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Indra

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Introduction

The present document includes the relevant information necessary to learn Indra's Corporate Governance rules and system, regarding the fact that Indra has been applying a policy of maximum attention to the aspects of such corporate governance, with the aim of it being adapted, at all times, to the best practices and national and international recommendations regarding the subject.

During the 2006 financial year, after the publication of Spanish Act 19/2005, of the 14th of November, regarding the European public limited company, which modified several aspects of the Spanish Corporations Act, the Ordinary Shareholders Meeting approved the modification of certain articles of the Regulations for Shareholders´Meeting and Bylaws, in order to adapt its wording to the new regulations regarding the calling of the meeting.

Also, during the 2006 financial year, the Board of Directors approved the modification of the Internal Code of Conduct in Matters Related Securities Markets, in order to adequate its contents to the provisions in Royal Decree 1333/2005, regarding market abuse, which was publicly communicated through relevant event on the 17th of May, 2006.

As it was done during the previous financial year, on the occasions represented by the Ordinary and Extraordinary Shareholders´ Meetings of 2006, the Company made the procedures available to its shareholders, so that they could exercise and delegate their vote or grant representation by means of electronic and distance-communication. These same procedures will be applicable during the 2007 Ordinary Shareholders´ Meeting.

After publication of the Unified Code for Good Governance, as performed by the Spanish Stock Exchange Commission (CNVM in Spanish), the Company carried out a full review and update of its Corporate Governance rules in order to adapt them not only to the recommendations foreseen in such Code, but also to the most recent recommendations and best practices regarding Corporate Governance.

Within the framework of this review, the proposal for the modification of section 2, Article 30 of the Corporate Bylaws and Article 12 of the Regulations for Shareholders´ Meeting has been subjected to the 2007 Ordinary Shareholders´ Meeting.

The full texts for the Regulations for Shareholders´ Meeting and Bylaws are attached, and they already include the modifications proposed, marked in different colours. Likewise, full information regarding all agreement proposals subjected to the 2006 Shareholders´ Meeting, among which, those referred to herein are included, has been made available to shareholders through the Company's web page (www.indra.es).

Regarding Regulations for the Board of Directors, it is intended to perform a full review of such during 2007, with the above-mentioned purpose. The new text of the Regulations approved by the Board will be made public through relevant event, and the Shareholders´ Meeting will be notified of the modifications introduced.

Likewise, through the Company's web page (www.indra.es), all updated information regarding Indra's Corporate Governance can be accessed.

This document includes the full, grouped, set of rules by which the Company's Corporate Governance is headed –Bylaws, the Regulations for Shareholders´ Meeting, the Regulations for the Board of Directors, and the Internal Code of Conduct in Matters Related Securities Markets- along with the Annual Corporate Governance Report and the Annual Report of Operations for the Audit and Compliance Committee, which will both grant global vision and allow for an accurate assessment of Indra's Corporate Governance which, since 1999, has been in compliance with the best practices and recommendations regarding the subject, having consistently obtained public recognition by analysts and investors.

Thus, in 2006, Indra obtained the award granted annually by the Spanish magazine "Mi Cartera de Inversión" (My Investment Portfolio) for Good Corporate Governance, whose jury pointed out, among other items, that Indra's bid for transparency and its active policy of attention towards shareholders was commendable.

2006 Report on Corporate Governance

1. Presentation

This report is formulated by the Company's Board of Directors, following a favourable report from the Audit and Compliance Committee, as well as from the Appointments and Remuneration Committee, who have revised its contents.

Indra's policy in corporate governance matters is since 1999 based on a set of rules and practices, with the aim not only to comply at all times with the applicable regulations but also to fully incorporate the most recent and best practices in this matter.

In the application of this policy, the Board annually revises the compliance and efficiency of the Corporate Governance rules and regulations, which became in 2003 and 2004, after the publication of the specific regulations ("Spanish Financial Law" and "Spanish Transparency Law") and after the "Aldama Report", in complete and detailed revisions of these regulations and corporate governance system, which gave place to important modifications and additions within it, which were duly reported to the respective General Shareholders' Meetings.

After the publication by the Spanish Stock Markets Agency (CNMV) of the Unified Code of Good Governance, the Company has carried out a complete revision of its Corporate Governance rules for them to be adapted both to the recommendations provided for this Code as to other of the more recent recommendations and good practices in this matter. In this framework, the proposal to modify section 2 of the Corporate Bylaws and article 12 of the Board of Directors' Regulations are submitted to the Annual General Shareholders' Meeting 2007. With regard to the Board's Regulations, a full new text is being elaborated (as a consolidated text) duly amended and systemised, which collects the modifications resulting from the aforementioned revision. The new text of the Regulations will be submitted to the final approval by the Board in the current 2007 exercise and made public through the corresponding relevant event, rendering account of the modifications introduced at the following General Shareholders Meeting, as mandatory.

The system and regulations currently in force regarding Indra's Corporate Governance comply with the recommendations in the Aldama Report, as well as with the Spanish "Good Governance Code" or "Olivencia Code", which it has been complying with since it was published.

Since 1999, the Company has been informing on an annual basis of its corporate governance system, both in the formats required in each moment by the regulations applicable, as well as voluntarily, in those other formats that the Company has considered convenient for a better and more complete public information on the matter.

With regard to the 2006 exercise, the Company makes public the mandatory Annual Report on Corporate Governance required by the Transparency Law, in the format established for this purpose by the Spanish Stock Markets Agency (CNMV). Notwithstanding, the Company considered convenient – as it already did regarding the 2003, 2004 and 2005 exercises- to also elaborate this document, in order to provide its shareholders and the markets in general, the most relevant information, ordered in a systemised manner and comparable to that provided in previous exercises.

Throughout this report the following is accounted for: the Company's shareholder structure; Regulation, composition and proceedings of its governance bodies; the detailed remuneration of the Board of Directors and Executive Management; transactions with significant shareholders and directors; The treasury shares policy and operations; Information and activities policy to shareholders and markets; and of the Company's relations with its auditors.

2. Company ownership structure

2.1. Significant Shareholders

The Company does not have a nominal registry of its shareholders, therefore it can only know the composition if its shareholders through the information that these directly provide the company or make public in application of the regulation currently in force on significant holdings, as well as the information provided by Iberclear, which the Company obtains when celebrating the General Shareholders' Meeting.

From the information provided to the Spanish Stock Markets Agency (CNMV) public registries until 31.12.2006 made by the actual holders, the following shareholders resulted with a direct shareholding equal or higher than 5% in Indra's share capital: Caja Madrid (14.98%); Cajastur (5.00%); and Casa Grande de Cartagena (5.00%).

Likewise, the companies Fidelity International Ltd and Barclays Bank Plc had an indirect shareholding in Indra's share capital of 5.66% and 5.15%, respectively; and Chase Nominees Ltd was a share holder on behalf of third parties in Indra's capital of 9.88%. According to the information provided to the Spanish Stock Markets Agency (CNMV) by these entities, none of the individual shareholdings, to which this information refers, exceeded 5% of Indra's share Capital.

In January 2007 Indra formalised an increase in capital stock which was entirely undersigned and fully paid-up by Unión Fenosa, in the framework of the operation of integrating Soluziona's consultancy and information technologies activities in Indra, and as an outcome Unión Fenosa went on to have an indirect shareholding of 11% in Indra's share Capital.

After this increase in capital stock and according to the communications sent subsequently to the Spanish Stock Exchange Authority (CNMV) and to the actual Company by the shareholders, it turns out that, on the date of the publication of this report, the following shareholders are holders of a mutual fund unit equal or greater than 5% of Indra's share capital: Unión Fenosa (15%); Caja Madrid (13.33%); Casa Grande de Cartagena (5.68%); and Cajastur (5.00%).

2.2. Shareholders' Agreements

The Company Is not aware of the existence of any agreement or pact existing between Company shareholders that have the purpose of their shareholding stake within the company or the exercise of the political or economic rights arising from this shareholding or that, in any other way, refers to their interests as Company shareholders.

2.3. Restrictions to shareholders rights

There is no type of regulation in the Company's Corporate Bylaws or in the Board or Committee's regulations established by the Company that limit the acquisition of a significant holding in the Company's share capital, the exercise of the shareholders' rights or the appointment or dismissal of directors by the shareholders' meeting, except for the bylaw requirement of the ownership of at least one hundred shares in order to attend the Shareholder's Meeting.

3. Company governance and management

The Company's governance and management is carried out by the General Shareholders' meeting, the Board of Directors and its Committees and the Top Management.

3.1. General Shareholders' Meeting

The functioning competences and regulations of the Shareholders' Meeting are contained within the Spanish Corporations Act (Ley de Sociedades Anónimas) the Corporate Bylaws and the Board's regulations.

The Corporate Bylaws are the faithful reflection of the Shareholders' Meeting legal regulation contained within the Spanish Corporations Act, without the existence of majorities or reinforced quorum different from the ones required by the aforementioned Law.

In the Regulations for the General Shareholders' Meeting, the applicable legal provisions and bylaws are merged in one single document, together with a series of principles and procedures established by the Company to facilitate the informed and active participation of shareholders in the General Meetings, which incorporates a greater amount of actions in favour of the shareholders than that established by the Spanish Corporations Act. Therefore, the intention is to provide shareholders, through this set of Regulations, with an effective instrument

in order for them to know their set of rights and the form in which their exercise is regulated.

In accordance with what provisioned in the Corporate Bylaws and in the Regulations for Shareholders' Meeting, The Company established and put in practice adequate procedures in order for shareholders to exercise their rights of vote and representation by electronic and remote communication means in the General Shareholders' Meeting celebrated in 2005 and 2006, procedures which will equally be established in the 2007 Annual General Meeting.

3.2. Board of Directors

3.2.1. Regulation and competences

The composition, powers and functioning of the Board of Directors are regulated within the Spanish Corporations Act, the Corporate Bylaws, and more specifically, in the Regulations for the Board of Directors.

Equally as what occurs with the Board of Directors, the Corporate Bylaws are a faithful reflection of the regulation contained in the Spanish Corporations Act, without the existence of reinforced majorities or quorum, in relation to the Board, different from the ones provide in the aforementioned Act.

The Regulations for the Board of Directors collect a great catalogue both of rights and obligations of diligence and loyalty of the Directors, in order for the Board to perform its functions efficiently. These Regulations establish as the Board's policy the delegation of the Company's ordinary transactions concentrating its activity in the general function of supervision and control, establishing to these effects a catalogue of responsibilities that the Board is obliged to perform directly. These non-delegable responsibilities are, mainly:

- To approve general strategies, budgets and annual objectives, as well as to control the management;
- Appoint, dismiss, evaluate and remunerate the members of the Executive Management;
- Identify the main risks and supervise the internal control systems;
- Determine the general policies regarding information and communication, in particular with shareholders and the markets;
- Authorise treasury shares policy matters; and
- Approve the corporate and disposal of securities operations for an amount greater than 10 million euros.

The Board pays special attention to situations of possible conflict of interest, which it analyses, in any case, subsequent to the report from the Appointments and Remuneration Committee, making sure they are performed in the Company's interest and in market conditions. The following section 5 includes detailed information on transactions performed by the Company during the 2006 exercise.

3.2.2. Composition

Simultaneously to the referred increase in capital share formalised in 2007 within the framework of the operation to integrate Soluziona, the Extraordinary General Shareholders' meeting celebrated for this purposes, agreed the appointment of 2 new controlling directors in representation of the shareholder Unión Fenosa.

Following the Company's regular practice when appointing new directors or members of the Advisory Committee, an immersion program was carried out with the new directors in order to allow them to obtain, faster and more efficiently, sufficient knowledge on the Company's businesses and activities, as well as of its organisation, functioning and corporate governance rules.

After the aforementioned appointments, on the date this report was elaborated, the Board is composed by 14 members, out of which 11 are external directors and 3 are executive directors (the Chairman, one of the Vice-Chairman and the Chief Executive Officer).

Out of the 11 external directors, two are linked to the shareholder Caja de Madrid and two with the shareholder Unión Fenosa (controlling directors). The other 7 directors are all independent, one of which has the position of Vice-Chairman, in accordance with what stipulated in the Regulations for the Board of Directors.

Total Directors	**14**
External Directors	11
■ Independent	7
■ Controlling	4
Executive Directors	3

The full list being the following:

Name	Position	Status
Mr. Javier Monzón	Chairman	Executive
Mr. Carlos Vela[1]	Vice-chairman	Controlling (Caja Madrid)
Mr. Manuel Soto	Vice-chairman	Independent
Mr. Humberto Figarola	Vice-chairman	Executive
Mr. Regino Moranchel	Chief Executive Officer	Executive
Mrs. Isabel Aguilera	Director	Independent
Mr. Manuel Azpilicueta	Director	Independent
Mr. Francisco Constans	Director	Independent
Mr. Honorato López Isla	Director	Controlling (Unión Fenosa)
Mr. Pedro López Jiménez	Director	Controlling (Unión Fenosa)
Mr. Joaquín Moya-Angeler	Director	Independent
Mr. Pedro Ramón y Cajal	Director	Independent
Mr. Estanislao Rodríguez-Ponga[2]	Director	Controlling (Caja Madrid)
Mr. Juan Carlos Ureta	Director	Independent

(1) In representation of Mediación y Diagnósticos, S.A.

(2) In representation of Participaciones y Cartera de Inversión , S.L. .

As the Chairman of the Board also has the position of first executive of the Company, the Vice-Chairman of the Board chosen by the independent directors has powers to coordinate the directors, to call for a Board meeting, and to include matters on the agenda of it sessions, as well as to address information to directors.

The four controlling directors –two linked to the shareholder Caja de Madrid, and two linked to Unión Fenosa- hold relevant positions within their respective organizations:

- Mr. Carlos Vela, with an extensive career in the financial sector in Spain and in Europe, he is currently General Director and Director of Business Banking of Caja de Madrid, Chairman of Inversis Banco and director of several Corporations.
- Mr. Estanislao Rodríguez-Ponga is economist and Inspector for the Spanish Tax Department on leave of absence. He has held varous executive positions both in private entities and in public organisations, where he was Managing Director of Fiscales and Inspector and Fiscal Secretary of State. Currently he is Vice-Chairman of Caja de Madrid and Director in other companies.
- Mr. Pedro López Jiménez has a long professional career both in the public sector, where he was Deputy secretary of the Public Works and Urban Planning Ministry, and in the business sector. He was Chairman of Endesa, Director of the Spanish Industry Institute (INI), founder of the Spanish Confederation of Employers' Associations (CEOE) and is currently Director of ACS, Vice-Chairman of Dragados S.A and Chairman of Unión Fenosa.

- Mr. Honorato López Isla has developed most of his professional career at Unión Fenosa, where he has performed different leadership and management responsibilities; he was Chairman of Soluziona S.A. and Director of Grupo Auna. Currently he is Managing Director and first Vice-Chairman of Unión Fenosa, Chairman of R Cable y Telecomunicaciones Galicia S.A., Director in various Companies and Chairman of APD (Association for the Management Progress) of the Northwest area-.

The seven Independent Directors are professionals of recognised prestige in the Business activity, and are not linked with the significant shareholders or with the Company's management team. The professional profile of each one of them is the following:

- Mrs. Isabel Aguilera Navarro is an Architect, Master in Commercial Management and Marketing (MDCM) by the Instituto de Empresa and PDG by the IESE. She has developed her professional career in different information technology companies, such as Olivetti, Compaq, Hewlett Packard, Airtel (Vodafone) and Dell Computer, where she was Commercial Managing Director for South Europe, Managing Director and first executive for Spain, Portugal and Italy. Between 2002 and 2005 she was Chief Operating Officer (COO) for NH Hotels. Currently she is General Manager at Google Inc. for Spain and Portugal, as well as Independent Director of the American company Laureate Universities.
- Mr. Manuel Azpilicueta Ferrer, Commercial Technician and Economist of the State, he counts with a broad professional experience; he was Chairman of the Spanish Institute of Industry (INI) and Chairman of Banco Unión and of Butano. He was Managing Director of Russell Reynolds Associates for fifteen years. At present, he is Chairman of Autopista Madrid-Sur, Director for several companies of Grupo Europistas and pertains to different advisory committees. He is Honorary Chairman of the Círculo de Empresarios, association he was Chairman of.
- Mr. Francisco Constans Ros, Economist, he has held several relevant executive positions in financial companies and institutions, with a broad career in Grupo Planeta, where he was General Manager. At present, he is Director in several corporations.
- Mr. Joaquín Moya-Angeler Cabrera, Graduate in Mathematics and Master in Business Administration by the Massachusetts Institute of Technology (MIT), he has been Chairman of IBM Spain, of the Grupo Leche Pascual and of Meta 4. At present he is Chairman, Director and investor in several European and American corporations. He is also Chairman of Technological Corporation of Andalucía and of the Social Committee of the University of Almería.
- Mr. Pedro Ramón y Cajal Agüeras, Spanish Government Attorney on leave of absence; he is main partner of the Lawyer's office Ramón y Cajal Abogados, as well as Director for several corporations.
- Mr. Manuel Soto Serrano, Economist, he was Chairman of the World Partnership Council of Arthur Andersen and Partner-Director of EMEA and India. At present he is Vice-Chairman of the Board of Directors of Banco Santander Central Hispano and Director of Corporación Financiera Alba.
- Mr. Juan Carlos Ureta Domingo, Stock Broker and State Attorney on leave of absence; he is the majority stockholder and Chairman of Renta 4 Sociedad de Valores y Bolsa and Director of the Managing Company of Madrid Stock Exchange.

In accordance with the most recent recommendations in the mater, the Appointments and Remuneration Committee carried out in 2007 a revision of the concurrent conditions of each one of the directors, concluding with the opinion that all the directors designated as independent have maintained during 2006 and currently maintain this condition.

With the aim to assure the independence and adequate level in the provision of services proper to the Secretary of the Board of Directors and of the Board's Committee, it has been the Company's policy to entrust this office to a prestigious lawyer without professional links with the Company and with no other dependence than that of the actual Board of Directors. During the 2006 exercise the lawyer Mr. Daniel García-Pita Pemán continued to hold the position of Secretary of the Board.

3.2.3. Seniority of the positions and criteria for the Board's renewal.

The seniority of the Board members is indicated in the following table:

	Year of the first appointment	Year of the last appointment
Independent Directors [1]:		
Mrs. Isabel Aguilera	2005	2005
Mr. Manuel Azpilicueta	1999	2005
Mr. Francisco Constans	1999	2005
Mr. Joaquín Moya-Angeler	1999	2005
Mr. Pedro Ramón y Cajal	1999	2005
Mr. Manuel Soto	1999	2005
Mr. Juan Carlos Ureta	1999	2005
Controlling Directors:		
Mr. Carlos Vela[2]	1999	2005
Mr. Estanislao Rodríguez-Ponga[3]	2006	2006
Mr. Honorato López Isla	2007	2007
Mr. Pedro López Jiménez	2007	2007
Independent Directors [4]:		
Mr. Javier Monzón	1992	2005
Mr. Humberto Figarola	1999	2005
Mr. Regino Moranchel	2001	2005

(1) The duration of the director's positions are fixed in the Company Bylaws for 3 years, therefore all the independent directors appointed by the General Meeting in 1999 and in occasion of the Company's Public Stock Offer (OPV) and proposed by the Board, with the favourable report from the Appointments and Remuneration Committee, in 2002 and 2005 they were re-elected by the General Meeting, currently being in their third mandate.

(2) In representation of Mediación y Diagnósticos, S.A

(3) In representation of Participaciones y Cartera de Inversión, S.L,.

Since 1999 Caja Madrid has counted with two representatives in the Board, whose mandates were equally renewed by the General Shareholders' Meeting in 2002 and 2005.

(4) Their re-election in 2002 and 2005 was also approved by the General Shareholders' Meeting, proposed by the Board and with the favourable report from the Appointments and Remuneration Committee. The appointment and re-election of the directors in 2005 and 2007 was carried out by individual voting, the General meeting approving the appointment of each one of them with a favourable vote greater than 98%.

