Care) and Galyleo (Italy).	Integration plans proceeding as intended.
Financial Risk	Slow payment	Prompt management in order to minimize past due accounts payable.
Delays and cost overruns in the execution of some projects.	Changes in scope and overruns and unforeseen delays in reaching milestones.	Continuous review of the risk plans for projects in accordance with Indra methodology and the alarm system which emánate from economic monitoring have minimized its potential impact o`n costs and schedule.

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

Yes ☑ No ☐

If so, give details of its functions.

Name of Committee or Body	Description of Functions
Audit and Compliance Committee	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 mandate of the Board of Directors is accomplished by the duties given to the Audit and Compliance Committee, which periodically reviews internal control systems and the Company's risk management. In practice, the Audit and Compliance Committee meets every year with the managers of these control systems. Additionally, at every meeting representatives of different corporate and business areas attend in order to understand and assess the effectiveness of the organisation, functions and activity and, if appropriate, issue recommendations regarding management of risk and improvement of controls. 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:

On one hand, and with an eye toward prevention and mitigation of risks, as explained in section D.1, the legal department of the Company ensures that the business and activities of Indra are pursued with maximum legal security, work which is accomplished by means of proactive approach in identification and preventative management of legal risks. Additionally, the Secretary of the Board ensures strict compliance with legal and administrative obligations which affect Indra as a listed company and follows the strictest recommendations and standards of good corporate governance.

Exercise of this function is verified periodically by the Audit and Compliance Committee.

E -ANNUAL SHAREHOLDERS MEETING

E.1 Please specify whether there are any differences between the minimums set out in the LSA regarding quorum for Annual Shareholders Meetings and, where appropriate, provide details

Yes ☐ No ☑

	Supermajority distinct from that contained in Article 103.2 LSA for matters described in Article 103.1	% quorum different from that contained in Article 102 LSA for special matters
Quorum required for 1st call		
Quorum required for 2nd call		

Description of Differences

E.2 Please specify whether there are any differences between the LSA regarding the adoption of resolutions and, where appropriate, provide details

Yes ☐ No ☑

Please describe differences compared to the system set out in the LSA

	Supermajority distinct from that contained in Article 103.2 LSA for matters described in Article 103.1	Other matters requiring a supermajority
% established by the company for adoption of resolutions		

Describe the differences

E.3. Please list any Shareholder rights enjoyed at Meetings which are different than those established in the LSA.

The Company has recognised broader rights for its Shareholders than the minimum content required by law. These rights are governed by the General Shareholders Meeting Rules ("Meeting Rules"), which establish the following:

Right to Iinformation

In accordance with Article 5 of the Meeting Rules, Shareholders are entitled to extensive and specific information on the matters to be discussed and resolved determined at the Meeting.

As soon as the Board knows the probable date that the next 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 encourages informed Shareholder participation at the Meetings and takes the necessary steps to ensure that the meeting effectively performs its functions in accordance with law and Bylaws. Therefore, through its website and the Shareholders office, the Company provides detailed information on the call, the different items on the agenda and proposed resolutions, allowing Shareholders to request clarification or additional information on these matters by the same means.

The Board of Directors therefore provides the information required by law and the Bylaws 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 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 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 believes that it helps Shareholders understand the proposals, facilitates their active and informed participation in the Meeting, and enables them to cast a more informed vote. Except where required by law, this information is biased toward clarity rather than legal formalism.

Shareholders may also examine the documentation referred to in the previous paragraphs at the Company's home office, and may also request that this documentation be sent to their home free of charge.

Similarly, once the call for the 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.

Electronic Shareholders Forum

In accordance with applicable law, during each Meeting an Electronic Shareholders Forum will be activated on the Company web page with appropriate guarantees for individual Shareholders as well as voluntary shareholder associations which are duly registered with the special Registry of the CNMV.

In this Forum, which will be accessible from publication of the call to Meeting, Shareholders may publish: proposals they would like to see added to the agenda announced at call; requests for support to said proposals; initiatives for reaching minority rights status as defined by law; as well as offers or requests for proxies

Right of attendance

In accordance with Article 7 of the Meeting Rules, all Shareholders that can prove their status as such by delivery of a certificate of ownership or any other document proving ownership of shares issued for this purpose by a share depository after publication of the Meeting call may attend.

Exercise of representation and voting rights at the Meeting through telecommunication

Article 14 of the Bylaws provides that the Board of Directors shall establish norms for attendance by telecommunication which meet the requirements of security and effectiveness contained in that Article given the state of the art in such technology. When the Meeting is called, details will be provided regarding the procedure and requisites that rights may be exercised using telecommunication means which may be used for each occasion.

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 Meeting.

Right of representation

Shareholders may give their proxy to any person, whether that person is a Shareholder or not. Proxies must be in writing and specific for each Meeting.

In any event, in order to ensure complete access to the Meeting as well as accommodating all legal requests for representation, no Shareholder may have more than one representative at the Meeting.

In accordance with the Bylaws, the Board of Directors shall decide which means of attendance by telecommunication will be made available, taking care that the requirements of security and effectiveness contemplated in the Bylaws are met consistent with the state of the art in such techniques.

Proxies are always revocable. Personal attendance at the Meeting will have the effect of nullifying any proxy and must be communicated immediately to the representative in order to avoid an improper vote.

Right to participate in the meeting
Shareholders present at the Meeting will have the right to take the floor during the meeting, as established in Article 11 of the Meeting Rules.

The Chairman will manage Shareholder participation so that the Meeting is held in anorderly manner, enabling Shareholders to participate on equal terms and express theiropinion on each item on the agenda.

Any Shareholder who speaks may request that the full content of their discourse be entered into the minutes, and that a transcript be provided.

The internal rules of the Company are being reviewed at the moment in order to harmonize them with recent amendments to the LSC which contains an entire chapter dedicated to regulating the specifics of shareholder meetings for listed companies.

E.4. Please specify any measures adopted to encourage the participation of Shareholders at Meetings.
In addition to those measures detailed in Section E.3 above, it is noteworthy that at the last Meeting held 21 June 2011, the requirement that a Shareholder own 100 shares in order to attend was eliminated.

E.5 Please specify whether the position of Chairman of the General Shareholders Meeting is the same as the Chairman of the Board of Directors. Please provide details, as appropriate, of measures adopted to guarantee the independence and correct operation of the Meeting:

Yes ☑ No ☐

Details of Measures
To guarantee that Meetings are properly run, as well as to ensure that Shareholders may adequately and correctly exercise their rights, the Meeting Rules dictate the procedures that the Chairman must follow at all times. The function of the Chairman is to moderate participation and ensure that the Meeting procedes in an orderly fashion.
The Chairman of the Audit and Compliance Committee also attends the Meeting and, in accordance with the Bylaws and Meeting Rules, makes a report regarding matters within the scope of the committee's mandate.
Although not required by the Company's internal regulations, the Chairman of the Nomination, Compensation and Corporate Governance Committee also attends the 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 Meeting Rules during the fiscal year.

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

Date of Meeting	Attendance Data				
	% Physically Present	% Present by Proxy	% Distance Voting		Total
			Electronic Voting	Other	
21/06/2011	0,4731	69,47	0,0042	0,2810	70,23

E.8 Please briefly describe the resolutions adopted at the GeneralShareholders Meetings held during the year to which this report refers and the percentage of votes with which each resolution was adopted.

FIRST.- Review and approval of the Financial Statements and the Management Report of Indra Sistemas, S.A. and its Consolidated Group for the fiscal year ended 31st December, 2010 as well as the proposal for distribution of earnings. Approval of the Board of Director's management.

Votes in favour: 99.88%

SECOND.- Approval of the Board of Director's management.

Votes in favour: 99.43%

THIRD.- Determination of the number of Directors. Appointment and re-election of Directors.

Determination of the number of Directors within the limits imposed by Article 21 of the Bylaws. Termination, appointment and re-election of Directors.

• Fix at 15 the number of members of the Board of Directors of the Company, within the minimum and maximum limits imposed by Article 21 of the Bylaws.

Votes in favor: 94.06%

Name Mr. Javier de Andrés González to the Board for a regular three year term as an Executive Director

Votes in favor: 78,43%

Re-elect Mediación y Diagnósticos, S.A., representing the Shareholder interest of Caja Madrid to the Board for a regular three year term as a Proprietary Director

Votes in favor: 77,88%

- Re-elect Participaciones y Cartera de Inversión, S.L., also representing the Shareholder interest of Caja Madrid to the Board for a regular three year term as a Proprietary Director.

Votes in favor: 77,38%

- Re-elect Ms. Isabel Aguilera Navarro to the board for a regular three year term as an Independent Director.

Votes in favor: 99,83%

- Re-elect Ms. Rosa Sugrañes Arimany to the Board for a regular three year term as an Independent Director.

Votes in favor: 84,88%

- Re-elect Mr. Javier Monzón de Cáceres to the Board for a regular three year term as an Executive Director.

Votes in favor: 78,65%

- Re-elect Mr. Regino Moranchel Fernández to the Board for a regular three year term as an Executive Director.

Votes in favor: 78,48%

- Name Mr. Ignacio Santillana del Barrio to the Board for a regular three year term as an Independent Director.

Votes in favor: 99,83

FOURTH.- Approve changes to the following Bylaws, a complete and literal transcript of which follows. For voting purposes, they are grouped in blocks according to the reason for change; each block to be voted on separately at the Meeting:

4.1. BLOCK I.- Changes mandated by the LSC:
Articles 1, 4, 6, 7, 8, 9, 11, 13, 16, 17, 18, 20, 22, 23, 30, 32, 35, 36 Y 37

Votes in favour: 99,92%

4.2. BLOCK II.- Changes mandated by modifications to STOCK MARKET RULES introduced by Ley 12/2010 of 30 June: Article 30, 3rd PARAGRAPH

Votes in favour: 99,47%

4.3. BLOCK III.- Eliminiation of the requirement that Shareholders own a minimum number of shares in order to attend Meetings: Article 14

Votes in favour: 99,92

4.4. BLOCK IV.- Changes to the business purpose of the Company: Article 2

Votes in favour: 99,92%

4.5. BLOCK V.- Conpensation of the Board: Article 27

Votes in favour: 99,87%

4.6. BLOCK VI.- Other stylistic changes: Articles 12, 15, 21, 24, 25, 26, 28, 29, 33 y 34

Votes in favour: 99,92%

4.7. Approve a new text of the Bylaws and renumber the Articles in order to reflect the changes approved at the Meeting.
Votes in favor: 99,77%

FIFTH.- Changes to the Meeting Rules.

5.1. BLOCK I.- Changes mandated by the LSC: Articles 3, new 6, 8 and 9

Votes in favour: 99,74%

5.2. BLOCK II.- Other stylistic changes: Articles 1, 2, 5, 12 and 14
Votes in favor: 99,73%

5.3.- BLOCK III.- Eliminiation of the requirement that Shareholders own a minimum number of shares in order to attend Meetings: Article 7

Votes in favour: 99,92

5.4.- Approve a new text of the Meeting Rules to reflect the changes above.

Votes in favour: 99,74%

SIXTH.- Information regarding changes to Board Rules.

SÉVENTH.- Annual Report on Compensation of Directors and Senior Management.

Votes in favour: 72,49%

EIGHTH.- Board Compensation.

Votes in favour: 90,40%

NINTH.- Compensation by Delivery of Shares.

Votes in favour: 90,05%

TENTH.- Appointment of Auditors for Individual and Consolidated Financial Statements and the Management Reports for Fiscal 2011.

Votes in favour: 99,46%

ELEVENTH.- Delegation of authority to the Board of Directors for the interpretation, correction, completion, execution and substitution of powers and implementation of the resolutions adopted at the Annual Shareholders Meeting.

Votes in favour: 99,14%

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

Yes ☐ No ☑

Minimum Number of shares required to attend the Meeting

E.10 Please specify and give the reasons for the Company's policies with regard to proxies at the Meeting.

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

When the Board or its Directors requests the delegation of votes, Shareholders are advised to give voting instructions for each agenda items and, in any event, indicate how the representative should vote if the Shareholder does not give detailed instructions.

In the event that a Director or any other person on the Director's behalf has solicited a proxy, the Director may not vote on any matters on the agenda where a conflict of interest exists.

In those cases where a Director has solicited a proxy and encounters a conflict of interest, when the moment comes to exercise the associated voting rights on that particular agenda item, the proxy shall be given to the Vice-chairman selected among Independent Directors or the person designated by him,

In compliance with Article 14 (bis) of the Bylaws, 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, are compatible with the state of the art.

E.11 Please state whether the Company is aware of institutional investors' policy for participating or not in Company decision-making:

Yes ☑ No ☐

Describe the Policy

Partly. For each Meeting, the Company contacts institutional investors to request that they participate in the Meeting or, failing this, that they vote by proxy, as well as to ascertain their position regarding the different items on the agenda.

E.12 Please specify the address and means of access to corporate governance content on your website.

www.indra.es

Within the area for Shareholders and Investors one will find buttons for "Corporate Governance" and "Annual Shareholders Meeting"

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 Bylaws of listed companies do not limit the maximum number of votes that may be cast by one Shareholder or contain other restrictions that hinder the takeover of control of the Company through the acquisition of shares on the market.
See sections: A.9, B.1.22, B.1.23 and E.1, E.2

Complies ☑ Explanation ☐

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

a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other Group companies;

b) The mechanisms in place to resolve any conflicts of interest that may arise.
See sections: C.4 and C.7

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☑

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

a) Transformation of listed companies into holding companies through the incorporation of subsidiaries to carry out essential activities previously performed by the Company itself, even when the Company maintains full control;

b) Acquisitions or disposals of essential operating assets that entail an effective modification of the statutory activity of the Company;

c) Transactions whose effect is equivalent to liquidation of the Company.

Complies ☑ Complies Partially ☐ Explanation ☐

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

Complies ☑ Explanation ☐

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

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

b) In the event of amendments to the Bylaws, for each Article or group of Articles which are substantially independent.
See section: E.8

Complies ☑ Complies Partially ☐ Explanation ☐

6. QThat companies should allow split voting, enabling financial intermediaries appearing as Shareholders but acting on behalf of different customers to cast votes in accordance with the latter's instructions.
See section: E.4, E.6

Complies ☑ Explanation ☐

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

The Board will also ensure that its relationships with stakeholders of the Company are in accordance with law and regulations; that it complies in good faith with its obligations and contracts; that it respects the customs and best practices of the sectors and territories where it carries out its activities; and that it applies any additional corporate social responsibility principles it has voluntarily accepted.

Complies ☑ Complies Partially ☐ Explanation ☐

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

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

i) The business plan, management targets and the annual budget.
ii) The investment and financing policy.
iii) The definition of the structure of the group of companies.
iv) The corporate governance policy.
v) The corporate social responsibility policy.
vi) The policy for senior management compensation and performance appraisal.
vii) The risk management and control policy and regular monitoring of internal information and control systems.
viii) The policies on dividends and treasury shares, particularly with regard to their limits.
See sections B.1.10, B.1.13, B.1.14 and D .3

b) The following decisions:

At the proposal of the Company's chief executive, the appointment and possible termination of senior managers, and approval of their severance clauses.
See section B.1.14

ii) Compensation of Directors and, in the case of Executive Directors, additional compensation for their management duties and other conditions contained 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 types of investments or transactions which may be considered strategic by virtue of their large amount or special characteristics, except when they must be approved at a Meeting.

v) The creation or acquisition of equity interests in special purpose entities or entities domiciled in countries or territories considered tax havens, and any other similar transactions or operations which, in light of their complexity, could undermine the Group's transparency.

(c) Transactions carried out by the Company with Directors, significant Shareholders or those represented on the Board, or parties related to any of them (related party transactions).

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

1. That the transactions be carried out under contracts with standard conditions that apply generally to a large number of customers.

2. That the transactions be carried out at prices or fees generally established by the party that acts as a supplier of the good or service involved.

3. That the transactions be for an amount not exceeding 1% of the Company's annual revenue.

It is recommended that the Board approve any related party transactions following receipt of a favourable report from the Audit Committee or, as appropriate, any other commissioned for this purpose, and that the affected Directors neither exercise nor delegate their right to vote and instead leave the meeting room while the Board deliberates and casts its votes on the matter.

It is recommended that the powers attributed to the Board should not be subject to delegation, except those mentioned in letters b) and c), which may be adopted in urgent circumstances by the Executive Committee with subsequent ratification by the Board in plenary session.
See sections: C.1 and C.6

Complies ☑ Complies Partially ☐ Explanation ☐

9. That the Board be of an appropriate size to enable it to operate in an effective and participatory manner. It is therefore advisable that it comprise no fewer than five and no more than fifteen Directors.
See section: B.1.1

Complies ☑ Explanation ☐

10. That external Proprietary and Independent Directors constitute a broad majority of the Board and that the number of Executive Directors be the minimum necessary taking into account the complexity of the corporate Group and the percentage equity participation of Executive Directors in the Company.
See sections: A.2, A.3, B.1.3 and B.1.14

Complies ☑ Complies Partially ☐ Explanation ☐

11. That in the event any external Director may be considered neither Proprietary nor Independent, the Company should explain this circumstance and the Director's relationships with the Company, management or Shareholders.
See section: B.1.3

Complies ☐ Explanation ☐ Not Applicable ☑

12. That among external Directors, the ratio of Proprietary Directors to Independent Directors should reflect the proportion between the equity interest in the Company represented by Proprietary Directors and the remaining share capital.

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

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

2º In companies where a plurality of Shareholders represented on the Board are not related to one another.
See sections: B.1.3., A.2. and A.3

Complies ☑ Explanation ☐

13. That the number of Independent Directors should represent at least one third of the total number of Directors.
See section: B. 1. 3.