In accordance with the principle established in article 22 of the Regulatons for the Board of Directors on the periodic renewal of its members, the Board of Directors agreed at the beginning of the 2005 exercise to apply the following criteria, as from the recommendations submitted to this effect by the Appointments and Remuneration Committee: that the continued permanence in the board, and except in justified situations, does not exceed four bylaw mandates (duration fixed in 3 years); and that this renewal process is carried out in a progressive and gradual manner.

The application of this criteria began on occasion of the 2005 General Shareholders' Meeting, which agreed the appointment of Mrs. Isabel Aguilera to cover the position of the then independent director, Mr. Moya Francés, and has the intention of proposing two independent directors to the General Shareholders' Meeting.

As it already did in 2005, on occasion of a new incorporation of director, in particular the independent ones, the Board pays special attention in order for the Company to count with a greater diversity in its governance bodies.

Likewise, on application of the provisions in article 8.2 of the Regulations fro the Board of Directors – which establishes that Board will try to incorporate its most significant shareholders-, the Board of Directors has the intention to submit to the General Meeting a proposal for the appointment of representatives of the shareholders Cajastur and Casa Grande de Cartagena.

3.2.4. Commissions of the Board of Directors

In accordance with what established in its Regulations, the Board has constituted, for a more efficient functioning, an Executive Committee, an Audit and Compliance Committee and an Appointments and Remuneration Committee, whose regulation and competences, composition and activities are exposed in the following sections:

In each session of the Board of Directors, the Chairman's of the Committees will inform the Board of the matters dealt with and of the decisions adopted within the respective Committees.

In application of the principle established in article 23 of the Board's Regulations, since 1999 the Board has been applying criteria for a reasonable rotation of the independent directors in its different committees.

Likewise, at the beginning of this bylaw mandate, after the re-elections and new appointments of directors carried out by the 2005 General Shareholders' Meeting, the Board of Directors, in accordance with the proposal submitted to the Appointments and Remuneration Committee, agreed a new composition for its Committees. After this new rotation, the six dependant directors that have been in this position have pertained at some time to the Executive Committee, also, three of them have pertained both to the Audit and Compliance Committee and to the Appointments and Remuneration Committee; and the other three directors to one of them.

After the appointment of the new controlling directors in representation of the shareholder Unión Fenosa, the Board proceeded to designate the new members of the Committee, as detailed in the following sections.

3.2.5. Activity during the year and assessment of own performance

In order to exercise its powers which may not be delegated and follow up the work of the Committees, the Board has held 12 meetings in fiscal year 2006, in accordance with the criteria set after the assessment of the Board performance in 2005.

In each meeting, the Board follows up the Company's business and financial evolution, trading in the Company's own shares and shares held as treasury, as well as topics handled by and actions of the Board's Committees. In 6 of its meetings held in 2006, the Board specifically discussed aspects related to the future development and growth strategy, and thus analysed the market and industry environments.

There is a lot of available information on all the matters to be discussed by the Board and it is provided long enough in advance. The Board members have dedicated a total of about 1,000 hours last year to their duties. This amount is 1,470 hours if dedication corresponding to the Committees is included. The personal attendance index for Board and Committee meetings exceeds ninety per cent.

In all the cases when a Director was not able to attend a meeting personally, he delegated his powers to another director.

As a general rule, directors keep informed the Appointments and Remuneration Committee of other professional obligations, so that it can assess if such duties are compatible with the dedication requested from Board members.

In compliance with its Regulations, the Board of Directors assesses its own performance as well as the quality of its actions and those of its Committees on an annual basis. To that effect, each body of the Board makes its own assessment and writes a report on its activities and actions throughout the year. Such report is then handed to the Board.

To make the assessment corresponding to the year 2006, the Board did not deem necessary to have another external assessment, as there was in the year 2005. It considered that the intervention of external consultants in this process is efficient for a company with Indra's experience and track record in this matter, if it is called periodically (every two or three years or if there are new circumstances which make it advisable). The assessment, which was coordinated and supervised by the Chairman of the Appointments and Remuneration

Committee, took place through a formal process taking into account multiple aspects of the performance of the Board and its Committees, as well as the efficiency of its actions and contribution of its members.

The assessment took into account 77 variables on relevant subjects, which have been individually assessed by each director. The opinion of each director was handled confidentially. A report including the results of the assessments and comments made by directors, still handled confidentially, was then written. This report and its conclusions were presented by the Chairman of the Appointments and Remuneration Committee to such Committee and to the Board of Directors during their respective meetings of April 17 and 19, 2007. Those meetings were structured in six sections: Structure and composition of the Board; Performance of the Board; Executive Committee; Audit and Compliance Committee and Appointments and Remuneration Committee. Quantitative and qualitative assessments were given for each of them.

The above mentioned Appointments and Remuneration Committee and the Board of Directors made a detailed analysis of the conclusions of the report presented by the Chairman of the Appointments and Remuneration Committee. They concluded with a largely positive assessment of the dedication, attendance and availability of directors, of the performance of the Board and its Committees and of the quality of its actions in the year 2006. At the same time, they decided on criteria and actions needed to implement new or better practices in those areas which were identified as needing improvement.

In accordance with the provisions of its own Regulations, the Board assessed the Chairman's performance, as such – a separate and independent assessment of his performance as the Company's top management also took place. The Chairman did not attend his assessment, and the Board meeting was then chaired by the Vice-Chairman, who is one of the independent directors.

The assessment of the Chairman of the Board took into account 11 variables, assessing mostly: (i) whether the exercise of his duties as Chairman of the Board is sufficiently differentiated from the exercise of his duties as Top Management; (ii) whether he leads the Board to exercise efficiently his duties and powers, making sure that it studies the subjects included in the Regulations for the Board and other relevant matters for the Company, and relies on appropriate information; (iii) whether he encourages directors to actively contribute, analyse and debate to have a sufficient level of understanding of the matters discussed and to take well-founded decisions; and (iv) whether he encourages investor and shareholder relations and information and transparency policies.

The Board unanimously concluded that the assessment was fully satisfactory regarding the above mentioned elements. It highlighted the efficiency of the Board and communication with shareholders throughout a year that was particularly complex due to the acquisitions of Azertia and Soluziona.

3.3. Executive Committee

3.3.1. Regulation and Powers

The composition, powers and duties of the Executive Committee are regulated, since its creation in 1999, by the Regulations for the Board of Directors. In compliance with such rules, all the delegable powers of the Board have been delegated to the Committee, except for those indicated in section 3.2.1.

Its main duty is to guarantee that the Company's business and operations are followed up continuously, which is why it usually holds ordinary meetings once a month.

3.3.2. Composition

In accordance with the provisions of the Regulations for the Board, the composition of the Executive Committee must fairly reflect the composition of the Board. On the date this report is published and following the appointment of directors by the Shareholders' Meeting of December 2006, the Executive Committee comprises 8 members, 6 of which are external directors (4 are independent directors) and 2 are company executives. The current members of the Committee are listed below:

Name	Position	Condition
Mr. Javier Monzón	Chairman	Executive
Mrs. Isabel Aguilera	Member	Independent
Mr. Manuel Azpilicueta	Member	Independent
Mr. Francisco Constans	Member	Independent
Mr. Pedro López Jiménez	Member	Controlling (Unión Fenosa)
Mr. Regino Moranchel	Member	Executive
Mr. Pedro Ramón y Cajal	Member	Independent
Mr. Carlos Vela	Member	Controlling (Caja Madrid)

3.3.3. Activity during the year

In order to meet its obligations, the Executive Committee met eleven times in fiscal year 2006. All the documentation prepared for and the minutes of each of those meetings are held at the disposal of directors ahead of each Board meeting. In 2006, the Committee handled 214 issues related to operations. The combined amount of those issues represents more than 70% of the volume of contracts obtained during the year.

3.4. Audit and Compliance Committee

3.4.1. Regulation and Powers

The composition, powers and duties of the Audit and Compliance Committee are regulated, since its creation in 1999, by the Company Bylaws and the Regulations for the Board of Directors. They comply with the requirements expressly set by Law.
Its basic duties are:

- Submitting to the Board of Directors proposals for the appointment of external account auditors, as well as the conditions of their recruitment. Supervising their work and reports, maintaining a direct relationship with them in order to watch over their independence;
- Reviewing accounting principles and their application, as well as annual accounts and any public financial information;
- Supervise and assess internal control systems and internal audit;
- Supervise that the Company complies with Corporate Governance rules, and especially with the Internal Code of Conduct regarding Stock Markets, and that those rules are adapted to current legislation.
- Inform the General Shareholders Meeting of matters on which the Committee in competent.

3.4.2. Composition

In compliance with the Regulations of the Board and Company Bylaws, all the members of the Audit and Compliance Committee must be external directors. The Committee currently comprises five members, and three of them are independent directors. The Chairman is one of the independent directors and, as set in the Company Bylaws modified following the Shareholders' Meeting which convened in June 2003, he can remain in this position for a maximum duration of four years. In application of this requirement, the Committee appointed a new Chairman among its members in March 2007. For his election, the Committee paid special attention to his knowledge and experience in matters on which the Committee is sole competent. Such knowledge and experience result from extensive professional experience at the head of the finance and control department of a large corporation. The list of members, following the appointments voted by the Shareholders' Meeting of December 2006, is the following:

Name	Position	Condition
Mr. Francisco Constans	Chairman	Independent
Mr. Manuel Soto	Member	Independent
Mr. Honorato López Isla	Member	Controlling (Unión Fenosa)
Mr. Estanislao Rodríguez-Ponga	Member	Controlling (Caja Madrid)
Mr. Juan Carlos Ureta	Member	Independent

3.4.3. Activity during the year

In order to meet its obligations, the Committee held nine meetings in fiscal year 2006. It drew up a Plan of Actions for the year and wrote an Annual Report on its activities, which was presented to the Board of Directors. The Annual Report of activities corresponding to fiscal year 2006 will be, as in previous years, available to shareholders, investors and the public through the Company's Website and Shareholder Office. All the documentation prepared for and the minutes of each of those meetings are made available to directors ahead of each Board meeting.

3.5. Appointment and Remuneration Committee

3.5.1. Regulation and Powers

The composition, powers and duties of the Appointments and Remuneration Committee are regulated, since its creation in 1999, by the Regulations for the Board of Directors.

Its basic duties are:

- To make proposals on the composition of the Board and its Committees, as well as on the appointment, re-election and revocation of their members; submit to the Board the corresponding proposals on their remuneration;
- To make proposals to the Board on the appointment and revocation of Top Managers, as well as on their remuneration; and
- Inform the Board of transactions which imply or may imply conflicts of interest with significant shareholders and directors.

3.5.2. Composition

In compliance with the Regulations for the Board of Directors, all the members of the Appointments and Remuneration Committee must be external directors. On the date this report is written, the Committee comprises five members, and three of them are independent directors. The list of members, following the appointments voted by the Shareholders' Meeting of December 2006, is the following:

Name	Position	Condition
Mr. Joaquín Moya-Angeler	Chairman	Independent
Mr. Manuel Azpilicueta	Member	Independent
Mr. Pedro López Jiménez	Member	Controlling (Unión Fenosa)
Mr. Manuel Soto	Member	Independent
Mr. Carlos Vela	Member	Controlling (Caja Madrid)

3.5.3. Activity during the year

In order to meet its obligations, the Appointments and Remuneration Committee held eight meetings in fiscal year 2006. It drew up a Plan of Actions for the year and wrote an Annual Report on its activities, which was presented to the Board of Directors. All the documentation prepared for and the minutes of each of those meetings are made available to directors ahead of each Board meeting.

3.6. Executive management

The Company's Top Management is responsible at the highest level for day-to-day management of the Company and of its group of companies. All the business units, whether they are operating or support units, depend on top management.

In January 2007, as announced through a filing with stock market authorities and following completion of the integration of Azertia and Soluziona, the Board agreed to appoint five new General Managers, after the Appointments and Remuneration Committee gave a favourable report.

As a result, Top Management now comprises the three executive members of the Board and eleven General Managers. The list of members is the following:

Name	Position
Mr. Javier Monzón	Chairman
Mr. Humberto Figarola	Vice-chairman
Mr. Regino Moranchel	Chief Executive Officer
Mr. Juan Carlos Baena	Chief Financial and Corporate Development Officer
Mr. Javier de Andrés	General Manager in charge of Corporate Control
Mrs. Emma Fernández	General Manager in charge of Talent, Innovation and Strategy
Mr. Rafael Gallego	General Manager in charge of Operations
Mr. Ángel Lucio	General Manager in charge of Supply Chain Services and BPO
Mr. Cristóbal Morales	General Manager in charge of International Operations
Mr. José María Otero	General Manager, deputy to the Chief Executive Officer
Mr. Javier Piera	General Manager in charge of Operations
Mr. Santiago Roura	General Manager in charge of Operations
Mr. Joaquín Uguet	General Manager in charge of Operations
Mr. Josep María Vilà	General Manager, deputy to the Chief Executive Officer

4. Directors and executive management remunerations

4.1. Board members

In accordance with what is envisaged in the Company By-laws, the remuneration payable to the Directors consists of a fixed remuneration – the maximum amount of which is set annually at the General Shareholders' Meeting – and a share in the Company's profits. It is envisaged in the By-laws that, regardless of the above, the remuneration payable to the Directors may similarly consist of the handing over of shares, option rights on shares, or be linked to the value thereof, prior agreement of the Board. The Board has statutory powers to distribute among its members the global remuneration established by the Board.

At the proposal of the Board, which adopted as its own that raised by the Appointments and Remuneration Committee, upon the advice of the firm of independent experts, Spencer Stuart, the General Shareholders' Meeting in 2005 approved a new system concerning the remuneration of the Board, to remain in force the same length of time as the current statutory mandate (years 2005 to 2007), unless there were any specific circumstances making a modification thereto advisable.

In accordance with that is envisaged in its Regulations, in setting the remuneration due to the Board, an attempt was made for it to be adequate and an incentive in line with the responsibility of the position, but not so high that, in the case of independent Directors, their independence could be jeopardised.

The remuneration approved by the Board entailed keeping the maximum annual amount of the fixed remuneration at 600,000 ?, a limit which has remained unvaried since the 2002 fiscal year. As to their participation in the profits, statutorily set at 1% the consolidated net result, the General Shareholders' Meeting agreed that, in any case, the maximum annual amount should not exceed 1.4 times that of the fixed remuneration corresponding to the period in question and that 50% of its sum should be received by the Directors by handing over to them shares in the Company.

In compliance with the above, the amounts that resulted from the 2006 fiscal year are as follows:

With regard to the fixed remuneration, the members of the Board have received in all a total sum of 600,000 €. The fixed remuneration is distributed among the Directors in the following way: 27,000 € for serving on the Board, 15,000 € for serving on the Executive Committee, 20,000 € for serving on the Audit and Compliance Committee, and 15,000 € for serving on the Appointments and Remuneration Committee. The Chairman of each body, with the exception of the Executive Committee, receives a sum equal to 1.5 times said amounts

The participation in the profits, for the 2006 fiscal year, rises to a total joint sum of 840,000 €, according to the Annual Accounts which will be submitted to the approval of the General Shareholders' Meeting, following the application of the aforementioned limit set by it. Said amount is distributed equally among all the members, proportionally to the effective time each person has occupied said post during the period. 50% of that gross amount will be received in Company shares, the number of which will be determined in accordance with their market price on the date of payment of the dividend corresponding to the 2006 fiscal period. The remainder, once the amount corresponding to the total sum of their participation in the profits has been held back, will be paid in cash. The Directors have expressed their commitment to hold on to the shares received by virtue of the above throughout the period they continue to occupy their post.

The Board has been agreeing, on a yearly basis, that in the event of the targets of growth and yield, published for each fiscal period, not being met, it will reconsider the amount of the participation in the profits, in due course raising the corresponding proposal to the General Shareholders' Meeting. This condition has not been applicable in any of the fiscal years since this statutory remuneration was introduced in 1999, as the Company has always met or exceeded each and every one of the published targets.

As was the case in 2003, 2004 and 2005, in the 2006 fiscal year no options on shares have been given to the Directors.

In accordance with the above, the individual breakdown for each of the indicated items of the total remuneration received by each member of the Board, in their condition of Company Directors during the 2006 fiscal year, is as shown in the following table:

Remuneration Directors 2006 (€)

Counsellor	Fixed remuneration				Sum Fixed Remuneration	Participation in Profits	Total
	Board	Executive Committee	Auditing and Compliance Committee	Appointments & Remuneration Committee			
I. Aguilera	27,000	15,000	—	—	42,000	70,000	112,000
M. Azpilicueta	27,000	15,000	—	15,000	57,000	70,000	127,000
F. Constans	27,000	15,000	20,000	—	62,000	70,000	132,000
H. Figarola	27,000	--	--	--	27,000	70,000	97,000
Mediación y diagnósticos	27,000	15,000	--	15,000	57,000	70,000	127,000
J. Monzon	40,500	15,000	--	--	55,500	70,000	125,500
R. Moranchel	27,000	15,000	--	--	42,000	70,000	112,000
J. Moya-Angeler	27,000	--	--	22,500	49,500	70,000	119,500
Part. y Cartera de Inversión	27,000	--	20,000	--	47,000	70,000	117,000
P. Ramón y Cajal	27,000	15,000	--	--	42,000	70,000	112,000
M. Soto	27,000	--	30,000	15,000	72,000	70,000	142,000
J.C. Ureta	27,000	--	20,000	--	47,000	70,000	117,000
TOTAL	337,500	105,000	90,000	67,500	600,000	840,000	1,440,000
TOTAL 2005	**337,500**	**105,000**	**90,000**	**67,500**	**600,000**	**840,000**	**1,440,000**

(*) The 50% of the amount shown will be paid in shares. In the 2005 fiscal year, payment in shares of the 50% of the amount corresponding to the participation in profits meant the handing over of 2,333 Company shares per Counsellor.

The total remuneration indicated, received as a whole by the members of the Board, represents 0.88% of the Consolidated Net Operating Profits and 0.89% of the Consolidated Profits Before Tax, generated by the Company during the 2006 fiscal period.

The members of the Board, in their condition as such, did not use any options on the Company shares during 2006. On the date of 31.12.2006, neither did any one of them hold any option whatsoever on any Company shares.

During the 2006 fiscal year, the members of the Board have not received any other profit or remuneration in addition to the above, and the Company has not assumed any obligation whatsoever in terms of pension schemes, loans granted or sums advanced to the members of the Board.

The increase in the number of Directors resulting from the appointments approved at the General Shareholders' Meeting in December 2006, as well as those it envisages submitting to the General Shareholders' Meeting in June 2007, in accordance with that is set out in section 3.2. above, make it

necessary to adapt the maximum amounts authorised at the General Shareholders' Meeting. For that reason, the Board will raise to said General Meeting the corresponding proposal, without that meaning any modification whatsoever to the unitary amounts in force but merely to the global amount, in equal proportion to the variation in the number of Directors.

4.2. Directors

The remuneration of the members of the Company's Top Managers is set individually for each one of them by the Board, upon receiving a report from the Appointments and Remuneration Committee.

Said Committee proposed to the Board, which agreed thereto, a revision during the 2005 fiscal year of the labour relations and remuneration situation of the Top Managers, taking advice from the firm of independent experts, Spencer Stuart. The purpose of this revision, which is carried out on a regular basis, was to ensure that the items and amounts for which retribution was due, as well as other elements comprising the labour relations with the Top Managers, were at all times in line with market practice and allowed motivating their remaining in the Company and carrying out their tasks in a suitable and competitive manner, in accordance with the Company's situation and objectives.

At the proposal of the Appointments and Remuneration Committee, the Board set the new remuneration levels of the Top Managers for a period of three years, which included the fiscal years of 2005 to 2007, as well as certain terms of their labour relation, reference to which will be made here below. Said remuneration levels comprise components similar to those in force previously, some of an annual nature and others of a multi-annual nature, as will be explained below.

The annual remuneration consists of a fixed remuneration in cash; a variable remuneration likewise cash, depending on the degree to which the set annual objectives are met and on the assessment of the management skills applied, and a remuneration in kind. In accordance with the above, the Board's criterion is that the fixed remuneration remains unvaried over the three years in question (2005, 2006 and 2007), unless there were any specific unforeseen circumstances making its revision advisable.