Complies ☑ Explanation ☐

1**4.** That the Board of Directors explain the status of each Director to the Shareholders at the Meeting so that the Shareholders may appoint or ratify the Directors, and that these details be confirmed or, where appropriate, reviewed each year in the annual corporate governance report after verification by the Nomination Committee. This report should also explain the reasons for the appointment of Proprietary Directors at the proposal of the Shareholders whose equity interest is less than 5%. It should also explain, where applicable, why formal requests from Shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other Shareholders whose proposal for Proprietary Directors was honoured.
See sections: B.1.3 and B.1 4

Complies ☑ Complies Partially ☐ Explanation ☐

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

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

b) The Company seeks out, and includes among its potential candidates, women with the appropriate proffessional profiles.
See sections: B.1.2., B.1.27. and B.2.3.

Complies ☑ Complies Partially ☐ Explanation ☐ Not Applicable ☐

16. That the Chairman, as the individual responsible for the effective functioning of the Board, should ensure that Directors receive sufficient information in advance; should encourage discussion and the active participation of the Directors during meetings of the Board, safeguarding their freedom to take positions and their freedom of opinion; and should organise and coordinate, together with the chairs of the relevant committees, the periodic evaluation of the Board and, where appropriate, of the managing director or chief executive.
See section: B.1.42.

Complies ☑ Complies Partially ☐ Explanation ☐

17. That when the Chairman of the Board is also the chief executive of the Company, one of the Independent Directors should be authorised to convene the Board meeting or include new items on the agenda; to coordinate and reflect external Directors' concerns; and to direct the Board's evaluation of the Chairman.
See section: B.1.21

Complies ☑ Complies Partially ☐ Explanation ☐ Not Applicable ☐

18. That the Secretary of the Board of Directors takes care especially that actions taken by the Board:

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

b) Are in accordance with the Company's Bylaws, and with the rules of the Shareholders Meeting, the Board of Directors and any other Company regulations;

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

Furthermore, to ensure the independence, impartiality and professionalism of the Secretary of the Board, any Nomination to or dismissals from this position must be reported by the Nomination Committee and approved by the Board of Directors in plenary session; and that said appointment and dismissal procedures be included in the Board Rules.
See section: B.1.34

Complies ☑ Complies Partially ☐ Explanation ☐

19. That the Board meet with the frequency necessary to perform its functions effectively, follow the schedule and agenda established at the beginning of each fiscal year, and allow each Director propose that additional matters be raised that were not included in the initial agenda.
See section: B.1.29

Complies ☑ Complies Partially ☐ Explanation ☐

20. That any failure to attend by a Director must be unavoidable and quantified in the Annual Corporate Governance Report. If a proxy is necessary, that it contain instructions.
See sections: B.1.28 and B.1.30

Complies ☑ Complies Partially ☐ Explanation ☐

21. That should a Director or the Secretary raise concerns regarding any proposal or, in the case of Directors, the direction the Company is going, and such concerns are not resolved by the Board, the concern must be stated for the record at the request of the individual who raised it.

Complies ☑ Complies Partially ☐ Explanation ☐ Not Applicable ☐

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 Nomination Committee, the performance of the Chairman of the Board and chief executiveof the Company;

c) The performance of the Board Committees, on the basis of their reports.
See section: B. 1. 19

Complies ☑ Complies Partially ☐ Explanation ☐

23. That all Directors may exercise their right to obtain any additional information which they may deem useful regarding matters within the mandate of the Board. Unless the Company's Bylaws or the Board Rules state otherwise, such information requests must be directed to the Chairman or Secretary of the Board.
See section: B.1.42

Complies ☑ Explanation ☐

24. That all Directors are entitled to request that the Company provide sufficient consulting services to carry out their functions properly. The Company must decide on the most suitable way to exercise this right which, in special circumstances, may include outside consulting at the Company's expense.
See section: B. 1. 41.

Complies ☑ Explanation ☐

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

Complies ☑ Complies Partially ☐ Explanation ☐

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

a) Directors shoud inform the Nomination Committee of their other professional obligations in case they could affect the Director's required dedication

b) Companies should establish rules on the number of boards in which Directors may participate.
See sections: B. 1. 8, B. 1. 9 and B. 1. 17

Complies ☑ Complies Partially ☐ Explanation ☐

27. That any proposed appointments or re-elections presented by the Board to the Shareholders at the Meeting, as well as any temporary appointment through co-opting, must be approved by the Board:

a) At the proposal of the Nomination Committee in the case of Independent Directors.

b) With a prior report from the Nomination Committee, in the case of other Directors.
See section: B. 1. 2, B.1.19, B.2.3

Complies ☑ Complies Partially ☐ Explanation ☐

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

a) Professional profile and biography;

b) Any other Boards to which the Director belongs, regardless of whether the companies are listed

c) Type of Directorship, indicating, in the case of individuals who represent significant Shareholders, the Shareholder that they represent or are linked to.

d) The date of their first appointment as a Director of the Company's Board of Directors, and any subsequent Nomination, and;

e) The shares and options they own.

Complies ☑ Complies Partially ☐ Explanation ☐

29. That the mandate of Independent Directors may not exceed 12 years.
See section: B.1.26

Complies ☑ Explanation ☐

30. That Proprietary Directors representing significant Shareholders must resign from the Board if the Shareholder they represent sells its entire

shareholding or reduces its percentage interest to a level that requires a decrease in the number of Proprietary Directors representing this Shareholder.
See sections: A.2, A.3 and B. 1.2

Complies ☑ Complies Partially ☐ Explanation ☐

31. That the Board of Directors may not propose the dismissal of any Independent Director before the completion of the Director's term provided for in the Bylaws unless the Board finds just cause and a prior report has been prepared by the Nomination Committee. Specifically, just cause is considered to exist if the Director has failed to complete the tasks inherent to his or her position or entered into any of the circumstances described in Chapter III, Section 5, of this Code.

The dismissal of Independent Directors may also be proposed as a result of a public share offer, joint venture or similar operation entailing a change in the shareholding structure of the Company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria set forth in Recommendation 12.
See sections: B. 1. 2, B. 1. 5 and B. 1. 26

Complies ☑ Explanation ☐

Vid. Recomendación 29 anterior

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

If a Director is indicted or tried for any of the crimes set out in Article 124 of the Spanish Corporations Act, the Board must investigate the case as soon as possible and, based on the particular situation, decide whether the Director should continue in his or her position. The Board must provide a reasoned written account of these events in its Annual Corporate Governance Report.
See sections: B 1.43 and B. 1.44

Complies ☑ Complies Partially ☐ Explanation ☐

33. That all Directors clearly express their opposition when they consider any proposal to be against the Company's interests. This applies especially to Independent Directors and Directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any Shareholders not represented on the Board.

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

This Recommendation also applies in the case of the Secretary of the Board, despite not being a Director.

Complies ☑ Complies Partially ☐ Explanation ☐ Not Applicable ☐

34. That whenever, due to resignation or any other reason, a Director leaves before the completion of his or her term, the Director should explain the reasons for this decision in a letter addressed to all the Directors of the Board. Irrespective of whether the resignation has been reported as a relevant event, it must be included in the Annual Corporate Governance Report.
See section: B .1.5

Complies ☑ Complies Partially ☐ Explanation ☐ Not Applicable ☐

35. That the compensation policy approved by the Board must establish at least the following:

a) The components of fixed compensation, with a breakdown, where appropriate, of the attendance fees received for the Board and its Committees, and an estimate of annual fixed compensation arising from them;

Variable compensation, including in particular:

i) The status of Directors to whom variable compensation is paid, as well as an explanation of the relative weight of variable items compared to fixed compensation components.

ii) The criteria used to assess whether Directors are entitled to receive compensation 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 total amount of variable compensation that will be paid out under the proposed compensation plan in accordance with the extent to which reference objectives or targets have been met.

c) The main characteristics of the benefits systems (for instance, Company paid pensions, life insurance etc.), with an estimate of their equivalent annual cost.

Conditions that must be met in the contracts of Executive Directors who are members of Senior Management, including:

i) Duration;

ii) Notice period; and

iii) Any other clauses relating to signing bonuses, as well as severance agreements applicable to early termination of the contract between the Company and the Executive Director.
See section: B. 1. 15

Complies ☑ Complies Partially ☐ Explanation ☐

36. That only Executive Directors should receive compensation in the form of shares in the Company or Group companies, options or instruments relating to share value, variable compensation linked to the Company's performance or pensions.

This recommendation does not apply to share-based payments when Directors are required to maintain ownership of those shares until they leave their positions.
See sections: A. 3 and B. 1. 3

Complies ☑ Explanation ☐

37. That External Directors receive sufficient compensation to reward the dedication, qualifications and responsibility inherent to their posts, but not so high as to compromise their independence.

Complies ☑ Explanation ☐

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

Complies ☑ Explanation ☐ Not Applicable

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

Complies ☑ Explanation ☐ Not Applicable ☐

40. That the Board present a report on Director compensation policy to Shareholders for a non-binding vote as a separate item on the agenda at a Meeting. This report must be made available to Shareholders, either separately or in any other way the Company considers convenient.

This report should focus particularly on the compensation 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 revelation of sensitive trade information. It should highlight the most significant changes in such policies applied during the year reviewed at the particular annual Meeting, and should also include an overall summary of how the compensation policy was applied during the last year.

The Board should also inform Shareholders about the role played by the Compensation Committee when preparing the compensation policy and, if external advisors were used, state the identity of the consultant.
See section: B. 1. 16

Complies ☑ Complies Partially ☐ Explanation ☐

41. That the report provide details on the individual compensation of Directors during the year including, where applicable:

An individual breakdown of each Director's compensation, including, where appropriate;

i) Attendance allowances or other fixed compensation paid to Directors;

ii) Any additional compensation 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;

iv) Contributions to defined contribution pension plans on behalf of Directors; or, in the case of defined benefit plans, any increases in vested rights when connected to contributions to defined benefit plans;

v) Any severance agreed or paid in the event of dismissal;

vi) The compensation received from other Group companies due to membership on their boards;

vii) Compensation of Executive Directros resulting from their position as senior managers of the Company;

viii) Any other compensation item apart from those mentioned above, regardless 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 compensation received by the Director.

An individual breakdown of the delivery of shares, options or any other instruments related to share value received by Directors, describing:

i) The number of shares or options paid out in the current year and the terms for exercising options;

ii) The number of options exercised in the year, indicating the total shares affected and the strike price;

iii) The number of options to be exercised at year end, indicating their price, date and other requirements for their conversion;

iv) Any modifications during the year to the conditions for exercising options already distributed.

Information on the relation between the compensation received by Executive Directors and the Company's profits or other performance measures during the year.

Complies ☑ Complies Partially ☐ Explanation ☐

42. That if there is an Executive Committee, the proportion of each different Director category must be similar to that of the Board itself, and its secretary must be the Secretary of the Board.
See sections B.2.1 and B.2.6

Complies ☑ Complies Partially ☐ Explanation ☐ Not Applicable ☐

43. That the Board must always be aware of the matters discussed and decisions taken by the Executive Committee and that all Directors of the Board receive a copy of the minutes of Executive Committee meetings.

Complies ☑ Explanation ☐ Not Applicable ☐

44. That the Board of Directors establish, in addition to the Audit Committee required by the LMV, a committee or two separate committees to deal with Appointment and Compensation.

That the rules for the composition and functioning of the Audit Committee and the Nomination and Compensation Committee or Committees be included in the Board Rules, and include the following requirements:

a) That the Board appoint the members of these Committees, taking into account their knowledge, skills and experience and the tasks to be carried out by each committee; that it deliberate over their proposals and reports; and that they be required to appear before the first plenary session of the Board to report on their activities and answer all questions relating to the work performed.

b) That these Committees must be comprised soley of External Directors, with a minimum of three. However, Executive Directors or senior management personnel may attend when committee members request their presence.

That they be chaired be Independent Directors.

That they be entitled to request external advisory services if necessary to fulfil their functions.

That minutes be taken at all committee meetings and a copy sent to all Directors of the Board.
See sections: B. 2. 1 and B. 2. 3

Complies ☑ Complies Partially ☐ Explanation ☐

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

Complies ☑ Explanation ☐

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

Complies ☑ Explanation ☐

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 ☑ Explanation ☐

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

Complies ☑ Complies Partially ☐ Explanation ☐

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

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

b) A setting of risk level deemed acceptable by the Company;

c) The measures in place to mitigate the impact of the risks identified should they materialise;

d) The internal control and information systems that will be used to control and manage the aforementioned risks, including contingent liabilities and off-balance sheet risks.
See section: D

Complies ☑ Complies Partially ☐ Explanation ☐

50. That the Audit Committee be responsible for:

With regard to information systems and internal control:

a) Supervise 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 practices 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; propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

d) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the Company.

2. With regard to the external auditor:

a) Submit proposals to the Board relating to the selection, appointment, re-election or substitution of the external auditor, as well as terms of contract.

b) Regularly receive information from the external auditor regarding the audit plan and its results, ensuring that senior management takes its recommendations into account.

c) Ensure the independence of the external auditor, to which end:

i) The Company file a relevant event report with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof;

ii) The Company and its auditor observe prevailing norms on the provision of non-audit services, restrictions on the concentration of the auditor's business and, in general, any other regulations established to assure auditor independence;

That should the external auditor resign, examine the circumstances leading to the resignation.

In the case of groups, favor the use of the group auditor for all of the companies in the group.
See sections: B.1.35, B.2.2, B.2.3 and D.3

Complies ☑ Complies Partially ☐ Explanation ☐

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

Complies ☑ Explanation ☐

52. That the Audit Committee report to the Board, before adopting the corresponding decisions, on the following issues indicated in Recommendation 8:

a) The financial information that listed companies are required to publish from time to time. The Committee must ensure that interim accounts are prepared applying the same accounting principles as the annual accounts and, for this purpose, consider whether a limited review by the external auditor is necessary.

b) The creation of or acquisition of shares in special-purpose vehicles or entities domiciled in countries or areas considered to be tax havens, as well as any other similar transactions that, due to their complexity, could obscure the transparency of the Group.

c) Related-party transactions, unless this preliminary reporting has been allocated to a Committee other than the supervision and control bodies.
See sections: B.2.2 and B.2.3

Complies ☑ Complies Partially ☐ Explanation ☐

53. That the Board of Directors endeavours to submit the annual financial statements to the annual Shareholders meeting with no qualifications or reservations in the audit report and, in the exceptional circumstance that it fails to do so, the chair of the Audit Committee and the auditors must clearly explain the content and scope of the reservation or qualification to the Shareholders.
See section: B.1.38

Complies ☑ Complies Partially ☐ Explanation ☐

54. That the majority of the Directors of the Appointment Committee – or the Nomination and Compensation Committee if both functions are combined in one body – are Independent Directors.
See section: B.2.1

Complies ☑ Complies Partially ☐ Explanation ☐

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

a) Evaluate the competence, knowledge and experience required by the Board and define as a consequence the roles and skills required for candidates to fill a vacancy, as well as the time and dedication required to perform their duties.

Adequately review or organise succession to the positions of Chairman and chief executive and, when applicable, make proposals to the Board to ensure a well-planned and orderly succession.

Report on the appointment or dismissal of senior management proposed by the chief executive to the Board.

Inform the Board on gender diversity matters included in Recommendation 14 of this Code.
See section: B.2.3

Complies ☑ Complies Partially ☐ Explanation ☐ Not Applicable ☐

56. That the Appointment Committee consult with the Chairman and the chief executive of the Company, especially in relation to Executive Directors. That any Director may ask the Nomination Committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies ☑ Complies Partially ☐ Explanation ☐ Not Applicable ☐

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

a) Propose to the Board of Directors:

i) The compensation policy applicable to Directors and senior management

ii) The individual compensation of Executive Directros and the terms and conditions of their contracts.

iii) The basic conditions of contracts signed with senior management

b) Ensure compliance with the compensation policy established by the Company.
See section: B.1.14 and B.2.3

Complies ☑ Complies Partially ☐ Explanation ☐ Not Applicable ☐

58. That the Compensation Committee consult with the Chairman and the chief executive of the Company, especially in relation to Executive Directors and senior management.

G. FURTHER INFORMATION OF INTEREST

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

Regarding point A.2 as stated in a report filed with the CNMV on 11 August 2011, FMR LLC owns its interest through several funds named in the report. The report does not detail the number of shares that each fund owns directly except for that of FID LOW PRICED STOCK FUND, which amounts to 8.695%.

In regard with the information provided in point B.1.8 about the Directors of the Company who are Director of other skock listed company in Spain, Mr Estanislao Rodríguez-Ponga (natural person representative of Participaciones y Cartera de Inversión, S.L.) has informed the Company of his status as a member of the board of Testa Inmuebles en Renta, S.A.

In note B.1.11, "Fixed Compensation" refers to amounts received by Executive Directors during fiscal 2011, while "Variable Compensation" refers to amounts received after the close of fiscal 2011. The amounts indicated correspond to an average of 2.5 Executive Directors during fiscal 2011.

Included in "Others" are payments in kind (delivery of shares and life insurance premiums) and medium term incentives for Executive Directors. These incentives are paid, when applicable, at the end of three year terms. It is customary for the Company to make monthly reserves based upon a reasonable estimate of the amounts which are likely to be paid once the last fiscal year of the three year period (2011-2013) is closed; this reserve amount is the one indicated for 2011. The amount indicated corresponds to an average of 2.5 Executive Directors during fiscal 2011.

Note 37 to the Company's annual financial statements for 2011, which are published together with this report, includes detailed individual information about the compensation of senior management.

Regarding paragraph B.1.2 about the indentity of the Members of the senior management, during the fiscal year 2011 was appointed a new General Managel (Mr. Calors Damián Suárez). Mr. Javier de Andred resigned during the year because of his appointment as C.E.O.
The same criteria were used to determine the compensation amounts corresponding to non-Director executive management compensation and equates to 6.5 executive managers during fiscal 2011. A new general manager was added in fiscal 2011 as one left to become CEO in the middle of the year.

Note 37 to the Company's annual financial statements for 2011, which are published together with this report, includes detailed individual information about the compensation of senior management.