The remuneration at medium term is of a variable nature, being conditioned to the time the Top managers remain in the Company up to the end of the aforementioned three-year period. For each one of them it may consist of an incentive linked to the ongoing fulfilment of objectives and assessment of their management during said period and/or the concession of share options.

To set the terms and amounts of each one of those different components, the following criteria were adopted: That the variable remuneration should represent a substantial part of the total remuneration, that the remuneration at medium term should have significant weight, and that the part corresponding to the stock value should be relevant but not excessive.

In accordance with the above, the remuneration level corresponding to the Top Managers who are also members of the Board are received by virtue of their labour relations with the Company and, in accordance with what is set out in the Company By-laws, is independent from the remuneration received in their position as Directors.

In the 2006 fiscal year, in compliance with the above criteria, the total annual remuneration received jointly by the nine Top Managers and its breakdown for each one of the indicated items, is as follows:

Annual Remuneration	**€**
Fixed remuneration in cash	3,286,316
Variable remuneration in cash	2,725,219
Remuneration in kind	155,436
TOTAL	**6,166,971**

The total annual remuneration of the Top Managers represents 3.86% of the Consolidated Net Operating Profits and 3.85% of the Consolidated Profit Before Tax generated by the Company in the 2006 fiscal year.

The remuneration at medium term in force in 2006 (which was set in the previous fiscal year for the three-year period from 2005 to 2007) for the Top Management body as a whole consists of:

(a) variable remuneration in cash after three years, conditioned to remaining in the Company, which is received in accordance with the fulfilment of the objectives set for the 2005 – 2007 period, for a maximum joint sum of 1.65 times the annual fixed remuneration, to be received in cash and, in due course, once the 2007 fiscal year has been closed; and

(b) 890,000 options on shares, conceded in June 2005, with a fiscal price of 16.83 € (market price at the time of the concession) and an operating term running from April 2008 until June 2009.

Said options were granted to the Top Managers within the 2005 Options Plan, authorised at the General Shareholders' Meeting that year, directed to a total of 93 beneficiaries, full details of which are provided in Note 25 of the Annual Accounts.

Irrespective of the above, the Top Managers had an outstanding number of 423,500 options on an identical number of Company shares, which were granted to them during the second half of 2002, within the 2002 Options Plan, authorised at the Ordinary General Shareholders' Meeting that year, directed to a total of 108 beneficiaries, with an average fiscal price of 6.93 € (market price at the time of the concession) and an operating term running from April 2005 until March 2007.

Following the recommendations in this respect from the Appointments and Remuneration Committee, made after heeding what is resolved in the Internal Regulations on Conduct regarding issues concerning the Company's Security Markets, in April 2006 the Top Managers took up their options on 423,500 shares dating back to the 2002 Plan.

During the 2006 fiscal year, no options, or other kind of incentive or remuneration have been granted to the Top Managers.

The Appointments and Remuneration Committee has been recommending the Top Managers to acquire Company shares on their own account, in such a way that they reach and uphold a stable participation in the Company's capital equivalent, at least, to their annual fixed remuneration.

At the end of the 2006 fiscal year, the then nine members of the Top Management body held a total of 246,100 shares, with a market value at that time equivalent to 1.40 times their global annual fixed remuneration.

4.3. Other profits or offsets

During the 2006 fiscal year, the members of the Board and the Top Managers have not received and are not beneficiaries, at the end thereof, of any additional profit or remuneration other than those referred to above. Neither the parent Company nor any other Company in the Group has assumed any obligation whatsoever in terms of pension schemes, loans granted or sums advanced in their favour.

4.4. Indemnification clauses and non-competition commitments

From the review made of the labour framework and remuneration arrangements of the members of the Top Management body, to which reference has been made in section 4.2 above, a conclusion was reached in the sense of its being convenient to reconsider likewise certain terms of their labour relations.

At the proposal of the Appointments and Remuneration Committee, the Board agreed that each one of the Top Managers should subscribe with the Company to a contract regulating the terms applicable to his/her labour relation. Covered in said contract was the indemnification to be applied in certain cases of a termination of said relation, about which detailed information was provided by the Chairman of the Appointments and Remuneration Committee at the Ordinary General Shareholders' Meeting held in 2006 as is reflected in Note 25 of the Annual Accounts.

By virtue of what is established in said contracts, the Top Managers, in the event of their labour relation with the Company ceasing – unless this were due to voluntary resignation or appropriate dismissal – will have the right to an indemnification equivalent to what is set out in Article 56 of the Workers' Treaty, meaning 45 days of annual remuneration for each year employed by Indra, with a limit of 3.5 annuities. A minimum sum corresponding to three annuities in the event of the employee being a Chairman, Chief Executive Officer as well as certain specific conditions for the oldest Top Manager (Executive Vice-Chairman).

Similarly, and as the Ordinary General Shareholders' Meeting in 2006 was informed by the Chairman of the Appointments and Remuneration Committee and as figures in the referred Note of the Annual Accounts, the Chairman, the Executive Vice-President, the Chief Executive Officer and the General Managers of Operations have also subscribed to a series of non-competition commitments with a duration of two years from the end of their labour relation with the Company, with a compensation sum ranging between 0.5 and 0.75 times their annual remuneration for each year of non-competition.

At the proposal of the Appointments and Remuneration Committee, the Board agreed to apply this labour framework, also of a general nature, to the new General Managers appointed in January 2007, to whom reference was made in section 3.6 above.

The Company also makes public the existence of said indemnification clauses at the General Shareholders' Meeting and by way of the Corporate Governance Annual Report, drawn up pursuant to Spanish Act 26/2003 and in the Circular 1/2004 from the CNMV.

5. Transactions with significant shareholders and with directors

In accordance with what is envisaged in the Regulations for the Board of Directors, transactions with significant shareholders and Directors are to be authorised by the Board, following a report from the Appointments and Remuneration Committee, evaluating whether they are duly adapted to the principle of equal treatment between shareholders and ensuring their execution under market conditions.

During the 2006 fiscal year, commercial transactions, financial transactions and transactions concerning the rendering of professional services were carried out with the shareholder Caja Madrid and Companies associated with it, as well as with companies associated with the Directors Mr. Ramón y Cajal, Mr. Moya-Angeler and Mr. Ureta.

All of them were authorised in compliance with what is indicated above and were carried out in the ordinary course of the Company's operations and under market conditions, not representing, considered either as a whole or individually, any significant amount with regard to the Company's turnover or balance sheet.

The breakdown by type of said transactions is as follows:

	Amount (thousand €)		
Nature of the transaction	**With shareholders**	**With Directors**	**Total**
Sale of assets and services	8,472 (*)	—	8,472
Purchases of assets and service	—	506	506
Financial income received	22	—	22
Expenses for financing services	563	92	655
Expenses for professional services	—	155	155
TOTAL	**9,057**	**753**	**9,810**

(*) Of these amounts, 4,043 thousand € correspond to Inversis, a company in whose capital Caja Madrid and INDRA on 31.12.2006 held shares of 38.5% and 12.8% respectively.

Similarly, the Company publishes highly detailed information in this respect in compliance with what is resolved in Order EHA 3050/2004, by way of regular six-monthly communications sent to the Spain Stock Markets Agency.

6. Treasury shares

In compliance with what is resolved in the Internal Regulations on Conduct regarding Security Markets, the self-regulation policy adopted by the Company takes special care that transactions with its own shares do not alter the free process of price formation in the market or favour certain shareholders of the Company or its Group.

In Note 17 of the consolidated Annual Accounts, broad details are provided of the opening and closing balances of the 2006 fiscal year as well as about the transactions carried out during the period.

As to the volume of ordinary transactions, carried out in order to facilitate the shares' liquidity and to reduce fluctuations of the quoted price, transactions for the following volumes and prices were carried out during the 2006 fiscal year: Purchase of 5,528,831 shares at an average price of 15.96 € and sale of 5,485,082 shares at an average price of 16.29 €. The total purchases and sales carried out represent, respectively, 2.30% and 2.29% of the total negotiated volume during the year.

During the 2006 fiscal year, no extraordinary transaction was carried out.

The total balance of direct self regulation at the closure of the fiscal year rose to 76,697 shares (equivalent to 0.05% of the Company's capital), corresponding entirely to the balance at said time arising from the ordinary transactions.

In addition, the financing body with which the contract covering the 2005 Options Plan was subscribed to – about which details were published in due course – authorised by the General Shareholders' Meeting, holds a portfolio of 2,281,000 shares, considered as indirect self-regulation.

7. Information and communication policy with shareholders and with the market

The Company's policy is to supply broad information on a regular basis to its shareholders, the investors and the market in general, applying the principles of transparency and equal treatment.

The Company maintains numerous contacts with shareholders and interested investors both through the Shareholders' Office and through individual and group meetings with analysts and institutional investors. During the 2006 fiscal year, financial analysis reports about the Company have been issued and 31 bodies have held meetings with more than 420 institutional investors.

On its web page, (www.indra.es) the Company includes a specific section of "Information for Shareholders and Investors" via which direct access is gained to all the financial information and details of the Corporate Governance provided by the Company, the content of which exceeds legal requirements and at same time makes it possible to communicate direct with the Company.

8. Relations with the external auditor

The Company's external auditor is KPMG Auditores, appointed annually by the General Shareholders' Meeting at the proposal of the Board, following a report from the Audit and Compliance Committee

In accordance with what is envisaged in Article 40 of the Board Regulations, the Auditing and Compliance Committee supervises the relations with the external auditors and checks their independence, applying the criteria set in those Regulations regarding the meaning, for the Auditing

firm, of the fees paid and the rotation of the team responsible for the auditing work. This Committee is likewise the one which authorises, in due course, the hiring of the firm auditing other services on the Company's behalf.

During the 2006 fiscal year, the total fees paid to the auditors rose to 1.32 M €, 0.6 M € of which correspond to auditing services of Indra's Annual Accounts and 0.72 M € to other services of a financial nature rendered upon the occasion of the transaction with Soluziona during the second half of the fiscal year, for the hiring of which a prior favourable report was obtained from the Auditing and Compliance Committee.

The Board,
May 10th, 2007

Activity report 2006

Audit and Compliance Committee

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Letter of the Chairman of the Audit and Compliance Committee

Dear shareholders,

It is an honour for me to succeed Mr. Manuel Soto Serrano, whose four-year term of office as Chairman of Indra's Audit and Compliance Committee will expire in 2007, which is the maximum term allowed by the legislation in force and the Company Regulations for the Board of Directors and Corporate By-laws.

It is with pleasure that I make the Annual Activity Report of the Audit and Compliance Committee corresponding to the 2006 financial year available to Indra's shareholders prior to holding the Ordinary General Shareholders Meeting. Indra publishes this Report voluntarily, in accordance with its commitment to transparency and good corporate governance, as well as the belief that better knowledge of social management will allow the shareholder to make decisions over his/her investment.

The attached document allows in-depth knowledge of the tasks performed by the Committee and appreciation of the important function that such Committee develops in the protection of shareholders' interests when increasing the Company's internal degree of demand for the development of its management processes, analysing and controlling the risks derived from its activity, drafting its financial statements, and complying with its legal obligations and the highest standards of corporate governance.

It is worth mentioning the special dedication of the Committee during 2006 to deepen the analysis of the criteria for the application of the International Financial Reporting Standards (IFRS) in the drafting of Financial Information.

It is also worth mentioning that, during the current financial year, there was special dedication by the Committee towards the monitoring of operations performed by the Company regarding the acquisition of Azertia and Soluziona, and, especially, towards the aspects regarding their incorporation into the process of drafting the financial statements for the group corresponding to the 2006 financial year, as well as internal control systems. Likewise, the Committee acted in a timely fashion and was well-informed of both corporate operations and the main aspects of their execution, as well as of the review processes (with due diligence) prior to such operations.

In the case of the acquisition of Soluziona information technologies and the consulting businesses provided by Unión Fenosa, the Committee has equally monitored -prior to its presentation to the Board of Directors- those operations that, due to legal requirements, the Company performed within the framework of the share capital increase agreed upon in December 2006, during the Extraordinary General Shareholders Meeting, regarding this transaction.

The monitoring of the process of integrating Azertia and Soluziona into Indra was also one of the main tasks of the Committee during the first months of the 2007 financial year.

The Activity Report corresponding to the 2006 financial year, which was performed by Indra's Audit and Compliance Committee, was formulated during its session on 20th March 2007 and subjected to the consideration of the Board of Directors during its session on 19th April 2007.

This Activity Report, which has also been made public through the Company's website (www.indra.es), is available to Indra's shareholders at the same time as the call for the Ordinary General Shareholders Meeting of 2007.

Francisco Constans Ros

Chairman of Audit and Compliance Committee

Introduction

Since the beginning of the year 1999 – date when continuous trading of its shares began on the market –, Indra has implemented a corporate governance system that is always adapted to current regulations and best practices, whether national or international.

Within the framework of this corporate governance system, Indra has created in 1999 an Audit and Compliance Committee. Its competences, composition and operating rules have been regulated since then by the Regulations of the Board of Directors and, more generally, they have complied with, and sometimes gone beyond, the provisions of current Legislation. Since its creation, this Committee has been developing intense activity in the matters for which it is competent, as detailed in the annual public information on the Company's Corporate Governance.

Following the publication of Spain's Law 44/2002, dated November 22, 2002, on Reform Measures for the Financial System ("Financial Law"), which created the obligation for all publicly listed companies to set up audit committees and to regulate them statutorily, the Company took the necessary measures to adapt its Audit and Compliance Committee to the new legal framework.

As a result of this process, Indra's Ordinary Shareholders' Meeting, which was held on June 28, 2003, voted to give a statutory nature to the Committee's regulations.

Therefore, in accordance with the best transparency principles of corporate governance and since fiscal year 2003, the Annual Activity Report of the Audit and Compliance Committee has been at shareholders' disposal at the same time as the public announcement of the Annual General Meeting of Shareholders. It can be consulted on the corporate Website or a free copy can be sent on request by the Shareholder's Office.

The present Activity Report of the Audit and Compliance Committee corresponds to fiscal year 2006. It has been approved by the Committee in its meeting of March 20, 2007, presented to the Board of Directors in its meeting of April 19, 2007, and has been made available for the Company's shareholders together with the public announcement of the Annual General Meeting of Shareholders, which will be held on June 20th, 2007 on first call or in June 21st, on second call.

Composition

The Committee is an internal body of the Board of Directors, thus, all its members are directors. In compliance with the Regulations of the Board and Company Bylaws, all the members of the Committee must be external directors.

The number of Committee members, to be determined by the Board, will not be lower than three and will not exceed five. The current composition of the Committee is the following:

Chairman	**Members**
Mr. Francisco Constans	**Mr. Honorato López Isla**
(Independent director)	(Director representing major shareholder Unión Fenosa)
	Mr. Estanislao Rodríguez-Ponga[1]
	(Director representing major shareholder Caja Madrid)
	Mr. Manuel Soto
	(Independent director and Vice- Chairman of the Board of Directors)
	Mr. Juan Carlos Ureta
	(Independent director)

(1) Natural person representing the director representing major shareholder PARTICIPACIONES Y CARTERA DE INVERSIÓN, S.L., whose appointment has been proposed by Caja Madrid's shareholding interest

In compliance with the provisions of the Regulations of the Board, the Committee's Secretary is the Secretary of the Board of Directors or, failing that, the Vice-Secretary of the Board.

In the year 2006, the only change that took place in the composition of the Committee was the replacement, in November, of Mr Francisco Moure, a natural person representing the company Participaciones y Cartera de Inversión, S.L. This change was made by this company, which is a director and member of the Committee. Mr Francisco Moure had been a Committee member since November 2000. He has been replaced by Mr Estanislao Rodríguez-Ponga. This appointment was reported favourably upon by the Appointment and Remuneration Committee.

In January 2007, Mr Honorato López Isla, director representing major shareholder Unión Fenosa, S.A has been appointed as a new member of the Committee.

In February 2007, the Committee named Mr Francisco Constans as Chairman, in replacement of Mr Manuel Soto, whose four-year mandate ends in 2007. This is the maximum period of time allowed by current regulations, and it is also mentioned in the Company Bylaws and Regulations of the Company's Board of Directors.

Responsibilities and competences

The responsibilities and competences of the Audit and Compliance Committee are included in article 30 of the Company Bylaws and in article 16 of the Regulations of the Company's Board of Directors, which set that such responsibilities and competences include:

a) Informing shareholders during the General Meeting of Shareholders on issues that have been raised and on which the Committee is competent.

b) Submitting to the Board of Directors proposals for the appointment of external account auditors, as well as the conditions of their recruitment, the scope of their professional mandate and, if necessary, revocation or non renewal of their contract.

c) Maintaining a direct relationship with external auditors, assessing the development and results of their work, paying specific attention to those issues which may threaten the independence of auditors, to any other issue related to the development process of account auditing, and to other communications planned by account auditing regulations and technical auditing rules.

d) Supervising the Company's internal auditing operations.

e) Knowing and checking adaptation and integrity of the financial information process and of internal control systems.

f) Reviewing the Company's accounts, paying attention to compliance with legal requirements and proper application of generally accepted accounting principles, as well as reporting on proposed changes to accounting principles and criteria suggested by management;

g) Acting as a communications channel between the Board of Directors and external auditors, and thus assessing the answers of the management team to its recommendations. Mediating in cases of discrepancies between the former and the latter related to applicable principles and criteria in the preparation of financial statements;

h) Supervising compliance of the auditing contract, making sure that the view on annual accounts and the main contents of the audit report are written clearly and accurately;

i) Reviewing the issue of prospectus and periodic financial information that the Board must submit to financial markets and their regulatory bodies;

j) Checking compliance with the Internal Conduct Regulations of Stock Markets, with the Regulations of the Board of Directors and, in general, with the Company's governance rules and making the relevant proposals to improve them. The Audit and Compliance Commission is specifically in charge of receiving information and, if necessary, of providing a report on disciplinary measures to the Company's Top Management;

k) Considering suggestions made by shareholders, the Board of Directors and the Company's Top Management on matters on which it is competent.

We can understand from reading the section on Activities developed by the Committee in the year 2006 that each responsibility and competence mentioned in the Company Bylaws and the Regulations of the Board has been completed. This includes additional issues deemed relevant for the Committee to perform its duties and for the Company's own interest.

The Company is currently reviewing its Corporate Governance rules with the aim of adjusting them to the recommendations of the Unified Code of Good Governance (Código Unificado de Buen Gobierno) published by Spain's stock market regulator, the Comisión Nacional del Mercado de Valores (CNMV), in May 2006. Indra already meets most of these recommendations, as many of them are included in its corporate governance system, but others are not reflected in its internal regulations, even though the Company meets them. As a result of this adjustment process, there will likely be some modifications to the current internal regulations of the Audit and Compliance Committee, although these should be minor since the Company meets almost all the recommendations on audit committees contained in the Unified Code of Good Governance. However, all of them are not currently reflected in its internal regulations.

Activities in fiscal year 2006

General

In the year 2006, the Committee held nine meetings, thus exceeding the minimum number of four annual sessions planned in the Company Bylaws. This means that, depending on the period of time necessary to prepare the meetings and on the duration of such meetings, the members of the Committee together dedicated almost 200 hours in the year 2006 to review matters on which they are competent.

The meetings of the Committee are scheduled a week in advance and the documents and information related to the topics that should be discussed during the session are sent together with the official announcement of the meeting, so that the members of the Committee have sufficient time to analyse them.

In addition to making relevant proposals on matters on which it is competent, the Committee informs the Board of Directors, in each meeting of the latter, of the details of all the issues discussed in each meeting of the Committee that has taken place since the last Board meeting. In 2006, the Chairman of the Committee intervened in 10 of the 12 meetings of the Board of Directors to give details on progress of the Committee activities throughout the year.

The Committee also drew an Annual Activity Report for the year 2005, as it does every year. This report was approved by the Committee itself during its meeting of February 17, 2006. This Report was made available for shareholders ahead of the Ordinary General Meeting of Shareholders, which was held on June 22, 2006.