Regarding paragraph B.1.13, each senior manager has signed a contract with the Company which governs 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 Nomination, Compensation and Corporate Governance Committee, and have been submitted to the shareholders at the annual Shareholders Meeting since 2007. By virtue of these contracts, in the event of termination of their employment with the Company senior managers are entitled to severance payments of between one and three and a half times their total base compensation (regular salary as defined in their contracts) except in the event of voluntary resignation or dismissal for cause; in the case of the Chairman and Vice-chair the minimum is three years' salary. Additionally, Executive Directors and operations general managers have signed non-competition agreements 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 compensation per year of non-competition.

In addition to the information included in this report, the Company also publishes information on the above mentioned severance clauses in the annual financial statements presented to the Shareholders for approval at their Annual Shareholders Meeting and in the Annual Report on Compensation Policies.

In this regard please note that:

In regard with paragraph B. 1.17 related the Board of Directors members identity who were simultaneously Directors, Manager or employees of Companies owner of significant participations at the listed company and/or group´s company, in 2011:

- Mr Estanislao Rodríguez-Ponga (representative of Participaciones y Cartera de Inversión S.L.) is a member of the Board of Banco Financiero y de Ahorros S.A.

- Mr Eusebio Vidal-Ribas (representative of Indra Casa Grande de Cartagena, S.L) is General Managing Director of Casa Grande de Cartagena, S.L.U. and fills the following posts in companies within the Group:

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

Regarding point B.1.26 about if th Bylaws or Board Rules, the Company has established specific criteria for the maximum term of office of Independent Directors, as well as their renewal; however, it must be understood that this matter is not apt for bright line rules contained in the Board Rules or the Bylaws

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

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

(*) B.1.29 about number of two meetings where the Chairman was absent was because they dealt with 1) his compensation and annual performance evaluation as chief executive; 2) his evaluation as Chairman.

In relation to the point B.1.30, for fiscal 2011, physical attendance at meetings of the Board was 85% overall and 95% for Independent Directors.

Regading the statement mentioned in B1.40 abouit the amount of equity participation of Directors in companies with identical, similar or complementary business purposes as those of the Company or Group, it is informed that indeed of the mentioned company, Mr Felipe Fernández (representative of Director Administradora Valtenas, S.L.) is Chairman of the Board and Chair of the Executive Committee of Infocaja, S.L. Regarding Section C.2 in which relevant transactions involving a transfer of resources or obligations between the Company or entities within its Group and the Company's significant Shareholders are described, it should be emphasized that all transactions with significant Shareholders were authorised in accordance with Board Rules 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 relative to the Group's assets, financial condition and revenues.

- Finance Expenses refers 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 in the ordinary course of business.
- The amounts expressed as Services Rendered relate to services rendered by Indra in the ordinary course of business to the indicated shareholders.
- The amounts classified as Other Expenses refer to expenses for management of bank guarantees.
- Finance Income is interest received by Indra on current deposits.
- The category Finance Agreements includes 15,305 m€, which corresponds to the maximum amount of credit lines.

The amounts classified as Commitments Undertaken refer to the maximum limit of guarantees and credit cards and to the maximum limit of derivative and commercial lines of credit. This last item (maximum limit of derivative and commercial lines of credit) is included in the semi-annual report under the category Other Operations, and does not appear in this form.

In the section C2, other related parties" of its public semiannual report, the Company included transactions with Banco Inversis, in which Indra has a 12.77% interest and Bankia, in which it holds a 38.48% interest.
Related to C3, all transactions with significant Shareholders were authorised in accordance with the Board Rules 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 relative to the Group's assets, financial condtion and revenues.

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 to the appointment of Ms Oriol as Director.

Services rendered by Indra to Seguriber in the ordinary course of business.

This section may be used to provide any other information, explanation or clarification relating to previous sections of the report.

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

Legally 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 that was so significant that the director could not be considered independent under the definition provided in Section 5 of the Unified Good Governance Code:

Yes ☐ No ☑

Name of Director	Type of Relationship	Explanation

This Annual Corporate Governance Report was approved by the Board of Directors of the Company in the meeting held on 22 March 2012.

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

Yes ☐ No ☑

Name of Directornot Voting for Approval of this Report	Reasons (opposed, abstention, non-attendance)	Explanation of Reasons

APPENDIX I - **ADDITIONAL INFORMATION EN UNDER THE PROVISIONS OF ARTICLE 61 BIS OF THE LMV AS INCORPORATED IN THE ECONOMIC SUSTAINABILITY ACT**

The information which follows complements that included in the current model of the Annual Report on Corporate Governance and forms an integral part of it. This information meets the requirements of the old Article 116 bis of the LMV superseded by current Article 61 bis as incorporated in the Economic Sustainability Act.

- Information regarding securities that are not traded on a European regulated market and indicating, if applicable, the different classes of share and, for each class, the rights and obligations that they confer.

  There are no issued securities which are not traded on the European market.

- Information relating to the rules applicable to amendment of the Bylaws.

  Regarding amendment of the Bylaws, in accordance with that contained in the LSC and the Bylaw, it is a power given to the Shareholders at their Annual Meeting. Resolutions are adopted with attendance quorum and majority requirements contained in the LSC.

- Any restriction on the transferability of securities and any restriction on voting rights.

  Neither the Bylaws nor any internal rule approved by the Company restricts transferability of company shares.

- Information regarding the authority of the members of the board of directors and, in particular, those related to the ability of issuing or repurchasing shares.

  Directors do not have authority within the meaning of the Civil Code other than, in the case of Executive Directors, the authority delegated to them consistent with Article 249 of the LSC. Specifically, the Board has delegated equally to the Executive Committee, the Chairman of the Board, the Executive Vice President, and the CEO all of the authority belonging to the Board of Directors, other than those which may not be delegated in accordance with applicable law or those which are contained in Article 5 of the Board Rules.

  Regarding the possibility of issuing or repurchasing shares, currently there exists authority on the part of the Board as granted by the Shareholders during the Annual Meeting of 24 June, 2010 by which the Board may make derivative purchases of Company shares through the Stock Exchange ("Bolsa"), directly or through subsidiaries, up to a maximum which represents 10% of share capital up to a maximum price and for a maximum term of five years. Exercise of this authority may be made by means of the above mentioned delegated powers.

- Information regarding significant agreements entered into by the company that will become effective, change, or terminate in the event of a change of control of the company after a public takeover bid, and its effects, except when disclosure would seriously prejudicial to the company. This exception does not apply in the event the company is legally bound to disclose such information (Article 61 bis, c, 4 LMV) There are no significant agreements entered into by the Company that will become effective, change or terminate in the event of a change of control of the company after a public takeover bid.

- Information regarding agreements between the company and its administrators and management or employees which involve severance should they resign or dismissed without cause, or if the employment relationship were to end due to a public takeover bid. (Article 61 bis, c, 5 LMV)

Each senior manager has signed a contract with the Company which governs 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 Nomination, Compensation and Corporate Governance Committee, and have been submitted to the shareholders at the annual Shareholders Meeting since 2007. By virtue of these contracts, in the event of termination of their employment with the Company senior managers are entitled to severance payments of between one and three and a half times their total base compensation (regular salary as defined in their contracts) except in the event of voluntary resignation or dismissal for cause; in the case of the Chairman and Vice-chair the minimum is three years' salary. Additionally, Executive Directors and operations general managers have signed non-competition agreements 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 compensation per year of non-competition.

APPENDIX II - **INTERNAL CONTROL SYSTEM FOR FINANCIAL INFORMATION (ICSFI)- FUNDAMENTAL INDICATORS61 BIS OF THE LMV AS INCORPORATED IN THE ECONOMIC SUSTAINABILITY ACT**

INTRODUCTION

Requirements for transparency in equity markets have evolved significantly in the past few years. In particular, the rules for preparation of financial information imposed on listed companies have become more sophisticated and their complexity has increased exponentially. In order to meet these requirements, it is imperative that internal financial control systems evolve accordingly and be capable of delivering reliable financial information of listed companies to the market within a reasonable degree of certainty. Additionally, stakeholders continually demand that interests of shareholders, clients, employees, creditors and suppliers be protected by the company and its team. These new demands are expressed, among other ways, in the establishment by companies of specific means of improving confidence in all types of financial information that is made public.

One fundamental method of increasing this confidence is the establishment of effective internal financial information control systems which permit:

- Delivery of reliable and quality financial information with the involvement of the entire organization.

- Systemization and formalization of financial information controls, achieving improvements and better efficiency as a consequence of employing best practices.

In this context, after a proposal from the Comisión Nacional del Mercado de Valores ("National Stock Exchange" or "CNMV"), a Working Group for Internal Control of Financial Information ("Working Group") was formed with the goal of formulating a set of recommendations regarding Internal Control Systems for Financial Information ("ICSFI"). The Working Group was most interested in achieving three basic goals:

(i) Review the regulatory regime regarding internal control of financial information,

(ii) Establish a framework of principles and best practices regarding ICSFI, including oversight of its workings, and

(iii) Contribute to the improvement in transparency respecting the information that listed companies submit to equity markets regarding.