The Committee's Chairman spoke at the beginning of the Company's Ordinary General Meeting of Shareholders, to inform shareholders of the main tasks achieved by the Committee in 2005. He particularly insisted on the following issues: the Company's annual accounts and financial information communicated to Financial Markets, financial information and internal control systems, audit of annual accounts, corporate governance and compliance with current regulations. He also introduced to shareholders the proposal on the appointment of account auditors for fiscal year 2006.

To adequately plan and organize its tasks, the Committee set up an Action Plan for 2006 at the beginning of the fiscal year, as it does every year. This Action Plan comprises the number of ordinary Committee meetings expected to take place during the year (eight) and the topics that should be discussed in each meeting. At the end of the fiscal year, the Committee had met more times and had discussed more topics than initially planned.

In accordance with the Action Plan for the year 2006, the Committee has discussed and analysed the following topics:

Drawing up and presenting accounts

1. Review of the Company's annual accounts

The Committee reviewed in its March meeting the Management Report, the Annual Report and Annual Accounts, both individual and consolidated, for the year 2005, before they were presented by the Board of Directors. The Committee gave a favourable opinion on those reports and accounts.

In accordance with its mission to review the Company's annual accounts, to check that legal requirements are met and that generally accepted accounting principles are applied, the Committee has been reviewing the application criteria of accounting principles –focusing specially on adaptation to IFRS standards – as well as the presentation criteria of financial reporting, making recommendations on the reflection, accounting or introduction of some concepts. The Committee carried out such review at the time when the Company's Chief Financial Officer introduced his proposals for quarterly and half-year reports to be submitted to the CNMV.

2. Review of financial statements as of August 31, 2006

In its October meeting, prior to their presentation by the Board of Directors, the Committee reviewed the Company's consolidated financial statements as of August 31, 2006, presented exceptionally, in compliance with the provisions of article 159.1 c) of Spain's Law on Public Limited Companies.

Complying with the above mentioned legal principle required that the type of issue used for the capital increase that the Company was going to submit to the vote of shareholders at the Extraordinary Shareholder's meeting of December 22, 2006 – as it excluded the preferred subscription right of shareholders (the rights issue was to be entirely subscribed by Unión Fenosa) – should exceed the net asset value of the shares to be issued, as obtained through an audited balance sheet of the Company, which could not be more than 6 months old on the date when the General Meeting of Shareholders was to approve such capital increase. This is why it was necessary to approve a new balance sheet as of August 31, 2006.

The Committee gave a favourable opinion to the Board regarding the financial statements as of August 31, 2006.

3. Review of periodic information to provide to financial markets and their supervisory bodies

The Committee reviewed, before it was approved by the Board of Directors, the quarterly and half-year financial information to communicate to the CNMV and corresponding to the year 2006.

In order to comply in due time with the Company's obligation to provide its quarterly and half-year financial information to the CNMV, the Committee summoned the Chief Financial Officer to its February, May, July and November meetings.

The main new event of the year was the integration in September of financial information related to the company Azertia and its subsidiaries, as the Company acquired 100% of its share capital in the same month.

4. Annual Report for companies listed on the Nuevo Mercado (New Market)

In its May meeting, the Committee reviewed the annual Report on "Evolution and prospects of the business and of the investment and financing plans made for its future development and expansion", which all companies belonging to the Nuevo Mercado index must present to the CNMV. The Committee gave a favourable opinion to the Board of Directors regarding the draft and presentation of this report to the CNMV.

5. Information prospectus

In its December meeting, the Committee reviewed, before it was presented to the CNMV, the information prospectus on the capital increase and listing of the 18,068,171 new ordinary "A" shares, issued by the Company in accordance with the provision approved by the Extraordinary Shareholders' Meeting of December 22, 2006. These new shares correspond to 11% of the capital and were subscribed by Unión Fenosa, following the acquisition of its information technology and consulting businesses, as well as of other complementary businesses, specializing in consulting and engineering services for infrastructures and belonging to Soluziona, S.A.

The above mentioned prospectus was registered by the CNMV on January 18, 2007.

External audit

1. Proposal on the appointment of account auditors

Exercising the responsibility given by the Company Bylaws which allow it to propose the appointment of external account auditors, their recruitment conditions, the scope of their professional mandate and, if necessary, the revocation or renewal of such mandate to the Board of Directors, the Committee discussed the appointment process of the Company's account auditors for the year 2006.

After in-depth analysis of the qualitative and economic aspects of the external auditor services, the members of the Committee voted on potential options and agreed to propose to the Board of Directors to re-elect KPMG auditors as the Company's account auditors to review its 2006 annual accounts. This proposal was in turn submitted by the Board of Directors to the vote of shareholders at the Ordinary Shareholders' Meeting. Shareholders approved this proposal.

2. Fees paid to auditors

In accordance with its duty to assess issues that may threaten the independence of auditors, the Committee supervised the amounts paid to external auditors in the year 2006.

Audit of Annual Accounts	593,477
Audit of August 2006	140,000
Due diligence and other auditing services	590,000
Total	**1,323,477**

Euros

The Committee authorized hiring KPMG to provide other auditing services than the audit of annual accounts. Those services relate to the integration process of Soluziona, and include: writing the due diligence report prior to the acquisition of those businesses as well as the financial information requested by the CNMV and which must be included in the information prospectus mentioned in section five. The Committee gave its authorization as it considered that KPMG, because it knew the Company better, was able to carry out these duties in a shorter period of time than another auditing company. This meant that the Company would be able to meet the adjusted timetable for this operation.

3. Follow-up of the audit development process for annual accounts

As a follow-up of the auditing process for annual accounts, from planning and development to their conclusions, making sure that the opinion on annual accounts and the main contents of the audit report were clear and accurate, and in order to assess the development and results of each audit and of its duties, the Committee examined and rigorously assessed the reports set up by external auditors regarding:

- The final audit report on the 2005 annual accounts, where the auditor's view is given without any reservation.
- The report on recommendations to improve organization, processes and information systems and control, which derives from the audit of the 2005 annual accounts.
- Planning of and preliminary work on the annual account audit for fiscal year 2006.
- The preliminary audit report on the 2006 annual accounts.

To assess adequately the above mentioned aspects, the KPMG partner in charge of the audit appeared four times before the Committee.

In addition, the Committee supervised the review by KPMG of the financial statements as of August 31, 2006, set up by the Board of Directors in compliance with Spain's Law on Public Limited Companies and as part of the capital increase approved by the Company for the integration of Soluziona. The auditor presented this report, which did not contain any reservation, to the Committee in its October meeting.

4. Assessment of the follow-up of recommendations derived from account auditing

The auditor's overall conclusion is that the Company's information and control levels are efficient, and the conclusion of his recommendation report is favourable. Nevertheless, the recommendation report corresponding to the year 2005 included some minor issues which could be improved and which were presented to the Committee by the auditor.

The Committee coordinated communication to the persons in charge of each area affected by the recommendations issued by the auditor and supervised implementation of the proposed recommendations by these persons.

Moreover, in fiscal year 2006 and given its responsibility for assessing the management team's answers to the recommendations issued by the auditor in his report on comments and recommendations on internal control, the Committee checked, as the auditor himself could verify while auditing the 2006 accounts, that the organization had implemented throughout the year 2005 the recommendations issued by the auditor in his report corresponding to the previous year.

Internal audit

The Committee is responsible for supervising the Company's Internal Audit system and for reviewing the appointment and revocation of the persons in charge of such internal control. As part of this duty, the Committee has supervised the actions of the Internal Audit Department throughout the year, including the definition of its procedures and targets, the organization of human resources, level of staffing and training of personnel.

As part of this supervision duty, the Committee has reviewed during the fiscal year the following proposals of the Internal Audit Department:

- Presentation of the Annual Internal Audit Report for fiscal year 2005.
- Annual Internal Audit Plan for fiscal year 2006

The Committee is also in charge of assessing on a quarterly basis the actions taken and reports issued by the Internal Audit Department in order to review the Company's various organizational areas and control and management processes (some examples of areas and processes reviewed in 2006 are: follow-up and control of subsidiaries; ratification and selection of suppliers; centralization of purchases; management of expat employees; subcontracting of personnel; project follow-up; drawing up of consolidated financial statements; selection of suppliers; tax management, etc.).

Internal and regulatory control systems

The Committee is also in charge of knowing and checking the adequation and integrity of the economic reporting process and internal control systems. As part of these duties, the Committee has met with the managers of various corporate areas of the Company in order to be informed of the situation and operation of these areas, as well as to supervise the information and control processes. As part of those meetings and in addition to being informed of the above mentioned issues, the Committee actively supervised these areas, making recommendations to improve the processes and internal control systems developed by such areas.

The area managers which have been summoned to attend meetings of the Committee in 2006 are the following:

1. Project Management

1.1. Project Management Methodology

For the fourth consecutive year, the Chief Operating Officer in charge of Indra's project management method (MIGP for "Método Indra de gestión de proyectos"), together with the Operation Support Director, attended the Committee's meetings twice, in order to present the progress made in developing and applying this methodology that the Company implemented several years ago. MIGP meant significant

support to project management, through systematization of project planning as well as their follow-up to prevent and control diversion of costs and delays in project execution. This does not only make internal management economically easier but it also helps with quality management of the products and services provided by the Company as well as with the satisfaction degree of clients.

In the year 2006, the search for excellence when applying such methodology, fully implemented in previous years, has been studied in depth through the following actions:

- Training of all project managers on MIGP. New promotions will receive similar training. In addition, a group of key persons has obtained the PMP (Project Management Professional) certification.
- Various operating divisions have obtained the CMMI (Capability Maturity Model Integration) certification, which measures the maturity of an organization regarding software development.
- Support handed by the internal Project Management Bureau to operating areas, particularly to set up itemized work structures, which define the stages of a project in order to help with planning and obtaining information on the development of such project.
- Updating the project management method to continuously improve it and to adapt it to the latest trends on this subject, whether in terms of contents or of information technology tools for its management.

1.2. Quality Department

The Chief Operating Officer in charge of project management methodology and the Operation Support Director also presented information on the management of the Company's Quality Department for the first time to the Committee. Although this department is coordinated by the Operation Support Department, it is directly managed in a decentralized way by the operating areas.

Moreover, the Committee was informed of the quality certifications obtained by the Company. Maintenance of such certifications requires annual internal audits carried out by the Operation Support Department, as well as audits on the quality levels of suppliers.

2. Risk and Insurance Management

Twice a year, the Committee, together with the Risk and Insurance Manager and with the Financial Reporting Director, reviews the Company's risk identification processes, using the Risk Map; it also reviews the policies and actions implemented throughout the year to cover and prevent identified risks.

The Committee was informed that the management application of the Risk Map is in the final stage of definition of the Company's internal processes, which is why parameters complying with the CMMI (Capability Maturity Model Integration) model are used, which will make it possible to potentially get the homologation of those processes. Such processes are incorporated into an information technology tool developed internally, which will make it possible, among other functionalities, to measure the potential risk of the project and will integrate a management information module on the status of said project.

Regarding the insurance policy, the Committee took the opportunity to confirm that the Company's criterion remains all the likely risks, without practically using self-insurance, although some risks are difficult to insure given the market does not cover them. Such risks include information technology risks where the only option is to prevent the risks.

In addition, the Company has increased risk control with actions such as: policies on labour risk prevention, audits on fire and trespassing, coverage of new risk situations such as opening new sites or the intervention of the Risk Management Department in preventing risks in contracts with clients. This is achieved by working closely with internal legal departments.

Similarly, the Committee was informed, regarding insurance policies, that the Company obtained a very low claims ratio in the year 2006, which will make it possible to improve rates when renewing insurance policies.

3. Monthly closing and consolidation process. Accounting Handbook

The Committee, together with the Administration Director, reviewed the monthly closing and consolidation process, for which there was no new event in the course of the year 2006.

The Administration Director informed the Committee that an "Accounting Atlas" is being drawn up. This is an electronic version of the Accounting Handbook, available on Indra's Website and highly navigable, which makes it easy to consult by all the accounting managers of any company of the Group.

4. Administration and Taxation

The Administration Director also detailed before the Committee the most relevant actions taken during the year 2006 by the Administrative area. He highlighted Azertia's integration in the Company's accounts as of the month of September and the growing development of electronic billing for clients.

The Administration Director also detailed operations of the Taxation area, which it is also in charge of, highlighting that the tax inspections carried out in some companies of the group were closed without any incident. He also insisted on the increasing involvement of the Taxation Area in preventive tax advice during the preparation stage of commercial offers.

5. Purchasing and General Services

The Committee met twice with the Director of Purchasing and General Services in order to review the fully centralized purchasing and supply system implemented by the Company, as much to study project supply to clients as internal purchases. Such centralization makes it possible to plan supplies and to achieve savings and synergies which make the organization more efficient.

The Committee, during its meetings with this Department, supervises that all the Company's purchases are placed through the area and it is informed of issues such as selection criteria for suppliers, turnover of buyers, management time for purchases and order reception, warehouse management, as well as of the cost savings achieved through centralization.

The main new event of the year was the creation of the "Supplier Portal" on the Internet. Suppliers that have been officially approved by the Company can get access, through this Portal, to offers published by the Company to cover its needs and can also make their own offers, which optimises the offer selection mechanism. The Committee was also informed of the signature of framework agreements to regulate the Company's relations with its main suppliers.

6. Treasury

The Committee summoned the Company's Treasury Director and Financial Reporting Director to review in detail the actions taken by the Treasury area in the year 2006, highlighting the following aspects: (i) completion of the banking fee savings process, as the area has achieved relevant savings in operations carried out outside Spain, in transaction banking costs and in bill costs; (ii) consolidation of the corporate banking relations model as transactional banking products are considered commodities, as minimum quality standards and low target prices have been agreed on and as the number of supplying banks has been cut; and regarding other operations, through the identification of the best products and services provided by each bank, while searching utmost specialization of the supplier and setting up an alliance relationship with supplying banks; (iii) progress in banking control of subsidiaries and foreign accounts, through centralization of banking relations with only one bank present in a large number of countries and which has a high-quality electronic banking platform; (iv) process mechanization through the use of a Treasury information technology tool acquired on the market and which has made the reporting system and management simpler; and (v) setting up new internal regulations for foreign exchange risk management, which principle is to fully hedge the currency positions deriving from contracted projects and to have the necessary flexibility for specific exceptional situations.

7. Human Resources

In its September meeting, the Committee met with the Chief Resources and Corporate Management Officer and the Human Resources Director, with whom they analysed, among other issues, the design and implementation of the new Website of the Human Resources Department, the development of the new employee Welcome Plan and the internal talent search programmes.

In addition, the Committee was informed of the implementation of HR processes in the Company's main subsidiaries outside Spain.

The Committee checked that the Company complies with the Professional Code of Conduct, which is currently being reviewed to be adapted to the latest trends in terms of corporate social responsibility. The new draft will be presented to the Commission in the next few months so that it can revise it and make comments prior to its approval and distribution.

8. Internal Systems

The Commission met with the Chief Resources and Corporate Management Officer and the Internal Systems Director, who provided detailed information on the progress made by this area, on the improvements and revisions made to some internal management systems, as well as on the development of new systems. They highlighted: (i) start-up of the Supplier Portal, designed following a request by the Purchasing and General Services Department and which allows Indra to interconnect with its suppliers; (ii) start-up of the new Intranet (Indraweb); and (iii) development of an information technology tool to support the Company's Risk Map, set up following a request by the Financial Reporting Department.

They also informed the Committee of the main characteristics of the Company's information technology Safety Plan, highlighting that this is a perimeter system, whereby attacks on one centre do not affect other centres.

9. Financial Reporting

The Committee, together with the Financial Reporting Director, reviewed the most relevant aspects of his area, highlighting the improvements integrated in the project management system: (i) reinforcing the risk assessment mechanisms for the management of commercial offers; (ii) increasing the reporting level required in project control, which makes it possible to improve statistics and make better forecasts; and (iii) defining the assumptions obliging a project manager to write a project situation report because there have been diversions in the development of this project.

Assessment of the efficiency of and compliance with corporate governance rules

As part of its obligation to review the efficiency of and compliance with the Company's governance rules, as well the adaptation of such rules to international corporate governance recommendations and standards and to regulatory changes, the Committee reviewed the proposals made by the Vice-Secretary of the Board of Directors and Director of the Board and Legal Issues Secretary related to modifications made to the Internal Code of Conduct on Issues related to Financial Markets (or "ICC"), to the Company Bylaws and to the Regulations of the General Meeting of Shareholders, on the following aspects:

(i) Proposal to adapt the ICC to Spain's Royal Decree 1333/2005 on market abuse, which provisions affect almost the entire text.

(ii) Following the publication of Spain's Law 19/2005, dated November 14, 2005, on the European public limited company, which modified article 97 of Spain's Law on Public Limited Companies regarding the regulation and announcement of general meetings of shareholders, proposal to modify article 13 of the Company Bylaws and article 3 of the Regulations of the General Meeting of Shareholders.

(iii) Proposal to modify the text of article 2 and 31 of the Company Bylaws, in order to make them clearer. In the first article, the idea was to replace the text on the object of the company, which was too long and mostly obsolete and in the second article, the proposal was to remove the mention to the Company's first fiscal year as it no longer applies.

After analysing these proposals, the Committee approved the proposed changes, and gave a favourable opinion to the Board of Directors on those matters. The Board approved the changes in its meeting of May 11, 2006 and regarding the modification of the Company Bylaws and of the Regulations of the General Meeting of Shareholders, the Board asked for the approval of the Ordinary General Meeting of Shareholders which gathered on June 22, 2006.

In addition, the Committee reviewed the Annual Corporate Governance Report corresponding to fiscal year 2005 and gave a favourable opinion to the Board. There were two versions of the report, on the one hand, a Report on conformity with the model contained in Circular

1/2004 of the CNMV in development of Spain's Transparency Law and, on the other hand, an additional and voluntary report, summing up and completing the former.

Acquisition of Azertia and Soluziona

The year 2006 was very significant for Indra, as it completed the acquisition of Azertia and its subsidiaries and concluded the necessary agreements to acquire the consulting and technology businesses of Soluziona. This acquisition was completed in January 2007.

As part of the above mentioned operations, the Committee was regularly informed of the progress of such transactions and of the main milestones of the process, as well as of the progress of the due diligence processes, carried out prior to these acquisitions.

Action lines for 2007

In accordance with the session Timetable for 2007, approved by the Committee at the beginning of the current fiscal year, the latter should organize eight ordinary meetings, in which will be discussed, in addition to the recurrent issues reviewed every year, an annual review of the follow-up and control of subsidiaries and shareholdings and the follow-up of progress made in the integration process of Azertia and Soluziona. In addition, in 2007, the Commission plans to follow up the adaptation of the Company's internal rules to the recommendations of the "Unified Code of Recommendations on Good Governance of Publicly Listed Companies", as well as appropriate implementation of such recommendations.

Company Bylaws

Article 1. The Company shall operate under the name of "Indra Sistemas, S.A." and it shall be governed by these Company Bylaws and, in all matters upon which the said Bylaws are silent, by the Spanish Corporations Act and such other legal provisions as may apply to it.

Article 2.

1. The Company has as corporate purpose:

a) The design, development, production, integration, commercialisation, operation installation and maintenance of systems, solutions and products which use computing, electronic, communications and other information technologies (including the elements and mechanic devices related to them and the works required for installation) and are suitable to be applied to any field or sector, as well as any kind of service related with the above.

b) The provision of professional services in the fields of strategic and management consultancy, technology consultancy and training addressed to any sector or field, including the drafting, preparation and execution of any kind of studies and projects and the management, technical assistance, technology transfer, commercialisation and administration of such studies, projects and activities.

2. The activities included in the company's corporate purpose may be developed in Spain and abroad, even indirectly, by any of the forms admitted by the Law and, in particular, through the ownership of stocks or participations in other companies or legal entities with a corporate purpose identical, analogous, accessory or complementary to the foregoing activities.

Article 3. The Company shall have its registered office in Alcobendas (Madrid), at Avenida de Bruselas 35, and it is authorized to establish branches, agencies, delegations and representative offices wherever it may be deemed necessary, in any part of Spain and abroad, on a resolution of the Management Body of the Company.

The Management Body may also resolve to move the Company's registered office within the same city limits.

Article 4. The Company shall have perpetual succession, and shall commence its operations on the date of execution of its public deed of incorporation, without prejudice to the provisions in Article 15 of the Spanish Corporations Act.

Article 5. The Company's capital amounts to € 32,851,219.40 (THIRTY TWO MILLION EIGHT HUNDRED AND FIFTY ONE THOUSAND TWO HUNDRED AND NINETEEN EUROS WITH FORTY CENTS), represented by 164,132,539 ordinary class 'A' shares, of par value € 0.20 (TWENTY CENTS OF EURO) each, numbered consecutively from 1 to 164,132,539, both inclusive, and represented by means of book entries, by 80,910 redeemable class 'C' shares, of par value € 0.20 (TWENTY CENTS OF EURO) each, numbered consecutively from 1 to 80,910, both inclusive, and represented by means of book entries, and by 42,648 redeemable class 'D' shares, of par value € 0.20 (TWENTY CENTS OF EURO) each, numbered consecutively from 1 to 42,648, both inclusive, and represented by means of book entries.

The share capital is entirely subscribed and paid.

The book entries will depict the characteristics that shares must fulfill according to the Law and that would be applicable to this way of representing the shares.

The pattern applicable to redeemable class 'C' shares is the following:

Equity of Redemption. Deadline for exercising the right

The issued shares can be redeemable in accordance with what is envisaged in articles 92 bis and 92 ter of the LSA (Spanish Corporations Act).

Only shareholders will have the right to exercise the equity of redemption by written notification addressed to the Company during the thirty day period ("Period of Redemption") from the first day of each quarter from 1st of April of 2003 to 1st of April of 2007, both included ("Redemption Date"), all dates prior to the fifth anniversary of the date of issue.

The notification of the exercise of the redemption right will be done directly by the shareholder or by the depositary entity to the Company. The exercise of the right will be carried out by a whole number of shares.

Once the last Period of Redemption is over, shares that haven't been redeemed will become class 'A' ordinary shares, with the resulting disappearance of class 'C' shares and need of rewriting Article 5 of the Company Bylaws. The Periods of Redemption will be stated in the public document to make a capital increase, recorded in the Register of Companies and in the prospectus for inscribing on the Stock Exchange list the issued shares.

Redemption Price. Shares' Amortization

The redemption price ("Redemption Price") of the shares which the equity of redemption has been exercised over, will be that established as rate of issue, it is, € 7.27

The redemption of the shares will be carried out by their amortization by any of the methods foreseen in Article 92 ter of the LSA.

The Company will adopt/enact the necessary agreements, for any of the methods foreseen in Article 92 ter of the LSA, in order to redeem the shares and pay the Price of Redemption to the shareholders who had exercised their equity of redemption, within a 90-day-period from the date of expiration of the Period of Redemption.

Renouncement to the Equity of Redemption

Without prejudice of the aforementioned, the holders of class 'C' shares may renounce to the equity of redemption of these shares, this becoming class 'A' ordinary shares.

The renouncement may be formulated, at any moment, by written notification to the Company, who will proceed with the execution of the corresponding public document to modify the share capital, resulting the consequent modification of Article 5 of the Company Bylaws, the entry in the Register of Companies and the publication in the BORME (Official Gazette of the Commercial Registry) on the basis of Article 144.2 of the Spanish Corporations Act, and of the implementation of any procedure requested by the Stock Exchange Council, the SCLV (Share Clearing and Settlement Facility) and the CNMV (Spanish National Securities Market Commission), to negotiate the shares so that they can become class 'A' ordinary shares.

Faculty Delegation

The President of the Board of Directors is entitled, with substitution capacity , to execute the public and private documents and track all the records and make all the procedures necessary to implement and complete the aforesaid procedures and, particularly to appoint according to the criteria approved by the Board, the financial entity to whom offer the subscription of the present share issue and for the implementation of any procedure requested by the Stock Exchange Council, the SCLV (Share Clearing and Settlement Facility) and the CNMV (Spanish National Securities Market Commission), to negotiate the redeemable shares issued and of the shares that turn into class 'A' ordinary shares.

Article 6. A share confers on its rightful holder the status of shareholder and shall entitle the shareholder to a right to share in the Company's profits, rights of pre-emption and a right to vote at General Meetings, as provided for in Article 48 of the Spanish Corporations Act, as well as any other rights therein acknowledged. The aforementioned rights shall be exercised in accordance with Articles 25 and 41 of Royal Decree 116/92 of 14 February, or by such provisions which may replace them.

With the exception of that provided for in the Act, in the event of a non-monetary contribution to capital in a new issue of shares, wherein the new shares are only paid up to part of their par value, the Board of Directors is authorized to fix the date or dates and any other conditions for the paying-in of the unpaid portions of the par value of the shares.

Whilst the shares are quoted on the Stock Exchange, the keeping of the book register of said shares shall pertain to Servicio de Compensación y Liquidación de Valores [Spanish Securities Clearing and Settlement Service], which shall keep the Central Registry, and its member entities, in accordance with the terms of the applicable legal provisions.

Shares may be transferred by any of the methods recognized by law, according to the type of share, and pursuant to the regulations governing the transfer of shares represented by means of book entries.

Article 7. The shares are indivisible. Co-owners are obliged to designate one sole person to exercise the rights of a shareholder, and are jointly and severally liable to the Company for such obligations, pursuant to Article 66 of the Spanish Corporations Act.

In addition, shares held in co-ownership shall be registered in the appropriate book register against the names of all the co-owners.

Article 8. In the event of an usufruct over shares or a pledge of shares, the provisions contained in Articles 67 to 71 and Article 72 of the Spanish Corporations Act shall apply, respectively, as well as the provisions contained in Articles 13 and 39 of Royal Decree 116/92 of 14 February, or such provisions which may replace them.

Article 9. The Company, on a resolution of the Shareholders' Meeting, adopted in accordance with the requirements of Article 103 of the Spanish Corporations Act, may issue common and mortgage-backed or other types of debt securities, within those limits as established in the aforementioned Act.

The debt securities issued by the Company shall be represented by means of book entries in accordance with Article 29 of Royal Decree 116/92 of 14 February, or such provisions which may replace them, whenever it requests admission to listing on the Stock Exchange.

Article 10. The governance, management and representation of the Company shall pertain, with full and sovereign powers to resolve all business of the Company, to the shareholders in General Meeting, and by permanent delegation thereof, in the manner provided in these Bylaws, to the Board of Directors.

Article 11. The Shareholders Meeting, duly called in accordance with provisions of these Bylaws and the current applicable law, shall represent all the shareholders and have all the powers of the Company, and its resolutions are, of course, mandatory and binding on all shareholders, including dissidents and those who have not participated at the meeting, once the corresponding minutes have been approved in accordance with these Bylaws.

Article 12. The Annual Shareholders Meeting shall be held, within the first six months of each financial year, to review the management of the company by the Board of Directors, approve the annual financial statements of the preceding financial year, and decide on the proposed application of company earnings and any other matter included on the Agenda. All other Shareholders Meetings shall be considered Special Shareholders Meetings and shall be held on a resolution of the Board of Directors or when requested to do so by shareholders who represent, at least, five per cent of the capital stock.

Those shareholders who request a Shareholders Meeting to be called, must address the appropriate request to the Management Body of the Company, duly verifying they hold a number of shares which represent at least five per cent of the Company's capital stock, and they must also state precisely which are the matters to be dealt with at said Meeting. Where this is the case, the Shareholders Meeting shall be called to be held within thirty days following the date on which the request by means of official record was received from the shareholders who requested the same, and the agenda must include those matters which form the subject of the request, and any others which the Management Body may approve.

Article 13. Both Annual and Special Shareholders Meetings shall be called on a resolution of the Body entrusted with the management of the Company, by way of a notice published in the Official Gazette of the Commercial Registry and in one of the daily newspapers of greatest circulation in the province where the Company's registered office is located, at least one month prior to the date scheduled for the meeting.

The notices must set forth the place, date and time scheduled to hold the meeting on first call and a statement regarding the matters to be discussed at the meeting. In addition, the notice may include the date and time, if appropriate, on which the Meeting shall be held on second call. There shall be a period of time of, at least, twenty-four hours, between the first call and the second call.

Those shareholders representing at least 5% of the capital stock can request that a complement to the notice to call any General Shareholders' Meeting shall be published, in order to include one or more points in the Agenda. This right shall be exercised by sending a certified notification that shall be received at the company's registered office within the five days following the date when the notice of the General Shareholders' Meeting was published.

The complement to the notice shall be also published at least 15 days in advance to the date scheduled for the General Shareholders' Meeting. The lack of publication of the complement in such timeframe shall determine the nullity of the General Shareholders' Meeting.

Article 14. Those shareholders who can show that they own, at least, a hundred shares may attend the General Shareholders' Meeting –or if said number of shares represents more than a one-thousandth part of capital stock, such lesser number of shares which may represent a one-thousandth part of the capital stock – five days prior to the date on which the General Shareholders' Meeting is to be held. Those shareholders who own a lesser number of shares may grant their proxies for their shares to another shareholder who has the right of attendance, or pool their shares with those of other shareholders in order to make up the required minimum. Such a pooling arrangement shall be especially formed for each particular General Shareholders' Meeting and be in writing. Shareholders who form a pool shall grant their proxies to one member of their pool.

In order to exercise the right of attendance, the shareholders may, at any time as from the date of publication of the notice of the meeting to the date on which the General Shareholders' Meeting is to be held, request the corresponding eligibility certificate or similar document from the member entities of SCLV, so that their shares may be registered against their names on the corresponding register book entries, in order to obtain, where appropriate, the corresponding admission card from the Company.

Any shareholder entitled to attend may be represented at the General Shareholders' Meetings through another person who need not be a shareholder. Such representation, which will be conferred specially for each Meeting, may be given by any of the procedures foreseen in Law or in the present Bylaws.

Article 14 (bis). The right to attend General Shareholders' Meetings, as well as the rights to vote and be represented by a proxy, may be exercised by means of such forms of remote communication devices as may be stipulated in the Regulations for Shareholders' Meetings or approved from time to time by the Board of Directors, in view of their complying with the security aspects required in accordance with legislation to ensure the identity of the shareholders in question and the effective exercise of their rights. The notices announcing the General Shareholders' Meetings will detail the procedure and requirements whereby the right in question may be exercised by means of the telecommunications devices that may be used in each case, in accordance with the provisions of the present article.

Article 15. The Members of the Board of Directors must attend the Shareholders Meetings. The managers and experts of the Company may be expressly summoned by the Board of Directors to attend the Shareholders Meeting. In any case, even though they are not shareholders, those attending may take part in the discussions in order to report to the Assembly, but they shall not have a right to vote.

Article 16. The Shareholders Meeting shall be held in the municipality where the Company's registered office is located and the Chairman of the Board of Directors shall preside over the Meeting, or in his/her absence, one of the Vice-Chairmen, and if they are absent, by such Director which the Board may appoint, or else such shareholder which the Shareholders Meeting may appoint.

The Secretary of the Shareholders Meeting shall be the Secretary to the Board of Directors, and in his/her absence, the Vice-Secretary to the Board of Directors, and if both are absent, such shareholder in attendance at the meeting who may be appointed by the Shareholders Meeting for this purpose.

The Chairman of the Shareholders Meeting shall have the authority to acknowledge the validity of the document authorizing the proxy, and that the requirements to attend the Shareholders Meeting have been complied with.

Article 17. In order for the Shareholders Meeting to constitute a quorum, at least twenty-five per cent of the voting capital stock shall be required to be in attendance, either in person or by proxy, on first call. On second call, the Shareholders Meeting shall be set up whatever the voting capital stock in attendance. Notwithstanding, in order for the Shareholders Meeting to adopt resolutions regarding a new issue of shares, an increase or reduction of capital, a reorganization of the Company, a merger, a de-merger, the dissolution of the company and, in general, any amendment to the Company Bylaws, at least fifty per cent of the subscribed voting capital stock shall be required to be in attendance on first call, and twenty-five per cent of said capital stock shall be required to be in attendance on second call.

Article 18. Notwithstanding the provisions of the foregoing Articles, the Shareholders Meeting shall be deemed to constitute quorum in order to discuss any matter and fully authorized to adopt all kinds of resolutions, with no need for any other requirements, so long as all the paid-up capital stock is present or represented and those in attendance unanimously agree to hold the Shareholders Meeting.

Article 19. Each share gives the right to cast one vote and the resolutions of the Shareholders Meeting, both Annual and Special, shall be made by a majority of validly cast votes, the only exception to this rule being those cases in which the Act or these Bylaws require the favourable vote of other types of majorities.

Article 20. The Minutes of the sessions of the Shareholders Meetings shall be compiled by the Secretary, and a list of those in attendance shall appear in the heading, pursuant to Article 111 of the Act, and shall contain a summary of the discussions, the literal text of the resolutions adopted and the results of the votes taken. The Minutes shall be transcribed in the corresponding Minutes Book especially reserved for Shareholders Meetings and must be approved by those in attendance at the end of the session, or within the period of the fifteen

days following, by the Chairman and two shareholders who shall act as scrutineers, one representing the majority and the other the minority, and they shall be signed by the Chairman and Secretary of the Shareholders Meeting, as well as the two shareholders who acted as scrutineers, where appropriate.

The Minutes which have been approved in either of these two ways shall be enforceable as from the date of their approval.

Article 21. The Company Management is entrusted to the Board of Directors which shall act as a collegiate body.

To be appointed a Manager or a Director, it is not necessary to be a shareholder.

The Board of Directors shall be composed of a minimum of eight members and a maximum of sixteen, and the Shareholders Meeting shall decide the exact number.

Article 22. The Directors shall serve in their posts for a term of office of three years.

Any vacancies that arise on the Board, which do not occur as a result of the expiry of a term of office, shall be filled on an interim basis, by a person appointed by the Board itself, from among the shareholders of the Company, until the first General Shareholders Meeting meets.

Directors must resign from their posts in those circumstances provided for in those regulations which have been approved by the Board, pursuant to the power conferred on the Board by Article 141.1 of the Spanish Corporations Act.

Article 23. The Board of Directors shall meet in accordance with the regulations that the Board itself approves, pursuant to the power conferred on it by Article 141.1 of the Spanish Corporations Act, which is, at least, once a year. With the exception of those cases in which, pursuant to said power, an alternative is established, the calls shall be made by the Chairman at least two days prior to the date on which the meeting shall be held. Providing that a meeting has been requested by one third of the members of the Board, the Chairman shall not delay the call for more than thirty days as from the date on which the request was made in writing.

Article 24. Any Director may be represented at the meetings of the Board by granting the corresponding proxy in writing to another member of said corporate body who shall attend that specific meeting.

With the exception of those cases wherein specific attendance requirements have been laid down in relation to quorums, the Board of Directors shall be deemed quorate when one-half plus one of the Directors are in attendance, whether in person or by proxy.

Resolutions shall be adopted by a majority of votes of those Directors in attendance, whether in person or by proxy; in the case of a tie, the Chairman of the Board of Directors shall have a second or casting vote. However, when such resolutions refer to the appointment of Managing Directors or permanent delegation of authority of the Board, these resolutions shall require the favourable vote of two-thirds of the members of the Board of Directors.

In the case of an uneven number of Directors, it shall be understood that the necessary quorum is present, whenever the next greater whole number of Directors, in excess of one-half, is in attendance, either in person or by proxy.

Article 25. The Minutes of the meetings of the Board of Directors shall be approved in one of the following ways, depending on the decision taken by the Board at the same meeting:

- by favourable vote of the majority of the members of the Board of Directors, present or represented, at the end of the session;
- by two Directors, in attendance at the meeting, within the period of fifteen working days following the date the meeting was held;
- by favourable vote of the majority of the members of the Board of Directors, at the next meeting of the Board of Directors.

Article 26. The Board of Directors is the management body of the Company and represents the Company, in litigation and otherwise, in all matters pertaining to its business activities, its trading activities, and its objects, and it is, therefore, entrusted with all the powers and authority which it may require in order to fulfil the objectives of the Company, to exercise the management of the Company at the highest level with the broadest powers possible, without prejudice to sovereignty reserved, by law and these Bylaws, for the Shareholders Meeting, whose resolutions the Board must comply with.

By way of illustration and not limitation, and not requiring any further resolutions of the Shareholders Meeting, the Board of Directors has the power:

a) To call Annual and Special Shareholders Meetings and perform all the resolutions approved by the same.

b) To manage and organize the Company and such business activities and property which comprise its Assets, and to attend to the management of the same at all times.

c) To appoint and dismiss all the Company personnel, setting their salaries and any other pertinent benefits.

d) To submit those projects to the Shareholders Meeting, which it considers as useful to the Company.

e) To introduce and expand the Company's business activities in relation to all or any of the objects stated in the second Article of these Bylaws.

f) To accept credit and loans from banking and other institutions, including providing mortgage or pledge security and to act as guarantor or surety for third-party liabilities.

g) To produce the annual Balance Sheet which is to be presented to the Shareholders Meeting, on the relevant report from shareholder-auditors, where appropriate, and to propose such part of the earnings as it may deem appropriate to be applied to discharge accounts and amortizations, pending obligations and all kinds of reserves.

h) To make a proposal to the Shareholders Meeting regarding the dividends to be paid to the shareholders, according to the balance in said Balance Sheet.

i) To distribute interim dividends from the earnings of the current financial year, after complying with the provisions in Articles 213 and 216 of the Spanish Corporations Act.

j) To buy, sell, exchange, lease and in any other way enter into contracts in relation to all types of real and personal property, real rights and special properties, as well as over any service or installation work which may be necessary to the objectives of the company, to create, restructure and cancel mortgages and all types of real rights.

k) To present offers and proposals at public tenders and auctions called by any Ministry or Official Bodies of the State, Province, Municipal Council, Regional Government Authorities and the Department of Social Security, as well as any other public or private bodies, both in Spain and abroad.

l) To create deposits, sureties and all kinds of security with the State, Tax Authority and the General Depositary Office and any other public or private bodies, as well as to cancel them, receive any amounts and to make all kinds of payments.

m) To fully represent the Company in litigation and otherwise, before the State, the Province and Local Councils, Authorities, Courts, Civil Servants, Trade Unions, Official Departments and Bodies, at any level and in any jurisdiction and before all kinds of natural and legal persons; to grant and revoke powers of attorney of all kinds; and to execute and legalize all types of public and private legal instruments which are relevant to the proper performance of its duties, to bring all types of actions, to exercise all types of rights, to make all types of

appeals, both ordinary and extraordinary, including cassation and further appeals.

n) To sign and act on behalf of the Company in all kinds of banking and financial operations with Banks and Savings Banks, to open and close credit and current accounts, and to use them in broadest sense possible, requesting balances, setoffs, liquidations, making transfers of funds, yields, credits and securities, using any trading or money transfer procedure, to create, accept and cancel deposits and security interests, all of which may be performed together with the Bank of Spain and other Official Banks as well as with private Banking Institutions, both in Spain and abroad, and Savings Banks; to sign letters of credit and any other documents in relation to commercial business and trading, in its capacity as drawer, acceptor, guarantor, endorser, or holder of the same.

It shall be understood that the aforementioned list of powers is only by way of illustration and not limitation, and that the Board of Directors has been granted all the pertinent powers which are necessary in order to manage and trade as a business, except for those which are expressly reserved for the Shareholders Meeting.

Article 27. The remuneration of the Board of directors shall be fixed by the Shareholders Meeting annually or for such longer period of time as the Board itself may decide, and shall consist of a fixed amount and a share in the net profits of the Company. The share in the net profits shall amount to 1% of the consolidated earnings for the financial year attributable to the Company, and may only be charged to the net profits of the Company, providing that all the other requirements provided for in Article 130 of the Spanish Corporations Act have been complied with.

The payment of the remuneration may be made in the form of Company shares, stock options or be directly linked to the company share price value, if so resolved by the Shareholders Meeting, which shall, at least, express the allegations established in Article 130 of the Spanish Corporations Act.