Indra Sistemas, S.A. (hereinafter the "Company" or "Indra"), aware of the interests of markets and stakeholders and of the recommendations of the Working Group included in the document Control interno sobre la financial information de las Sociedades cotizadas ("Internal Control of Financial Information of Listed Companies" or "Working Group Document") issued in June, 2010, has established a voluntary process of review of its ICSFI with the following fundamental goals:

1. Achieve improvements in the effectiveness and security of financial information processes, minimizing the probability of error.

2. Comply with the new regulatory requirements regarding internal control and corporate governance and quickly adopt the best international practices.

3. Position the Company as a leader in internal control and corporate governance.

As a result of this process, and in order to improve transparency and the quality of public information regarding ICSFI distributed by the Working Group and the requirements imposed under law by:

a) Preparing a description which follows of its ICSFI using the sixteen basic indicia recommended en Section III of the Working Group Document

b) Issuing a certification from the Board of Directors and the CFO which states explicitly:

(I) The Company's responsibility for establishing and maintaining an adequate ICSFI with a framework for internal control to be used as a reference for evaluating the effectiveness of the ICSFI ("Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission – COSO -) and

(II) Whether the ICSFI as of the close of fiscal 2011 is effective.

c) Considering it important to request that the external auditor issue a report in which it judges whether the design and function of Indra Group's ICSFI was effective or not at the close of fiscal 2011, considering a reasonable level of security and using generally accepted auditing principles along with a generally recognized framework of internal control.

It is important to point out that although there are legislative initiatives which affect obligations and/or recommendations relating to information which listed companies should make public regarding ICSFI, at this time there is no regulatory framework which establishes minimum requirements by in describing ICSFI.

What follows is a general description of Indra Group's ICSFI, where the main elements of the ICSFI of the Group are described using the sixteen basic indicators mentioned above along with the report of the external auditor.

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GENERAL DESCRIPTION OF THE INDRA GROUP'S ICSFI

Financial reporting is a critical communicative function for shareholders, investors, financiers, and regulatory bodies, and is developed using information from various sources. In fact, practically all of the organizational units of Indra Group deliver, to a greater or lesser degree, relevant data for the formulation of financial information. For that reason, compliance with the goals of informational transparency and accuracy falls not only on Treasury and Finance, but on all of the units that form Indra Group, consistent with their operating competencies. This element of interwoven responsibility is key to the proper functioning of the ICSFI in Indra Group.

The ICSFI at Indra Group rests on two types of controls:

(i) General controls (consisting of elements such as the Audit and Compliance Committe, a Code of Ethics, the workings of Internal Audit, an adequate organizational structure, etc.) and

(ii) Controls in different areas regarding relevant transactions which have an impact in financial reporting.

Documents generated regarding areas and processes contain detailed descriptions of transactions described by assembly of financial information and are subject, from the beginning through posting in accounting to its later publication, to review and process.

Thus, the documentation has been put together with the following basic objectives:

a) Identify critical processes directly or indirectly connected to the generation of financial information.

b) Identify the risks inherent in the processes that may cause material errors in financial information (typically related to attributes of completeness, validity, posting, characterization, evaluation and presentation).

c) Identify and characterize established controls for mitigating said risks.

All of the ICSFI documentation of Indra Group may be found on the Group intranet (Indraweb). Information on the system is updated periodically to reflect changes in transactions and financial reporting controls and has sufficient flexibility to accept any kind of change.

This periodic updating is intended to take advantage of the initial work done in order to improve existing processes and strengthen control over the means of generating financial information.

Management of the Company undergoes an annual ICSFI Evaluation Process. During that process, each person responsible for controls identified in the corporate support system for ICSFI evaluates the design and effectiveness of controls. The model also contains an annual process verification done by the Audit Department with the goal of validating the evaluations done by those responsible for controls.

Based on the conclusions drawn by the ICSFI Evaluation Process, Company management renders an annual opinion regarding the adequate function of Internal Control regarding Financial Information of Indra Group and formulates plans of action to correct deficiencies when they exist and take advantage of opportunities to improve noted in the Evaluation Process. The Board of Directors is the body ultimately responsible for assuring the existence of an adequate internal control system for the Group and delegates the task of analysis to the Audit and Compliance Committee.

COMPANY CONTROL ENVIRONMENT

1. What bodies and/or departments are responsible for (i) the existence and maintenance of an adequate and effective ICSFI; (ii) its implementation; and (iii) its supervision.

Board of Directors

The Indra Board of Directors (hereinafter "Board") is ultimately responsible for the existence and maintenance of an adequate and effective ICSFI exercising supervision of it through the Audit and Compliance Committee.

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

- General risk management policy and the design of adequate control and IT systems for management of that risk.
- Policies for information and shareholder communication, markets, and public opinion in general, and specifically:

  - Drafting and approval of information that the Company annually makes public along with the Financial Statements produced for approval at Annual Shareholders Meetings; and

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

Compliance Committee

Article 31 of the Bylaws of Indra Sistemas S.A., ("Bylaws") provides that the Compliance Committee has, among others, the following fundamental powers:

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

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

- Report to the Board prior to its making decisions regarding financial information which the Company, because of its status as a listed company, must make public from time to time. The Committee verifies that the quarterly and semi-annual financial statements are produced using the same accounting principles as the annual ones.

- Ensure the independence and effectiveness of the internal audit function; propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

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

Treasury and Finance

The Treasury and Finance Department is responsible for implementation and maintenance of controls and, based upon reports from internal audit, evaluates their effectiveness and operations.

Global Risk Department

The Global Risk Department, under the supervision of the Executive Committee, makes periodic reports to them and to the Compliance Committee regarding the internal control system.

The Global Risk Department includes the internal financial control unit, whose functions are the following:

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

All aspects of internal control of financial information are covered in the Company Guideline Elaboración, Mantenimiento y Supervisión del SCIIF ("Creation, Maintenance and Supervision of ICSFI"), which applies to all companies that have been in the Group for more than one year. This guideline has as its purpose establishing duties and measures for creating an adequate and effective internal control system which guarantees the reliability of financial information.

Internal Audit Department

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

2. What departments and/or mechanisms are in charge of: (i) design and review of corporate structure; (ii) clearly establishing lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) ensuring that sufficient processes exist for proper communication throughout the company, especially as related to the production of financial information.

As regards organizational structure, Board Rules provide that:

- The Nomination, Compensation and Corporate Governance Committee is to report to the Board regarding proposals for appointment and dismissal of Senior Management as well as make a report before decision by the Board over compensation and terms and conditions of their employment contracts.

- That the Board adopt proper means so that no person or small group be able to make important decisions not subject to checks and balances.

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

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

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

3. Do the following elements exist, especially relative to the process of creating financial information:

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

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

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

Code of Ethics and Professional Conduct

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

The Code of Ethics contains:

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

- General principles of behaviour which arise from Company corporate values and provide the foundation for professional relationships and the capacity to inculcate our values and culture in order to engender ethical behaviour.

- Definition of the responsibility of the Oversight Committee regarding communication, interpretation and application of the Code of Ethics.

The principles and the mandates of the Code of Ethics apply to all of the professionals at Indra.

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

Canal Directo

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

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

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

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

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

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

During 2011 the Company created a Compliance Unit, under the supervision of the Secretary General, which has as its fundamental mandate the inculcation of principles of professional behaviour contained in the Code of Ethics.

Training Programs

Together with Treasury and Finance, Human Resources periodically develops external and internal training programs directed at personnel involved in the creation of financial statements for the Group. The training programs are focused on proper knowledge and implementation of International Financial Information Standards and on legislation and other regulations governing Internal Control of Financial Information.
The Global Risk Department as well as Internal Audit remain up to date on new developments in the areas of Risk Management and Internal Control, especially as they relate to Financial Information.

ASSESSMENT OF FINANCIAL INFORMATION RISKS

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

Whether the process exists and is documented.

- If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), if it is updated and with what frequency.
- The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.
- If the process takes into account the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) to the extent that they affect the financial statements.
- What management body of the company supervises the process.

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

Indra has implemented a risk management and identification process permitting it to create a Risk Map, which is updated periodically. Currently, the Risk Map at Indra contains 59 risks classified in the following fashion:

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

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

- **Strategic Risks:** risks associated with defining objectives, and with structure and environment, including fraud.

- **Operational Risks:** those risks associated with day to day operations carried out in the business plan. They include, among others, those associated with resource management, the lack, malfunction or incorrect use of information technology which supports the production of financial information and all of the risks associated with the efficiency and effectiveness of these processes which are key components of the business.

- **Compliance Risks:** include all of the risks associated with legal concerns and those of the operational codes of conduct of the organization. They also include risks associated with noncompliance with external and internal rules, as well as contractual relationships and warranties.

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

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

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

Identification of the Scope of Consolidation

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

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

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

CONTROL ACTIVITIES

5. Documentation describing the flow of activity and controls (including those relating to risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgments, estimates, valuations and relevant forecasts.

Indra has a Model of Internal Control of Financial Information based on the Committee of Sponsoring Organizations of the Treadway Commission methodology that provides appropriate assurance respecting completion of the following goals:

- Effectiveness and efficiency of operations.
- Preservation of assets.
- Reliability of financial information.
- Compliance with applicable laws and regulations.

The ICSFI of Indra Group depends on the following fundamental concepts:

a) Entity Level Controls ("ELC") are those components of cross functional control used to evaluate Senior Management, that ensure an adequate level of internal control within the Indra Group, that perform a mitigating control function when necessary and which place special emphasis on the following components:

- Oversight
- Information and communication
- Control activities
- Risk evaluation
- Environmental control

b) Processes:
Indra has a Map of Common Business Processes used by the majority of the companies in the Group.

Level 1 processes are the following:

- **Strategic:** processes intended to define and control organizational objectives, policies and strategies. They are directly related to the mission/vision of the organization and involve personnel at the highest levels of the organization.

- **Key:** processes which permit the generation of products and services for the end user for that reason incorporate the essence of the business. Key processes are:

  - Pre-contract Stage
  - Production (Execution and Development).

- **Support:** processes which provide the means and support necessary so that key and strategic processes may be accomplished.

These processes are in turn divided into 18 sub-processes (level 2) which affect the overall operation of the organizational units of the Indra Group. Additionally, each level 2 sub-process is divided into level 3 and even level 4 sub-processes.

The Global Risk Department manages and implements the Process Map and adapts it to each organizational change.

The Global Risk Department identifies those significant processes based on the existence of specific risks, considering those risks significant based on their potential impact on financial information and all cases of potential error or fraud.

The processes with the most impact on creation of financial information are the following:

- Purchasing
- Administration of Personnel
- Sales, Invoicing and Collections
- Project Management
- Management of Fixed Assets
- Accounting and Closing
- Treasury
- Consolidation and Publication of Information
- Management of Powers of Attorney
- IT

The basic components of each of these processes are the following:

- **Control Objectives:** Needs for control that must be satisfied in each step of the business cycle or process, in accordance with internal control definitions. In this way, they are used to verify and evaluate the accuracy of accounting and other information and determine whether all company financial information is provided to its end users, and cover the areas of completeness, closing, delivery, posting, validity and valuation.

- **Risk:** It is possible that an event or action affect the ability of the organization to meet its financial information objectives and/or successfully realize its strategies. As indicated in section 4 above, the Group has a risk map which includes fraud.

- **Control Activities:** Policies, procedures and practices applicable to Company personnel, application systems, and other resources in place to ensure that control objectives are reached and that risk mitigation strategies are executed. Process control activities are to be incorporated in operational processes and serve as a means for appropriately managing risk and are focused on its prevention, detection and correction. In the specific case of IT, control activities are known as General IT Controls ("GITC"). Control activities are designed to be preventative or detective and manual (human based) or automatic (machine based).

Process and GITC control activities are the backbone upon which the entire control model is built and cover the following concepts:

- Integrity and ethical values
- Commitment to professional competence
- Management direction and style
- Organizational Structure
- Assignment of authority and responsibility
- Human Resources policies and practices

Process control and GITC activities ensure that all of the control objectives for Indra found in the policy guide Elaboración, mantenimiento y supervisión del SCIIF ("Creation, Maintenance and Oversight of ICSFI") are followed during the ordinary course of business and for every section of the financial statements.

All of the information regarding the model of Internal Control is posted on the Group Indraweb.

The Department of Global Risk reports to the Executive Committee and is entirely responsible for management of the Internal Control model, keeping up to date and current:

- The process map showing financial information impact.
- The relationship between processes and financial statement items.
- An inventory of control activities and the ELC.
- Identification of the organizational units affected.
- Activity planning.

"Creation, Maintenance and Oversight of ICSFI", approved by Senior Management and the Compliance Committee (and by implication, the Board) provides that, by means of a process of continuous improvement, those responsible will create, revise and implement control and procedure activities along with the Global Risk Department, without obviating the need to perform an annual evaluation of those activities in order to make necessary changes and adjustments.

Any weaknesses in control found in the ICSFI will be included in a specific action plan for each one. Internal Audit will monitor, control, and report on them to the Audit and Compliance Committee until they are corrected.

Specific review of the relevant judgments, estimations, valuations and projections used to quantify some assets, liabilities, revenues, expenses and commitments stated and/or broken out in the financial information will be carried out by Treasury and Finance with the help of the executive level department affected. Hypotheses and estimates based on business outlook will be reviewed and analyzed together with the executive level departments for Markets at Indra.

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

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

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

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

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

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

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

This Policy applies at all information development stages (generation, distribution, storage, handling, transfer and destruction) of the Systems which process it. It entails all of the Information Systems and services at Indra and all support servers as well as the environment and applications which affect business processes of the Company, covering therefore relevant processes in the creation and publication of financial information. This Policy conforms with a series of security objectives regarding specific aspects of Information Security, which include the following:

- Obtaining an accurate assessment and treatment of risk with the goal of prioritizing security measures and controls based upon the business objectives at Indra.

- Establishment and periodic review of an Information Security Policy which establishes mandatory basic guidelines for all of the businesses at Indra.

- Coordination and organization of Information Security at Indra: the Information Security structure is composed of the Security Committee and its subcommittees, Head of Information Security, and the Heads of Market Security. Additionally, the companies at Indra are required to maintain contact with authorities and stakeholders in order to stay abreast of changes in law and trends in information security.

- Classification and control of assets with the goal of keeping them adequately protected.

- Security associated with human resources before engaging employees, contractors or third party users, during the contract, and upon termination or change, which carries with it the commitment from each of them to assume responsibility for security.

- Physical and environmental security in order to prevent unauthorized physical access, damage, and interference with buildings and information belonging to the organization. Resources for handling critical and sensitive information are located in secure areas and protected by security perimeters and controlled egress.

- Management of communications and operations in order to ensure the proper and secure operation of resources for handling information, to establish responsibilities and procedures for management and operation of information resources and media.

- Access Control. Access to information, resources for handling information and business process are controlled based upon the needs of the business and security. In order to establish access controls, among other things, one must take into account segregation of duties regarding requests and authorization for and administration of access to services and systems.

- Development and maintenance of information systems in order to guarantee the integration of security means in information systems during development, implementation and maintenance.

- Management of changes in order to ensure that modifications of services and systems infrastructure is done in a controlled manner, minimizing the risk of impact on the business.

- Management of information security incidents performing follow-up, handling, resolution and learning from information security incidents.

- Management of business continuity by establishing appropriate measures in order to minimize possible interruptions to operations, protect critical business processes and assure the restart of said processes.

- Compliance with applicable legal requirements, contractual obligations, and security requirements in order to avoid breaches and non-compliance.

- An adequate segregation of duties.

All of these control objectives are divided and specialized in turn to make controls for the special features and focus of finance. The information system rules at Indra define and explain the control activities necessary in order to cover the risks in the area of management of information systems as well as those relating to financial information processes and systems. The Policy states that compliance with the described basic controls is mandatory in all Group companies at the corporate information level as well as with information managed by different markets, in which case those in charge are responsible for application and implementation of them.

7. Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well those aspects of assessment, calculation or evaluation entrusted to independent experts that may materially affect financial statements.
Indra does not subcontract relevant activities that could have an impact on financial information.

Nonetheless, there is an internal procedure for hiring external advisors which establishes the level of approval required as a function of the amount involved. Results or reports on contracts for accounting, tax or legal services are supervised by heads of Treasury and Finance, the Legal Department and other departments when deemed necessary.

8. Procedures for review and authorization of financial information and description of the ICSFI to be published in the equity markets, indicating those responsible.

The Indra group presents financial information to the equity market quarterly. This financial information is created by the Consolidation Department, which reports to Treasury and Finance, and which engages in specific control activities to ensure the reliability of that information. Additionally, the Departments of Management and Administrative Control, also a part of Treasury and Finance, analyzes and oversees the information produced before its publication to third parties through creation of management reports and follow up of indicators.

The CFO analyzes the reports received and approves of them provisionally for their submission to the Audit and Compliance Committee.
The Audit and Compliance Committee controls the financial information presented. At the close of the fiscal year, the Audit and Compliance Committee also has access to information produced by the Group's external auditors regarding the results of their work.

Finally, the Audit and Compliance Committee reports to the Board on their conclusions regarding the financial information they receive so that, once approved by the Board, it may be published to the equity markets.
For its part, the report on the description of the ICSFI is produced by the Global Risk Department and Treasury and Finance together. Once approved by the CEO, it is presented to the Audit and Compliance Committee which reviews and approves it and sends it to the Board for its approval before being made public in the equity markets.

INFORMATION AND COMMUNICATION

9. A specifically assigned task of defining and updating accounting policies (accounting policy area or department) as well as resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organization.

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

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

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

On those occasions when application of an accounting rule is especially complex, the Treasury and Finance Department of the Indra Group informs the external auditors of the conclusions drawn from the Group's accounting analysis and solicits their opinion regarding the conclusions drawn.

10. A manual of accounting policies updated and communicated to the units by which the entity operates.

Accounting policies at Indra are developed based upon International Norms for Financial Information adopted by the European Union and found in a document called Manual de Contabilidad ("Accounting Manual"). This document is analyzed periodically by the Administrative Services Centre and is published on the Intranet.