The Board of Directors is empowered to distribute an overall compensation fixed by the shareholders Meeting among its members.

The remuneration provided for in this article is compatible with and independent of any salaries, emoluments, indemnities, pensions or compensation of any kind, established in general or in particular for those members of the Board of Directors who have an employment relationship with the Company –either normal or special for top management- or one for the rendering of services, which relationship is compatible with their status as members of the Board of Directors, notwithstanding that such remuneration concepts shall have to be stated in the Annual Report in the terms provided in Article 200.12 of the Spanish Corporations Act and any other applicable legal provision.

Article 28. The Board of Directors shall elect one of its members to the post of Chairman, who shall also act as the Chairman of the Shareholders Meeting and the Company, and it may also, if it be deemed necessary, elect one or more Vice- Chairmen to substitute for the Chairman in a case of absence or necessity. In those cases, where no Vice-Chairmen have been elected, the substitute of the Chairman of the Board shall be a Director appointed by the Board itself.

The duties of the Chairman or his substitute shall be the following:

To call the meetings of the Board of Directors; to ensure that the formalities laid down in these Bylaws and the regulations contained in the Act are observed, in the way the meetings of the Board of Directors and the Shareholders Meetings are notified and held; to preside as chairman of the meetings of the Board of Directors and the Shareholders Meetings, to direct the discussions which are the subject of the Agenda and to resolve any regulatory doubts which may arise, to authorize by signing the minutes of the meetings of the Board of Directors and the Shareholders Meetings and countersign the certifications and extracts of said minutes, which have been issued and witnessed by the Secretary.

Article 29. The Board of Directors shall also appoint a Secretary, who shall also be the Chairman of the Shareholders Meeting and the Company; a Director may be appointed to the post, and shall be called Director-Secretary, or a person who is not a member of the Board, but in this case the person appointed shall not have the right to vote. In addition, the Board may appoint a Vice-Secretary, who does not have to be a Director or a shareholder, in a case of necessity or when the Secretary is absent.

The duties of the Secretary or, where appropriate, the Vice-Secretary shall be the following: to assist the Chairman and to participate in the meetings of the Board of Directors and the Shareholders Meetings, to draw up the lists of those in attendance and the minutes, which he/she shall authorize by signing the same, witnessing the contents thereof, by means of certifications which are to be issued with the countersignature of the Chairman.

Article 30.

1. The Board of Directors of the Company may delegate, totally or partially, those powers which has been granted in relation to the management and administration of the property of the Company, management of its business activities, powers of representation of the same, with the authority to sign on behalf of the Company and to manage and invest its funds, to one or more persons, who are members of the Board who shall be appointed as Managing Directors, or to non-members who shall be attorneys-in-fact and known as Chief Executive Officers, Managers, Executives and others which have a similar meaning, by means of granting the necessary powers of attorney. The Board of Directors of the Company may also delegate certain powers, temporarily or permanently, to other attorneys-in-fact.

2. The Board may also appoint a Delegated Committee from among its members, authorized for management and representation of the Company in general, as well as any other committees to which it may entrust areas of authority in relation to certain areas or matters.

Under no circumstances shall any powers be delegated which pursuant to the Act may not be delegated, nor those which are so established in the regulations, which the Board approves pursuant to the power conferred in Article 141.1 of the Spanish Corporations Act.

3. In any case, The Board of Directors will appoint an Audit and Compliance Committee. The number of members of the Committee may not be inferior to three or higher than five and will be established by the Board of Directors. All the members of the Audit and Compliance Committee must be non-executive Directors of the Company.

The Audit and Compliance Committee will appoint a President among its members. The duration of its term in office will be of four years maximum, and may be re-elected once a period of one year after its cessation has elapsed. It will also designate a Secretary that will not necessarily be a member of the Committee.

Without prejudice of other tasks that the Law, the General Meeting or the Board of Directors may assign it, the Audit and Compliance Committee will have the following basic functions:

a) Inform the General Shareholders Meeting about the issues that the shareholders raise in matters falling within the scope of the Committee's competencies.

b) Submit to the Board the proposals for the appointment of the external auditor and related contractual terms, the scope of the mandate and, in its case, the revocation or non-renovation.

c) Liaise directly with the external auditors, evaluate the development and results of their works paying special attention to those issues that may risk the auditors' independence and any other issues related with the development process of the financial audit, as well as any other communications set forth in the legislation of the financial audit and in the technical audit rules.

d) Supervise the performance of the Company's internal audit.

e) Acknowledge and check the adaptation and integration of the financial information process and of the internal control systems.

The Audit and Compliance Committee will meet periodically depending on the needs and, at least, four times a year. Annually, it will elaborate a work plan of whose contents will inform the Board. A report will be written about the matters discussed in each session, of which the Board will be informed. The sessions will be called by the President of the Committee.

It will be obliged to attend all the sessions of the Audit and Compliance Committee and to cooperate and give access to the information that any member of the management team or the staff of the Company may have. The Committee may also request the attendance to its sessions of the external auditors.

The Board of Directors may confer other competencies to the Committee depending the Company's needs in each moment.

Article 31. The financial year of the Company shall be the same as the calendar year.

Article 32. Within the first three months of each financial year, the Managers shall prepare the annual financial statements and the management report for the previous financial year. The financial statements shall be comprised of the Balance Sheet, the Profit and Loss Account and the Annual Report.

The annual financial statements shall comply with the applicable legal provisions and whenever it is so required, they shall be audited by the auditors appointed by the Shareholders Meeting.

As from the date of notification of the General Meeting, whereat the annual financial statements and the management report shall be submitted for approval, the members may obtain from the Company, free of charge and at once, a copy of said documents and the Auditors' Report, if this document is obligatory.

Article 33. The profit from each financial year shall be the balance as shown in the Profit and Loss Account for the same period, and shall be distributed in the following way:

a) A sufficient amount shall be set aside for the Company's tax liabilities.

b) An amount shall be allocated to the reserve funds as required by Law, the amount of which shall be in accordance with applicable provisions of Law.

c) The remainder shall be placed at the disposal of the Shareholders Meeting, to be distributed as dividends to the shares or applied to such purpose as it deems fit, and the Board of Directors shall make the appropriate proposal in relation to this purpose.

Article 34. On a resolution of the Shareholders Meeting, adopted in accordance with the current applicable law and these Bylaws, the Company may merge with or take over any other company, and reorganize itself as a general partnership ["sociedad colectiva"], general and limited partnership ["sociedad comanditaria"] or as a limited liability company.

Article 35. The Company shall be dissolved for those causes as provided in Article 260 of the Spanish Corporations Act, whenever it cannot comply with its particular objects, and at any time on a resolution of the Shareholders Meeting which has been expressly and specifically called for this purpose.

Article 36. Once the dissolution of the Company has been duly resolved, the words "In Liquidation" shall be added to the company name, and the Directors shall cease to hold office. Thereafter, the Shareholders Meeting shall appoint an uneven number of liquidators, who shall discharge the functions as provided in Article 272 of the Spanish Corporations Act.

Article 37. Once the liquidators have wound-up the current business activities, realized the Assets, fulfilled the Company's duties, paid or provided security for its Liabilities, and prepared the liquidation financial statements, they shall submit said statements to be considered by the Shareholders Meeting for approval, and once approved, the net amount resulting therefrom shall be distributed among the shares in accordance with the provisions in Article 277.2 of the Spanish Corporations Act, thereby liquidating and terminating the legal existence of the Company and cancelling its registration in the Commercial Register.

Regulations for general shareholders' meetings

Chapter I. Preliminary

Article 1. The relationship of the Company with its Shareholders

The relationship of the Company with its shareholders is governed by the principles of equal treatment of shareholders, transparency, and the supply of extensive and continuous information, so that all shareholders may have sufficient knowledge of the situation of the Company and may exercise their rights in full.

The two basic channels through which this information is available are the Company's website (www.indra.es), especially the Investor Relations section, and the Shareholders Office (Avenida de Bruselas, 35, Alcobendas, telephone: 91 480 98 00, fax: 91 480 98 47, email: accionistas@indra.es).

These Regulations are proposed in order to ensure that shareholders can participate more fully and effectively in General Shareholders' Meetings, and they contain the various applicable requirements established in the law and the Company Bylaws, as well as such other rules and procedures which the Company has decided to abide by, so that all shareholders may have access to the regulations in one single text set out systematically.

The General Shareholders' Meeting, called in accordance with the Company Bylaws and applicable law, shall represent all shareholders and shall exercise the full powers of the Company, and its decisions shall be binding on and mandatory for all shareholders, including those who voted against said decisions and those who were not present at the meeting.

Chapter II. Calling of the Meeting

Article 2. Types of General Shareholders' Meetings

The General Shareholders' Meeting shall ordinarily meet every year within six months of the close of the financial year for the purposes of examining the management of the Board of Directors, approving the financial statements of the preceding financial year and approving a resolution regarding the allocation of the earnings thereof and any other matter included on the Agenda. The General Shareholders' Meeting shall meet in an extraordinary session in all other circumstances where a meeting is called: following a decision by the Board of Directors or at the request of shareholders holding at least five percent of the Company's capital stock.

Shareholders requesting the call of an Extraordinary Shareholders' Meeting shall address the corresponding request to the Board of Directors of the Company, duly proving ownership of the shares they hold, which shall represent at least five percent of the capital stock, and specifically stating those matters which are to be addressed at the said Meeting.

Article 3. Procedure and notice period

General Shareholders' Meetings, whether annual or extraordinary, shall be called following a resolution of the Board of Directors of the Company, by way of a notice published in the Official Gazette of the Mercantile Register and in one of the daily newspapers with the greatest circulation in the province where the registered office is located, at least one month prior to the date scheduled for the meeting.

The notice calling the meeting shall state the place, date and time for the meeting on first call and the points of the Agenda and shall also indicate the date and time for the meeting to be held on second call, if necessary. At least twenty-four hours shall elapse between the first and second calls.

Those shareholders representing at least 5% of the capital stock can request that a complement to the notice to call any General Shareholders' Meeting shall be published, in order to include one or more points in the Agenda. This right shall be exercised by sending a certified notification that shall be received at the company's registered office within the five days following the date when the notice of the General Shareholders' Meeting was published.

The complement to the notice shall be also published at least 15 days in advance to the date scheduled for the General Shareholders' Meeting. The lack of publication of the complement in such timeframe shall determine the nullity of the General Shareholders' Meeting.

When the Meeting is called at the request of shareholders holding at least five percent of the capital stock, the Meeting shall be called to take place within thirty days of the reception of the certified notice from the interested shareholders, and those points comprising the subject of the request shall be included on the Agenda, as well as any others which may be resolved by the Board of Directors.

Notwithstanding the foregoing, in general, as soon as the Board of Directors has specific knowledge of the probable date on which the next General Shareholders' Meeting is to be called and held, it shall announce this by way of a public announcement and via the Company's web page, so that shareholders may propose points to be addressed or included in the Agenda for the Meeting.

Article 4. Agenda

The Agenda included in the call for the Meeting shall be drawn up by the Board of Directors, taking into account any suggestions and proposals received from the shareholders. The wording shall be clear and precise so that the items to be addressed and put to vote at the Meeting are easily understood.

Shareholders will be given the opportunity to make suggestions and proposals regarding the points included on the Agenda through the Company's web page and the Shareholders Office, and the Board of Directors shall decide on their appropriateness and the best manner for these to be presented at the Meeting and, where appropriate, put to vote.

Article 5. The shareholders' right to information

Shareholders have the right to receive extensive and accurate information regarding the points that are to be discussed and resolved by the General Shareholders' Meeting.

The Board of Directors shall promote the informed participation of shareholders at General Shareholders' Meetings and shall ensure that the General Shareholders' Meeting exercises its powers effectively in accordance with the Law and Company Bylaws.

Through its web page and the Shareholders' Office, the Company shall provide detailed information regarding the call, the content of the various points on the Agenda and the resolutions proposed under each one, and shall enable shareholders to seek clarification or additional information with regard to the said items through these channels.

For the foregoing purposes, the Board of Directors will complete, insofar as it deems necessary, any information required in accordance with the Law and Company Bylaws.

The Board of Directors may limit the information made available to the shareholders if required by the interest of the Company. The information required by law shall not be restricted under no circumstances.

Shareholders shall likewise be entitled to examine, at the registered office, the documentation placed at their disposal and referred to in the preceding paragraphs, and they may also request that the said documents be sent to their domicile free of charge, in the terms set forth by Law.

Chapter III. Attendance at the Meeting

Article 6. Right to attend

All shareholders who can accredit ownership of at least 100 shares at least five days in advance of the date scheduled for the meeting may attend the General Shareholders' Meeting or, should said number of shares be in excess of 1/1000 of the Company's capital stock, such lesser number of shares that represents said 1/1000. Shareholders who hold a lesser number of shares may delegate the representation of

said shares to a shareholder that is entitled to attend, or may pool their shares together with those of other shareholders in order to reach the required minimum. This pooling arrangement shall be undertaken specifically for each Meeting and shall be made in writing. Shareholders that pool their shares in this manner shall confer their representation on one of them.

In compliance with the contents of article 14(bis) of the Company Bylaws, for each Meeting the Board of Directors will provide the procedures for attendance by any remote communication means that fulfill the requirements for security and efficiency set forth in such article and are at all times compatible with the state of the art.

Article 7. Accreditation as a shareholder

In order to be able to attend the Meeting, shareholders shall prove their condition as such by depositing at the Company their certificate of share ownership or any other certificate document that evidence their ownership of the shares issued for these purposes by the depositary entities of the shares subsequent to the publication of the call.

Article 8. Proxy

Shareholders may attend General Shareholders' Meeting by proxy, which they may confer on any person, whether or not the said person is a shareholder. Said proxy shall be conferred in writing and specifically for each Meeting.

In proxy applications made by the Board of Directors or by members thereof, a recommendation will be made to shareholders to issue voting instructions regarding the various points on the Agenda, in all cases stating how the proxy holder will vote if the shareholder has not issued clear instructions.

Proxy applications made by the Board of Directors shall offer the alternative choice of representation by the Chairman of the Board of Directors or the Vice-Chairman appointed from among the independent Board members.

In compliance with the contents of article 14(bis) of the Company Bylaws, the Board of Directors will provide for each General Shareholders' Meeting the procedures for attendance by any remote communication means that fulfill the requirements for security and efficiency set forth in such article and are at all times compatible with the state of the technology art.

Chapter IV. Holding and conduct of the Meeting

Article 9. Place and quorum of attendance

General Shareholders' Meetings shall be held at the place where the registered office is located.

General Shareholders' Meetings shall be validly constituted on first call when those shareholders in attendance, whether in person or by proxy, hold at least twenty-five percent of the voting capital stock. On second call the Meeting shall be constituted regardless of the capital stock in attendance.

However, in order for the Meeting to be able to validly approve the issue of debt securities, capital increases or decreases, reorganization, merger, spin-off or dissolution of the Company and, in general, any amendment to the Company Bylaws, shareholders holding at least fifty percent of the voting shares must be in attendance at first call, whether in person or by proxy. Upon second call, the attendance of twenty-five percent of such capital stock shall suffice.

Notwithstanding the foregoing, the General Shareholders' Meeting shall be deemed to have been called and validly constituted to address any item and with full powers to pass any kind of resolution, with no other requirements, if all capital stock is in attendance and the shareholders unanimously resolve to hold it.

Article 10. Chairman and Secretary of the Meeting. Attendance of the Audit and Compliance Committee.

The Shareholders Meeting shall be chaired by the Chairman of the Board of Directors, and in his absence by any one of the Vice-Chairmen, and as a last recourse, by the Director appointed by the Board itself or by the shareholder chosen by the Meeting itself.

The Secretary shall be the Secretary of the Board of Directors, and in his absence the Vice-Secretary, and in the absence of both, the shareholder in attendance at the meeting appointed by the Meeting.

The Chairman of the Meeting shall be deemed to have power to determine the validity of the proxies which have been conferred and compliance with the requirements for attendance at the Meeting.

The Chairman of the Audit and Compliance Committee, or in his absence, any other member thereof, shall report on the questions that the shareholders may raise at the General Shareholders' Meeting with regard to the matters within the competence of said Committee.

Article 11. Participation of the shareholders at the Meeting

The Chairman shall regulate the statements made by the shareholders in order to ensure that the Meeting proceeds in an orderly fashion and that those shareholders wishing to intervene may do so equally, and also so that they may express their opinions regarding each one of the points on the Agenda.

Throughout the Meeting the shareholders will have access to an easily-identifiable location where they may seek their turn in taking the floor. They may likewise request their turn in writing prior to the meeting.

The Board of Directors will furnish any information requested by shareholders in accordance with the provisions of the Law, the Company Bylaws and these Regulations.

Any intervening shareholder may request that the content of his statement be stated for the record in the minutes, and may also request a transcript of his statement.

Article 12. Voting of the resolutions

Each share is entitled to one vote, and resolutions at General Shareholders' Meetings, whether Annual or Extraordinary, shall be approved by a majority of votes cast, without any further exception to this rule other than where the Law requires the affirmative vote of some special qualified majority.

The Board of Directors shall report at the beginning of the Meeting on the number of shares represented by members of the Board of Directors and on the percentage of the votes that they represent as a proportion of all votes in attendance at the Meeting.

The Chairman shall ensure that the various proposals put forward to the Meeting be voted on separately and in an orderly manner, irrespective of whether the statements regarding the various points have been made together or separately.

The Chairman shall decide on the order in which the various proposals made on one single point on the Agenda will be put to vote. Once a proposal has been approved, all those that are incompatible with it shall be excluded.

In general, voting shall be conducted by a show of hands, and the most appropriate method for recording the results of each vote in the minutes shall be decided upon freely. The Chairman, at his sole discretion or following a request made by a shareholder, may establish other voting procedures in order to ensure the reliability of the voting results.

In compliance with the contents of article 14(bis) of the Company Bylaws, for each Shareholders' Meeting the Board of Directors will provide the

procedures for voting by any remote communication means that, fulfill the requirements for security and efficiency set forth in such article and that are at all times compatible with the state of the art.

Any shareholder may request his vote to be recorded in the minutes, for which purpose he must make an express request and identify himself properly.

Article 13. Conflicts of interest with shareholders

Where a conflict of interest may exist with a particular shareholder on a matter subject to decision by the General Shareholders' Meeting, and when the Board has knowledge of this, it shall announce this publicly and recommend that the shareholder or shareholders involved abstain in the corresponding vote.

Chapter V. Minutes of the Meeting

Article 14. Minutes of the Meeting

The Secretary shall compile the minutes for all General Shareholders' Meetings, which shall include a list of those in attendance pursuant to section 111 of the Spanish Corporations Act, as well as a summary of the deliberations and a literal transcription of each one of the resolutions approved and the result of the votes for each.

The minutes shall be approved at the close of the meeting by those in attendance, or within fifteen days of the date of the meeting by the Chairman and two shareholders acting as scrutineers, one appointed by the majority and one by the minority, and this shall be formalized with the signatures of the Chairman and Secretary, in addition to the signatures of the two scrutineers, where appropriate.

The minutes approved in either of these two manners shall have executive force as of the date on which they are approved.

These minutes shall be recorded in the special Minutes Book for General Shareholders' Meetings.

Shareholders may request copies of the minutes or certifications of the resolutions that have been approved, which shall be authorized by the Chairman and the Secretary.

Regulations for the Board of Directors

Chapter I. Preliminary

Article 1. Purpose

1. The purpose of these Regulations is to determine the principles for action of the Board of Directors of INDRA SISTEMAS, S.A., the basic rules for its organization and operation, and the standard for the conduct of its members.

2. The standards for conduct for the directors set forth in these Regulations will also apply to the Company's Senior Executives, insofar as they may be compatible with the specific nature thereof.

3. The Senior Executives are deemed to be those persons with the rank of Director General and those executives who form a part of the Board of Directors.

Article 2. Interpretation

These Regulations will be interpreted in accordance with the legal and statutory rules applicable thereto, and with the principles and recommendations on matters of Corporate Governance for listed companies formulated or recommended by the supervisory authorities.

Article 3. Amendment

1. These Regulations may solely be amended at the request of the Chairman, by one-third of the number of Directors holding office or by the Audit and Compliance Committee, and such proposal must be accompanied by a report in justification of such amendment.

2. Proposed amendments will be reported by the Audit and Compliance Committee.

3. The text of the proposal, the report by its authors in justification of the amendment and the Report of the Audit and Compliance Committee should be included with the notice of the Board meeting that is to address the proposal.

Article 4. Dissemination

1. The Directors and Senior Executives are obligated to be acquainted with, abide and enforce these Regulations. To such effect, the Secretary to the Board of Directors shall provide each of them with a copy thereof.

2. The Board of Directors will take appropriate measures to ensure that these Regulations are disseminated among the shareholders and the investing public in general.

Chapter II. Mission of the Board of Directors

Article 5. General duty of supervision

1. Except in matters reserved to the authority of the General Shareholders' Meeting, the Board of Directors is the maximum decision-making body of the Company.

2. The policy of the Board is to delegate the ordinary management of the Company to its executive bodies and to its management team, and to concentrate its activity on the general duty of supervision.

3. Those powers that are legally or statutorily reserved to the direct cognizance of the Board of Directors shall not be delegated, and neither will those other powers necessary for the responsible exercise of the general duty of supervision, such as:

- approval of the Company's general strategies, and its annual budgets and objectives;
- appointment, remuneration and, where appropriate, removal of the Company's Senior Executives;
- approval of the treasury stock policy;
- monitoring of management activity and the evaluation of Senior Executives;
- identification of the Company's main risks, in particular those risks arising from transactions with derivatives, and the implementation and tracking of appropriate internal control and reporting systems;

- determining reporting and communications policies as regards the shareholders, markets and public opinion;
- and, in general, transactions involving the disposal of substantial Company assets and major corporate transactions, with these understood to be those involving an amount in excess of 10 million Euros.
- Those duties specifically set forth in these Regulations.

Article 6. Creation of value for shareholders

1. The criteria that will at all times govern the actions of the Board of Directors is the long-term development and growth of the Company, as the best way of optimizing the creation of value for the shareholders overall on a solid and sustainable basis.

2. In application of the above, the Board will determine and review Company strategies in accordance with the criteria defined in Article 7, below.

3. Within the scope of the corporate organization, the Board will take the necessary measures to ensure that:

- the management of the company pursues the development and growth of the Company and creation of value for shareholders in accordance with sustainability and long-term approach criteria, and that it has the proper incentive to do so;
- the management of the company remains under the effective supervision of the Board;
- no person or small group of persons holds decision-making powers that are not subject to checks and balances;
- not a sole shareholder does receive privileged treatment in relation to the other shareholders.

Article 7. Other interests

The maximization of company value in the interest of the shareholders must necessarily be pursued by the Board of Directors in accordance with the law, fulfilling contracts in good faith and commitments arranged with customers, employees, suppliers, financers and, in general, observing those ethical duties reasonably imposed by a responsible business conduct.

Chapter III. Composition of the Board of Directors

Article 8. Qualitative composition

1. The Board of Directors, in the exercise of its faculties of proposal to the General Shareholders' Meeting and cooptation for the coverage of vacancies, will endeavor that external or non-executive Directors represent a broad majority as compared with executive Directors.

To this effect Chief Executive Officers will be deemed to be executive Directors as well as any other Directors who, under any other title, perform executive or managerial duties within the Company.

2. The Board of Directors shall likewise ensure that the majority group of external directors includes the holders, or the representatives of the holders, of significant stakes in the Company's capital stock (Controlling Directors), and professionals of renowned prestige who have no connections with either the executive team or significant shareholders (independent directors).

3. In order to establish a reasonable balance between controlling directors and independent directors, the Board of Directors shall consider the Company's ownership structure, the importance in absolute and relative terms of the significant stake in shares as well as the degree of permanence and of strategic connection of the holders of such significant stakes with the Company.

Article 9. Quantitative composition

1. The number of Directors on the Board will be determined by the General Shareholders' Meeting, within the limits set by the Company Bylaws.

2. The Board will propose the number to the General Shareholders' Meeting that, in accordance with the changing circumstances of the Company, in order to ensure its due representativeness and efficient operation.

Chapter IV. Structure of the Board of Directors

Article 10. The Chairman of the Board of Directors

1. The Chairman of the Board of Directors will be elected among the Board members. When he reaches the office of Chief Executive of the Company, the Board of Directors will delegate to him the powers needed for the efficient undertaking of his post.

2. The Chairman will be responsible for calling meetings of the Board of Directors, preparing the Agenda for its meetings and directing discussions. The Chairman must nevertheless call the Board of Directors and include any points in question on the Agenda when so requested by a Vice-Chairman or one-third of the Directors in office.

3. In the event of a tie, the Chairman will cast the deciding vote.

Article 11. The Vice-Chairman

The Board of Directors shall appoint at least one Vice-Chairman, who shall stand in for the Chairman in the event of impossibility or absence. If more than one Vice-Chairman is appointed, they will exercise such duty by order of their appointment.

The Vice-Chairman, or one of them if several are appointed, will be elected among the independent directors. His functions shall be:

- To call a Board Meeting once a year to evaluate the Chairman's work in his capacity as such and as the Company's Chief Executive Officer, in case the Chairman fail to do so. During the discussion corresponding to said evaluation, the Chairman shall leave the meeting, whereby it will be chaired by the Vice-Chairman.
- To act as coordinator of the independent directors, with the ability for such purpose to collect any information as he may deem appropriate from the various levels of company organization, in the terms set forth in Article 26 of these Regulations, for its distribution to the independent directors; call meetings of this group of Directors to evaluate the effectiveness of the Company's systems of governance, and in general, to express their concerns.

Article 12. El The Secretary of the Board of Directors

1. The Secretary of the Board of Directors need not be a Director. When he is also the Legal Advisor, the appointment must fall to an attorney of renowned prestige and experience.

2. The Secretary shall assist the Chairman in the performance of his duties, and shall provide for the proper operation of the Board of Directors, and in particular shall provide the Directors with any necessary advice and information, keep Company records, accurately reflect the course of meetings in the minutes book and issue certificates attesting Board resolutions.

3. The Secretary or, where appropriate, Legal Advisor, will in all cases ensure the formal and substantive legality of the actions of the Board, and that its procedures and rules of governance are respected.

Article 13. The Vice-Secretary of the Board of Directors

1. The Board of Directors may appoint a Vice-Secretary, who need not be a Director, to assist the Secretary, or replace him in the performance of his duties in the event of absence.

2. Unless the Board of Directors decides otherwise, the Vice-Secretary will attend the meetings thereof to assist the Secretary in his duties.

Article 14. Committees reporting to the Board of Directors

1. Without prejudice to such delegations of authority made on an individual basis or to the Executive Committee, the Board of Directors shall in all cases create an Audit and Compliance Committee and an Appointments and Remuneration Committee, with the authority to issue reports, provide counsel and make proposals on those matters determined in the following articles.

2. The Appointments and Remuneration Committee shall evaluate the profile of those persons most suitable to form a part of the various Committees, and will make its recommendations to the Board. It will in any case consider any suggestions made to it by the Chairman.

3. The Committees will regulate their own operation and will appoint a Chairman among their members and likewise appoint a Secretary, who need not be a member of the Committee. The Committees will meet when called by the Chairman, who should call a meeting of the Committee if asked to do so by the Chairman of the Board of Directors or by the members of the Committee itself. The Committees will prepare a plan of action annually and advise the Board of Directors of this. In the absence of special provisions, the rules of operation set forth by these Regulations for the Board of Directors will be applied, providing these are compatible with the nature and operation of the Committee.

4. Both the Executive Committee and any other committee created by the Board will keep minutes of their meetings and keep the Board apprised of their deliberations, the results of their work and the decisions made.

5. Any members of the management team or the Company's staff, whose presence was asked to the Chairman be obliged to attend Committee meetings, providing their collaboration and access to any information they may have. The Auditors may also be asked to attend Committee meetings.

6. For the optimum performance of its duties, Committees may seek the advice of external professionals, in which case the provisions of Article 27 of these Regulations will apply.

Article 15. The Executive Committee

1. The Executive Committee will be comprised of the number of Directors as determined at any given time by the Board of Directors, with a minimum of four members and a maximum of nine. The Chairman of Board of Directors will also be the Chairman of the Executive Committee. In the event of him not being a member of the Board of Directors, the Chairman of the Executive Committee will be appointed by the Executive Committee. The Secretary or Vice-Secretary of the Board of Directors will act as secretary of the Committee.

The qualitative composition of the Executive Committee should reasonably reflect the composition of the Board of Directors and the balance established in that body among executive directors, controlling and independent directors, taking the criteria indicated in Article 8 into account.

2. The resolutions for the appointment of members to the Executive Committee must be adopted by the vote in favor of at least two-thirds of the members of the Board of Directors.

3. The Board of Directors may totally or partially delegate those faculties to the Executive Committee that correspond to it in terms of the administration and disposal of Company assets, the management of its businesses and representation thereof.

4. In principle the Executive Committee will hold its ordinary meetings in all those months in which ordinary meetings of the Board of Directors are not planned.

5. In those cases in which, in the opinion of the Chairman or one-third of the Executive Committee members in office, the importance of the matter so necessitates, the resolutions passed by the Executive Committee will be submitted for ratification to the full Board of Directors.

This shall also apply to those matters that the Board of Directors sends to the Executive Committee for review, reserving the final decision for itself.

In all other cases resolutions adopted by the Executive Committee will be valid and binding, with no need for subsequent ratification by the full session of Board of Directors.

Article 16. The Audit and Compliance Committee

1. The operation of the Audit and Compliance Committee shall adapt to the contents of article 30 of the Company Bylaws.

2. Without prejudice to any other duties assigned to it by article 30 of the Company Bylaws, the Audit and Compliance Committee shall have the following responsibilities:

- To review Company accounts, supervise compliance with legal requirements and the correct application of generally accepted accounting principles, as well as to report on proposals made by management for the amendment of accounting principles and standards;

- To serve as a channel for communication between the Board of Directors and the external auditors, and to likewise evaluate responses from the management team to their recommendations and to mediate in those cases of discrepancies between the former and the latter with regard to principles and standards applicable in the preparation of financial statements;
- To supervise the fulfillment of the auditing agreement, ensuring that the opinion on the financial statements and the main contents of the auditor's report are drafted clearly and precisely;
- To review the prospectuses and financial information that the Board must supply to the markets and their supervisory bodies at periodic intervals;
- To examine compliance with the Internal Code of Conduct on Matters relative to Securities Markets, with these Regulations and, in general, with the rules for governance of the Company, and to make any suggestions necessary to improve them. In particular, the Audit and Compliance Committee will be responsible for receiving information and, if necessary, issuing a report on disciplinary measures against Senior Executives of the Company;
- To consider suggestions on matters of its competency formulated to it by shareholders, the Board of Directors and the Senior Executives of the Company.

3. The Audit and Compliance Committee shall meet periodically as required and at least four times per year. In one of the sessions, it will evaluate the effectiveness and compliance with the standards and procedures for Company governance, and will prepare the information that the Board of Directors must approve and include in the documentation that it issues annually to the public.

4. The mandate of the Chairman of Committee shall be a maximum of four years, but he may be reelected upon the conclusion of one year following his termination.

5. The Committee will consider the suggestions made to it by the Chairman, members of the Board, Senior Executives or the Company's shareholders.

Article 17. The Appointments and Remuneration Committee

1. The Appointments and Remuneration Committee will be comprised of external directors, in such number as may be determined by the Board of Directors, and its composition shall provide sufficient representation to the independent directors.

2. Without prejudice to any other duties that the Board of Directors may entrust to it, the Appointments and Remuneration Committee shall have the following basic responsibilities:

- To propose and review the criteria to be followed for deciding the composition of the Board of Directors and the selection of candidates;
- To put before the Board of Directors its proposals for the appointment of directors, so that the Board of Directors may appoint them directly (cooptation), or submit them to the decision of the General Shareholders' Meeting;
- To propose to the Board of Directors the members who should sit on each of the Committees;
- To propose to the Board of Directors the system and amount of directors' remuneration;
- To put before the Board of Directors its proposals for the appointment and removal of Senior Executives, and periodically review their schedules of remuneration, weighing their sufficiency and performance;
- To propose measures for transparency in remuneration, and to ensure that these are observed;
- To report on transactions which imply or might imply conflicts of interest and, in general, on the matters referred to in Chapter IX of these Regulations;

3. The Commission shall consider any suggestions made by the Chairman, directors, Senior Executives or the shareholders of the Company.

4. The Appointments and Remuneration Committee shall meet whenever the Board or Committee Chairman requests a report to be issued or proposals to be adopted and, in all cases, whenever necessary for the proper performance of its duties. The Committee will in any case meet

every six months to review information on related transactions that may be included in six-monthly financial information to be reported to the markets and their supervisory bodies; and annually to prepare the information on director's remuneration for approval by the Board and inclusion in its annual public documentation.

Chapter V. Operation of the Board of Directors

Article 18. Meetings of the Board of Directors

1. The Board of Directors will meet ordinarily at the Chairman's initiative, as often as he considers necessary for the proper operation of the Company.

2. Notice of ordinary meetings will be given by letter, fax, telegram or e-mail, and will be authorized by the signature of the Chairman or of the Secretary or Vice-Secretary acting under the Chairman's instructions. The calling of the meetings shall be processed at least three days in advance.

The calling of the meetings will always include the agenda for the session, and will be accompanied by the relevant information, duly summarized and prepared. When the Chairman deems that the information should not be included for security reasons, the directors will be informed that they may examine it at the Company's registered office.

3. Extraordinary meetings of the Board of Directors may be called by telephone and when, in the opinion of the Chairman, circumstances so justify, the term in advance requirement and other requirements set forth in the foregoing section will not be applicable.

4. The Board will prepare an annual plan of ordinary meetings, and will have at its disposal a formal catalogue of the matters to be addressed. In addition to the evaluation of the Chairman to which reference is made in paragraph a) of Article 11, the Board shall carry out at least once a year an evaluation of its own operation and the quality of its work.

Article 19. Development of the meetings

1. Except in cases in which legally or statutorily other quorums have been specifically established, the Board of Directors will be validly constituted when at least one half plus one of its members is present at the meeting, either in person or by proxy. Should there be an uneven number of directors, a sufficient quorum shall be deemed to exist if the whole number of directors immediately greater than one half is in attendance.

2. The Chairman shall preside over the discussions, encouraging all directors to participate in the Board's discussions.

3. Except in those cases in which other quorums have been legally or statutorily established, resolutions will be approved by the absolute majority of those present.

Chapter VI. Appointment and termination of Directors

Article 20. Appointment of directors

1. Directors will be appointed by the General Shareholders' Meeting or the Board of Directors, in accordance with the provisions of the Spanish Corporations Act.

2. Nominations for directors submitted to the Board of Directors for the consideration of the General Shareholders' Meeting, and such appointments decided by the Board by virtue of its faculty of cooptation attributed by law must be based on the prior recommendation of the Appointments and Remuneration Committee.

If the Board of Directors fails to heed the recommendations of the Appointments and Remuneration Committee, it shall give its reasons for doing so and record these in the minutes.

Article 21. Appointment of External Directors

1. The Board of Directors and the Appointments and Remuneration Committee, within the scope of their authority, shall ensure that the candidates appointed are persons of renowned solvency, competency and experience, and will exercise extreme care in relation to those persons called to hold office as independent directors in accordance with Article 8 of these Regulations.

2. The Board of Directors may not appoint or nominate any person for independent director whose status or present or past relations with the Company may affect his independence, for which reason the Board and the Appointments and Remuneration Committee shall consider the candidate's family and professional connections with the executives, significant shareholders and their representatives on the Board and other third parties related with the Company.

Article 22. Term of office

1. Directors shall hold office for the term provided in the Company Bylaws and may be reelected, without prejudice to endeavoring for the application of criteria to attain a reasonable periodic renewal thereof.

2. Directors appointed by cooptation shall hold office until the date of the next General Shareholders' Meeting.

3. When, following the report from the Appointments and Remuneration Committee, the Board of Directors decides that the interests of the Company are at risk, a director whose term of office has expired or who ceases to hold office for any other reason shall not render services in any other entity that is a competitor of the Company for such period as may be determined, which shall under no circumstance exceed two years.

Article 23. Reelection of directors

1. The proposals for the reelection of directors that the Board of Directors may decide to submit to the General Shareholders' Meeting will be subject to a formal process, which will include a report issued by the Appointments and Remuneration Committee evaluating the quality of work and the devotion to duty of the directors proposed to be reelected during their previous office, as well as his suitability for the future needs of the office.

2. The Board of Directors will ensure that external directors who are reelected are not always attached to the same Committee.

Article 24. Termination of Directors

1. Directors shall cease to hold office upon expiry of the term for which they were appointed, or when the General Shareholders' Meeting or Board of Directors so decides, in exercise of the powers attributed to them by law or statutorily.

Should the Board of Directors exceptionally propose the removal of an independent director prior to the conclusion of the term of his office, this proposal must be accompanied by a reasoned justification and a prior report issued by the Appointments and Remuneration Committee.

2. The Board of Directors, following the report of the Appointments and Remuneration Committee, may request directors to tender their resignation in any of the following circumstances:

- If they cease to hold the executive position associated with their appointment as directors.
- If they find themselves in a situation of conflict of interest or prohibition established by law.
- If they are found guilty of a criminal offence or are subjected to disciplinary proceedings for a serious or very serious misdemeanor by the supervisory authorities, which could affect the Company's reputation.
- If they have seriously breached their obligations as directors.
- When their permanence on the Board would place the Company's interests at risk, or if the reasons for their appointment no longer exist.
- In the case of a Controlling Director, if the shareholder whose equity interest he represents on the Board ceases to hold it, or reduces it below the level that reasonably justifies his appointment as such.

- In the case of an independent director, when a modification takes place to the conditions or qualities of the director that could detract from his independent status.

If a director fails to heed the request of the Board, the latter will formulate the corresponding proposal for removal to the General Shareholders' Meeting.

Article 25. Objectivity and secrecy of voting

1. In accordance with the provisions of Article 32 of these Regulations, directors who are nominated, proposed for reelection or removal will abstain from any discussion and voting in relation thereto.

2. When a majority of those present so requests, ballots by the Board of Directors relative to the appointment, reelection or removal of directors will be secret.

Chapter VII. Directors' right to information

Article 26. Rights of information and inspection

1. Directors will be vested with the broadest faculties to obtain information regarding any aspect of the Company, to examine its books, records, documents and other aspects of Company transactions, and to inspect all its installations. This right to information shall extend to subsidiary companies, whether domestic or foreign.

2. So as not to disrupt ordinary Company management, the exercise of the rights to information shall be channeled through the Chairman of the Board of Directors, who shall attend directors' requests by providing information to them directly, providing access to appropriate intermediaries at the appropriate level of the organization, or enabling them to carry out the desired examination or inspection tasks in situ.

3. Exceptionally and on a temporary basis, the Chairman may restrict access to certain information, informing the Board of Directors of this decision.

Article 27. Expert assistance

1. In order to receive assistance in the exercise of their duties, external directors may request that legal, accounting or financial advisors or other experts be hired at Company expense.

This assignment must be necessarily related to specific problems, of certain significance and complexity, arising in the exercise of their duties as directors.

2. The decision to hire such experts must be notified to the Chairman of the Board of Directors, and may be vetoed by the Board of Directors, if proven that:

- It is not necessary for the proper exercise of the duties entrusted to the external directors;
- the cost thereof is unreasonable in relation to the amount or significance of the problem; or
- The technical assistance sought may be adequately provided by the Company's own experts and technicians.

Chapter VIII. Remuneration of Directors

Article 28. Remuneration of Directors

1. Directors' remuneration will be fixed by the General Shareholders' Meeting pursuant to the provisions of the Company Bylaws. The Board of Directors, following the proposal of the Appointments and Remuneration Committee, will be empowered to distribute the overall compensation among its members set by the General Shareholders' Meeting.