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

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

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

SUPERVISION OF SYSTEM PERFORMANCE

12. If there is an internal audit function that has among its mandates support of the audit committee and the task of supervising the internal control system, including the ICSFI.

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

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

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

13. If there is a procedure by which the account auditor (in accordance with that contained in the Normas Técnicas de Auditoría ("Auditing Standards")), internal audit and other experts may communicate with senior management and the audit committee or managers of the entity regarding significant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether a plan of action is available for correcting or mitigating any weaknesses found.

Internal Audit communicates periodically with Senior Management and the Audit and Compliance Committee regarding weaknesses in internal control identified in process reviews carried out during the fiscal year as well as the state of implementation of action plans established for their mitigation.

For its part, the accounts auditor of the Group has direct access to Senior Management of the Group by means of periodic meetings for the purpose of obtaining information necessary for proper job performance as well as communicating weaknesses in internal control that might have been detected. The external auditors present an annual report to the Treasury and Finance Department, and to the Audit and Compliance Committee in which they describe weaknesses in internal control discovered in the course of their work.

14. A description of the scope of the evaluation of the ICSFI made during the fiscal year and of the procedure by which the person responsible communicates its results, if the entity has an action plan that describes corrective measures, and if it considers its impact on financial information. Internal Audit has available an annual plan approved by the Audit and Compliance Committee. The plan anticipates the performance of tests of the business units and processes considered high risk according to the Company Risk Map.

During 2011, the plan included oversight of the ICSFI, which involved analysis of 273 control activities of which 47 are Entity Level Controls and 31 are IT. All of the controls functioned as designed, although some weaknesses and opportunities for improvement which do not significantly affect the quality of financial information were detected and gave rise to action plans in accordance with the policy of continuous improvement which characterizes the Indra Group. As of 31 December, 2011 there were no material weaknesses in the ICSFI.

Consistent with the above, Company Management believes that the ICSFI as well as the controls and procedures established to reasonably ensure that the financial information published by the Company is reliable and adequate are effective as of 31 December, 2011.

15. A description of ICSFI oversight activities carried out by the audit committee.

The Audit and Compliance Committee, through Internal Audit, oversaw the proper performance of the ICSFI, evaluating its design and operational effectiveness.

16. If the ICSFI information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report. If not, reasons why should be given.

With the goal of improving the transparency and quality of public information it sends out, Indra has gone beyond the legal obligations and recommendations of the Working Group and:

a) Prepared this description of its ICSFI following the sixteen basic indicators recommended in Section III of the Working Group Document,

b) Issued a certification verified by the chief executive and the CFO in which they explicitly acknowledge: (i) their responsibility for establishing and maintaining an adequate ICSFI for the entity, specifying the internal control framework used in order to evaluate the effectiveness of the ICSFI (Internal Control – Internal Framework issued by the Committee of Sponsoring Organizations of the Treadway Commision – COSO -) and (ii) that the ICSFI of the Indra Group is effective as of the close of fiscal 2011.

c) Considered it appropriate to request the external auditor issue a report in which the auditor renders an opinion, within a reasonable degree of certainty based upon generally accepted auditing standards and using as a reference a generally recognized internal control framework, whether the design and performance of the ICSFI of the Indra Group is effective as of the close of fiscal 2011, which is attached to this Annual Report on Corporate Governance.

As stated earlier, there exists no legally binding regulation which establishes the minimum requirements for companies in describing their ICSFI.

Future regulations issued regarding information about ICSFI that listed companies must publish may cause a change in the information contained in this report as they relate to breakdown or informational requirements.

MANAGEMENT REPORT ON ITS RESPONSIBILITY FOR INTERNAL CONTROL SYSTEM FOR FINANCIAL INFORMATION

The Board of Directors and Management is responsible for the establishment and maintenance of an adequate Internal Control System for Financial Information (ICSFI)

The ICSFI at Indra Sistemas, S.A. and its affiliated companies ("Indra Group") is a process designed to provide a reasonable level of security as regards the reliability of financial information and creation of consolidated annual financial statements for third party use in accordance with the regulatory framework applicable to financial information.

Because of its inherent limitations, it is possible that internal control of financial information may not prevent or detect all errors and it is therefore capable of providing only a reasonable degree of accuracy in the presentation and preparation of the consolidated annual financial statements. Additionally, extrapolating evaluation of its current effectiveness to future fiscal years is subject to the risk that controls may become inadequate due to changing conditions or because of a reduced level of compliance with policies and procedures.

Management has carried out an evaluation of the effectiveness of the ICSFI as of 31 December, 2011, based on criteria established in the Integrated Framework for Internal Control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management excluded the following companies in its evaluation of 31 December, 2011 since these companies were acquired by Indra Group in transactions which took place during fiscal 2011.

Name of Company	Percentage of Equity Interest	Name of Shareholding Company
Politec Tecnología da Informaçao, S.A.	100.00%	Indra Brasil, Ltda.
Mensor Consultoría y Estrategia, S.L.	80.00%	Europraxis Atlante, S.L.
Visiant Galyleo, S.P.A. (now Indra Italia, SpA)	77.50%	**Indra Sistemas, S.A.**

The impact of consolidation of the above mentioned companies represents 4.65% of the total assets, 2.33% of total turnover, and 0 % of the net results of Indra Group as of 31 December 2011 and for the fiscal year ended on that date.

As a result of this evaluation, and based upon the above mentioned criteria, Management concludes that Indra Group maintained an effective ICSFI as of 31 December, 2011.

The ICSFI of Indra Group as of 31 December, 2011 was audited by independent auditors KPMG Auditores, S.L., as indicated in its report contained with the Annual Report of Indra Group for fiscal 2011

CEO CFO

22 March, 2012

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

To the Directos of
Indra Sistemas, S.A.

Further to your request and to our engagement letter dated 22 July 2011, we have audited the system of internal control over financial reporting of Indra Sistemas, S.A. (the Company) and subsidiaries (the Indra Group) at 31 December 2011, in accordance with the criteria of the Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Board of Directors of the Company and Group senior management are responsible for adopting the measures required to reasonably guarantee the implementation, maintenance and supervision of an adequate system of internal control over financial reporting, assess its effectiveness and make improvements to the system, as set forth in the accompanying report drawn up by Group management on the internal control over financial reporting system. Our responsibility is to express an opinion on the effectiveness of the Group's internal control over financial reporting system based on our audit.

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An entity's system of internal control over financial reporting is designed to provide reasonable assurance that its annual financial reporting complies with the applicable financial reporting framework. It includes policies and procedures that are aimed at: (i) producing and maintaining records that present fairly and in reasonable detail the Group's transactions and assets; (ii) providing reasonable assurance that transactions are adequately recorded so as to allow the Group to draw up consolidated annual accounts in accordance with the applicable financial reporting framework; and (iii) providing reasonable assurance regarding the timely prevention or detection of asset additions or disposals or of unauthorised use of Group assets that could have a material effect on the consolidated annual accounts. Irrespective of the quality of the design and operation of the internal control system adopted for the purpose of annual financial reporting, this can only provide reasonable but not absolute assurance as to the objectives sought, due to the limitations inherent in any internal control system. We have performed our audit in accordance with ISAE 3000 (International Standard on Assurance Engagements 3000). This standard requires that we plan and perform our audit to obtain reasonable assurance as to whether the Group's system of internal control over financial reporting is effective in all material aspects.

Our audit required us to gain an understanding of the Group's internal control over financial reporting system, to verify and evaluate, on a test basis, the design and operating efficiency of the system, and to perform other procedures that we considered necessary under the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Because of the limitations inherent in any internal control system, there is always the possibility that internal control over financial reporting may not prevent or detect misstatements or irregularities that could arise, whether due to errors in judgement, human error, fraud or malpractice. Moreover, extrapolating the assessment of effectiveness to future periods entails a risk that controls may cease to be adequate due to changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

As described in the accompanying report issued by Group management on the responsibility of the internal control over financial reporting system, management has excluded from its evaluation of internal control over financial reporting at 31 December 2011 certain companies mentioned in the report that the Group acquired through business combinations in 2011. These companies have not been included in our audit of the Group's internal control over financial reporting system. The companies mentioned in management's report are subsidiaries, the percentage ownership of which is indicated in the report, whose assets, revenues and net results represent 4.65%, 2.33% and 0%, respectively, of the amounts reflected in the consolidated annual accounts for the year ended 31 December 2011.

In our opinion, at 31 December 2011 the Group's internal control over financial reporting system is effective in all material respects, based on the criteria established in the Internal Control– Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

On 23 March 2012, in accordance with prevailing legislation regulating the audit of accounts in Spain, we issued our unqualified audit report on the consolidated annual accounts of the Group for 2011.

This report was prepared at your request within the context of the statutory requirements of Law 24/1988 of 28 July 1988 governing the securities market, amended by Law 2/2011 of 4 March 2011 on sustainable economies, and the document drawn up by the internal control work group in June 2010, published by the Spanish National Securities Market Commission, to describe the internal control over financial reporting system in annual corporate governance reports. We accept no liability to any third parties other than the intended recipients of this report.

KPMG Auditores, S.L.

Antonio Fornieles

23 de marzo de 2012