2. The directors' remuneration will be transparent. With this objective, and without prejudice to legal obligations on this matter, the

Appointments and Remuneration Committee will draft an annual report on the policy for directors' remuneration, with the degree of individualization by director or group of directors and by the concept or concepts that, in each case, are determined by the Board of Directors. This information, once approved by the Board of Directors, will be included in the Company's annual public information.

3. The Board of Directors, on the recommendation of the Appointments and Remuneration Committee, will adopt all measures at its disposal to ensure that the external directors' remuneration is sufficient and offers incentives for their devotion without constituting, in the case of independent directors, an obstacle for their independence.

Chapter IX. Obligations of the Directors

Article 29. Diligent administration duties

1. In accordance with the provisions of Articles 5 and 6 of these Regulations, the duty of the director is to direct and control the management of the Company in order to optimize the development of the Company and the creation of value for the shareholders.

2. The director will comply faithfully with the duties of diligent management envisaged by law and the Company Bylaws and will likewise be obligated to:

- Keep himself diligently apprised of the progress of the Company and prepare adequately for Board meetings and meetings of any delegate committees to which he may belong;
- Attend the meetings of the bodies to which he may belong, and actively participate in the discussions so that his opinions may effectively contribute to the making of decisions.

  If a director is unable, for justified consideration, to attend the meetings to which he has been summoned, he shall endeavor to instruct another director to represent him.

- Carry out any specific duty assigned to him by the Board of Directors, provided that it falls reasonably within the scope of his commitment.
- Call for the investigation of any irregularity in Company management and monitor any risk situation about which he may become aware.
- Request an extraordinary meeting of the Board of Directors or the inclusion of such points on the Agenda of the first one that is to take place when, in his opinion, it is advisable to company interests.

Article 30. Obligation of fidelity

The directors shall comply with the duties imposed by law and the Bylaws loyally in terms of company interests, understood as the interest of the Company.

Article 31. Obligation of secrecy

1. The director will maintain the secrecy of any deliberations of the Board of Directors and any delegate bodies and committees of which he may form a part and, in general, of any information, data, reports or background to which he may have had access in office.

2. The confidentiality obligation will persist even after the director has ceased.

3. The following cases are deemed as exceptions to the obligation of secrecy referred to in section 1:

- When permitted by legislation in force.
- When the competent supervisory authorities request the director, or when he has the legal obligation to provide them with information that he should maintain secret in accordance with the contents of this article. In these cases the disclosure of information should adapt to the provisions of the law.

4. When the director is a body corporate, the obligation of secrecy will fall to its representative, without prejudice to the obligation of the latter to inform the former.

Article 32. Obligation of Loyalty

The director will comply faithfully with the obligations of loyalty envisaged by law and Bylaws, and will likewise have the following obligations:

- The director may not make use of Company assets or take advantage of his position in the Company to obtain a wealth advantage, unless he has paid an appropriate fee in exchange therefore.

  Exceptionally the director may be dispensed of the obligation to pay the price in exchange, but in this case the wealth advantage will be deemed as indirect remuneration and should be authorized by the Board of Directors, following the report of the Appointments and Remuneration Committee.

- The director may not use non-public Company information for private purposes without the prior consent of the Board of Directors, which will request a prior report from the Appointments and Remuneration Committee.

  The foregoing is deemed to be without prejudice to any standards in force in each case in the Company's Internal Code of Conduct on Matters Relative to Securities Markets.

- The director may not take advantage, either directly or indirectly, to his own benefit or that of related persons or third parties, of a business opportunity for the Company, unless it is previously offered to the latter, the latter relinquishes the exploitation thereof without the director's influence and the exploitation is authorized by the Board, following the report from the Appointments and Remuneration Committee.

  For these purposes a business opportunity is understood to be any possibility of investment or commercial transaction that arises or is revealed in connection with the exercise of the post by the director, or by means of the use of Company means and information, or under such circumstances so as to make it reasonable to believe that the offer from the third party was directed to the Company.

- The director should inform the Company of any shares, derivative options or any other securities or instruments with reference to the Company share of which he is the direct or indirect holder at any time, in the terms set forth in the Internal Code of Conduct on Matters Relative to Securities Markets.
- The director should inform the Company of any event or situation that could damage the reputation of the Company and, in particular, any legal proceedings of a criminal nature, as well as any legal proceedings or any administrative disciplinary actions to which it may be a party.
- The director may not use the name of the Company or refer to his capacity as director thereof for the undertaking of transactions on his own behalf or of others related thereto.

Article 33. Conflicts of interest

1. The directors should notify the Board of Directors of any conflict situation, whether direct or indirect, that they may have with Company interests, and in particular:

- The stake that he may hold in the capital of any other company with the same, analogous or complementary type of activity as the one that comprises the corporate purpose of Indra, as well as the posts or duties that they exercise in such company, as well as the undertaking on their own or on behalf of others of the same, analogous or complementary type of activity as the one that comprises the corporate purpose of Indra.

The information communicated will be included in the Company's annual report.

- The performance of any post or the rendering of any service to other companies or institutions that are or may foreseeably become competitors of the Company or which comprise or could foreseeably come to comprise a conflict of interest situation therewith.

2. In those cases envisaged in the preceding section, the Board of Directors, following the report from the Appointments and Remuneration Committee, will authorize the situation in question when in its judgment this does not involve any harm or risk to company interests, or will otherwise request the adoption of measures that, in its judgment, are necessary for the preservation of company interest, which may even include requesting the director in question to resign. If the director fails to heed the request, the Board of Directors will bring the corresponding proposal for removal before the General Shareholders' Meeting.

3. Without prejudice to the contents of paragraph 2 above, the director should abstain from attending and participating in the deliberations that affect those matters in which he has a personal interest, whether directly or indirectly, as well as in the transaction to which the conflict of interest refers.

4. The director may not undertake transactions or actions that may give rise to a conflict of interest situation without the prior fulfillment of the contents of paragraph 2 above.

5. Any conflict of interest situations involving Company directors will be included in the annual report on corporate governance.

Article 34. Indirect transactions

When the law so requires, the obligations and prohibitions in Chapter IX herein will extend to companies or persons related to the director in the terms envisaged by law.

Chapter X. Transactions with shareholders

Article 35. Transactions with significant shareholders

1. The Board of Directors hereby formally reserves the right to be informed of and authorize any transaction between the Company and a significant shareholder.

2. Under no circumstances shall the Board of Directors authorize the transaction without a prior report from the Appointments and Remuneration Committee evaluating the operation from the viewpoint of equal treatment of shareholders and market conditions.

3. In the case of ordinary transactions, and always providing that these take place under market conditions, a generic authorization for the line of operations will suffice.

4. When transactions with significant shareholders are submitted to the decision of the General Shareholders' Meeting, the Board of Directors shall recommend that the significant shareholders involved abstain from voting.

Article 36. Principle of transparency

In the information it publishes at six-monthly intervals, the Board of Directors shall provide a summary of the Company's transactions with its directors and significant shareholders, in accordance at all times with applicable legislation and will in all cases reflect the overall volume of the operations and the nature of the most relevant ones. For such purpose the Board shall have the prior report of the Appointments and Remuneration Committee.

Chapter XI. Board relations

Article 37. Relations with shareholders

1. The Board of Directors shall determine the appropriate channels in order to receive any proposals made by shareholders with regard to Company management.

2. The Board shall ensure that extensive information is transmitted regularly and continuously so that shareholders may become acquainted with the situation of the Company at all times.

3. Public applications for proxy votes made by the Board of Directors or by any of its members shall thoroughly justify the way the proxy will vote, in case the shareholder fails to give instructions. The director may not exercise voting rights corresponding to the represented shares when thus prohibited by law or if he is in a conflict of interest situation.

4. The Board of Directors shall encourage the informed participation of shareholders in General Shareholders' Meetings and shall adopt any measures necessary to ensure that the General Shareholders' Meeting effectively exercises those duties characteristic of it in accordance with the law and the Regulations for the General Shareholders' Meeting.

Article 38. Relations with institutional shareholders

1. The Board of Directors shall likewise establish appropriate mechanisms for the exchange of information on a regular basis with institutional investors that are shareholders of the Company or interested in it.

2. Under no circumstances shall the relations between the Board of Directors and the institutional shareholders result in the latter being supplied with any information that might place them in a more privileged or advantageous situation than other shareholders.

Article 39. Relations with markets

1. The Board of Directors shall ensure the timely fulfillment of applicable regulations with regard to the reporting of significant events, in accordance with the provisions of the Company's Internal Code of Conduct on Matters Relative to Securities Markets.

2. The Board of Directors shall adopt the necessary measures to ensure that quarterly, six-monthly and annual financial information, and any other information which should reasonably be available to the markets, is prepared using the same principles, criteria and professional practices with which the financial statements are prepared, and that the former has the same reliability as the latter. To this end, said information shall be reviewed by the Audit and Compliance Committee and submitted for the consideration of the Board of Directors prior to its diffusion.

3. The Board of Directors shall include information in its annual public documentation on the Company's rules of corporate governance and the degree to which these have been observed.

Article 40. Relations with the auditors

1. The relations between the Board of Directors and the Company's external auditors shall be channeled through the Audit and Compliance Committee.

2. The Board of Directors shall refrain from hiring any auditing firm whose estimated professional fees, for all items, exceed ten percent of its total income during the last financial year.

3. Every year the Board of Directors shall publicize the professional fees paid by the Company to the auditing firm for services other than auditing.

4. The Board of Directors shall endeavor when preparing the definitive financial statements to avoid the need for qualifications by the auditors. However, should the Board decide to maintain its criteria, it shall publicly explain the content and scope of the discrepancy.

5. The professional auditor responsible for the work and the members of the external audit team must be rotated periodically in accordance with the provisions of the law and the criteria determined to this effect by the Board for that purpose at the recommendation of the Audit and Compliance Committee.

Internal Code of Conduct in Matters Relating

to the Securities Market

I. Introduction

The Internal Code of Conduct in Matters relating to the Securities Market applicable to INDRA SISTEMAS S.A and its Group of Companies, approved in 1999, was reviewed and modified in 2003 to adapt it to the novelties introduced by the Act 44/2002 of the Financial System Reform Measures.

After the recent enactment of the Royal Decree 1333/2005, which modifies the Securities Market Law regarding the market's abuse, the Board of Directors has carried out a new revision of the Code with the purpose to adapt it to the novelties and development introduced by such Decree.

This version of the Code was approved by the Board of Directors at its meeting held on May 11, 2006.

II. Definitions

For the purpose of this Code, the following terms will be deemed to mean:

Senior Management. People with the rank of General Manager and the executive members of the Board of Directors will be considered Senior Management.

External Advisors. Individuals or legal entities, not directors or employees of INDRA, who provide financial, legal, consultancy or any other kind of service to any of the INDRA companies through a civil or commercial relationship.

Confidential Documents. Written, computerized or any other kind of supports containing Inside Information.

Indra. Indra Sistemas, S.A. and all its subsidiaries and companies in which it has holdings related to IIndra Sistemas, S.A according to the situation laid down in section 4 of the Securities Market Law.

Information/Relevant events. Any event, circumstance or decision which, if known, may reasonable affect an investor to buy or sell Securities or Instruments, and therefore, may noticeable influence the listed price thereof.

Inside Information. Any concrete information which:

- refers directly or indirectly to INDRA or any Security or Instrument (including those which have an application to be admitted for negotiation);
- is not available to the public, and;
- if made public could or could have noticeable influence its listed price in the market or organized commodity market.

Information will be considered concrete if: (i) it refers to a series of events or circumstances produced or that could be reasonably produced; and (ii) it is specific enough to allow concluding the possible effect of those events or circumstances on the listed price of the affected Securities or Instruments.

Also, it will be considered that a piece of information can noticeably influence the value when such information could be used by a reasonable investor as a base for his/her investment decisions.

Related People. Regarding the people bounded by this Code of Conduct, related people are considered to be:

(i) their spouses or partners in accordance with the applicable regulations;

(ii) their children or their partner's children, both those under age subject to parental control and those of full age who are financially dependant on them, whether or not they live with the person bounded by the code;

(iii) relatives that live with them or depend on them at least for a year before the date of the operation execution;

(iv) any legal entity or any legal, trustee business effectively controlled directly or indirectly by the people bounded by this Code; or created to the benefit of the people bounded by this Code; or whose economic interests are equivalent to a large extent to those of the bounded person, or

(v) any person acting for and on behalf of the person bounded by this code who makes transactions on the Securities or Instruments. The people left by the bounded person totally or partially covered by the risks inherent to the executed transactions will be presumed of this condition.

Enforcement Manager. Is the person responsible for applying and interpreting this Code in accordance with Chapter VIII.

Securities and Instruments. Securities and instruments are considered to be:

a) Shares and their securities issued by INDRA as well as any other kind of negotiable securities entitled to be acquired by conversion or exercising the rights they entitle, accepted for negotiation in a Securities Market or any other organized markets or that have an application to be accepted for negotiation in those markets.

b) Obligations or any other securities issued by INDRA that create a debt or that have been accepted for negotiation at a Securities Market or any secondary market or that have an application to be accepted for negotiation in those markets.

c) According to the effects laid down in Section IV.1 of this Code, those financial instruments and contracts whether or not negotiated in a secondary market issued by INDRA or that are entitled to the acquisition or subscription of those negotiable securities.

III. Application scope

III.1. Unless expressly stated otherwise, this Code of Conduct will apply to:

(i) Members of INDRA's Board of Directors as well as the people who regularly attend its meetings.

(ii) Members of INDRA's management team and Senior Managers.

(iii) All members of staff attached to the Chairman's Office, Vice-Chairman's Office, Delegated Consultant, Council Secretariat and Legal Matters and Strategy and Business Development.

(iv) Members of staff of INDRA's Economic-Financial Management who participate or have access to the Company's economic-financial information before it is made public.

(v) Members of the staff of the Senior Management secretary's office and members of the team of directors subject to the Code.

(vi) Any other person who has access to inside information and that the Enforcement Manager may decide, in the light of the circumstances relating to any given case.

III.2. The Enforcement Manager will keep at all times an up-to-date list of the people subject to this Code of Conduct.

IV. Rules of conduct relating to securities

IV.1. The people subject to this Code of Conduct who hold any kind of Inside Information will strictly comply with the provisions laid down in section 81 of the Securities Market Act, in the regulations that developed it, in this Code of Conduct, and specifically until the information is made public and looses its inside nature. They shall avoid directly or indirectly the following conducts:

(i) Prepare or execute any kind of operation on the Securities or Instruments that the information refers to.

Preparation and execution of operations whose existence constitutes Inside Information are exempted; also, operations that are executed to comply with an expired obligation to buy or sell Securities or Instruments when this obligation is provided in an agreement signed before the person subject to this Code was in possession of the Inside Information, or other operations executed according to the applicable regulation.

(ii) Communicate such information to third parties, except in the normal course of their work, profession, position or duties and complying in any case with the requirements laid on this Code of Conduct.

(iii) Recommend or advice third parties to buy or sell Securities or Instruments or encourage another one to do so based on that information.

IV.2. In any case, it will be understood that the person concerned is in possession of Inside Information in the following cases:

(i) Whenever he/she is aware of the economic-financial information to be sent quarterly to the Spanish National Security Market Commission (CNMV) before this information is made public as long as its content differs significantly from market expectations regarding those results or the targets made public by the company.

(ii) Whenever he/she is aware or participates in the preparation stage of any event or circumstance that, if takes place and is made public, would become a Relevant Information.

IV.3. In general and without prejudice according to the Royal Decree 377/1991 about communication of significant participations in listed companies and to the Royal Decree 1333/2005 on matters of market's abuse, the people subject to this Code of Conduct who carry out a transaction of selling or buying a Security or Instrument issued by INDRA, must send a detailed report within fifteen days after the transaction's date to the Enforcement Manager, describing such operations, stating the date when it took place, the type of Security or Instrument, the type of transaction, the type of market where the transaction took place, quantity and price. Also, they shall communicate the resulting position at the end of the month in which this operation(s) took place.

When new people are to become subject to the Code, an initial notification will be made, listing any Securities or Instruments held as of that date.

Any transactions undertaken by Related People are considered equivalent to transactions on a person's own account, and must therefore be declared.

Similarly, the people subject to this Code of Conduct are obliged to give express instructions to the entities responsible for the management of their portfolios not to carry out any transactions with the Securities or Instruments without their prior knowledge.

IV.4. Under no circumstances may bought Securities or Instruments be transferred ownership on the same day the transaction took place. Transfer ownership of Securities or Instruments bought as a result of exercising purchase options or executing other plans for purchasing granted by INDRA are exempted from this prohibition, unless otherwise provided in the title of the concession.

IV.5. The Enforcement Manager is obliged to keep on file any communications, notifications, and any other action related to the obligations contained in this Code of Conduct. The data of such file will be strictly confidential. At least every six months the Enforcement Manager will ask the people subject to this Code to confirm the balances of the securities and bonds listed in the file.

V. Rules of conduct relating to inside information

V.1. Relevant Events/Information will be notified to the CNMV as soon as such a fact becomes known, a decision has been taken or the agreement concerned has been signed. The CNMV must be notified before the information is made public by any other means. The content of the information will be accurate, clear, complete and when the nature of the information requires it, expressed in quantitive terms so it does not confuse or mislead.

The information will also be made public on INDRA's web page in the exact same terms as it was notified to the CNMV. The information available on INDRA's web page will be easily accessible to the investor, and it will be comprehensible, free of charge and direct.

Whenever there is a significant change in the Inside Information that was communicated, there will be in the same way an immediate notification to the market.

The provisions of this paragraph shall apply without prejudice to the possibility of applying for exemption from publication in accordance with the provisions of section 82.4 of the Securities Market Act.

The study, preparation or negotiation acts, prior to the adoption of a decision and that are considered relevant will be exempted from this information duty as long as their confidentiality is protected. Particularly the following kind of acts could be covered by this exclusion:

(i) negotiations in course, or circumstances related to them when the result or normal development of those negotiations could be affected by the public spreading of the information;

(ii) decisions adopted or contracts signed by an INDRA management body that will be effective upon the approval of another INDRA's body, as long as the public spread of that information (including the lack of approval) occurs before having a final approval, and could risk or affect the correct evaluation from the market.

Despite the previous information, INDRA shall immediately notify the information in case that it reasonably understands it cannot guarantee its confidentiality.

V.2. Relevant Events/Information will be notified to the CNMV by the Chief Financial Officer of INDRA or by the Manager delegated in accordance with the procedures laid down by the current regulations, prior information to the Chairman of the Board and Enforcement Manager.

V.3. All people subject to this Code of Conduct shall refrain from supplying analysts, shareholders, investors or the media with information whose content might be considered to constitute a Relevant Event/Information and which has not previously or simultaneously been made public to the market in general.

In the event that for any reason the Inside Information is reveled, its content shall be immediately notified to the market in its full extent through a Relevant Event/Information release.

V.4. While study or negotiating stages or any event or circumnstance that noticeable influence the list price of INDRA's Securities or Instruments:

a) All people subject to this Code of Conduct involved in the process shall only pass on any of this information to those people within the Organization or outside if that may be strictly necessary and after obtaining authorization from the person responsible for the Inside Information. Consequently, they will deny access to this information to people who according to their position and duties shall not obtain it.

(b) The Enforcement Manager will establish security measures to guard, file, access, reproduce and distribute the information, avoiding that such information may be used inappropriately or disloyally, and in that case, taking the necessary measures to amend the consequences from that action;

(c) The Chief Financial Officer of Indra will oversee with special attention the price list of the Securities or Instruments and the news informed by economy specialists and the media that could affect them;

(d) If any abnormal fluctuations occur in the price list or in the contracted volume of Securities or Instruments and there are reasonable indications that such fluctuation is the result of a premature, partial or distorted disclosure of the Inside Information, the Chief Financial Officer will immediately inform the Chairman of the Board and the Enforcement Manager and communicate the CNMV a Relevant Event/Information that clearly and accurately details the circumstance or operation related to the filtered Inside Information without prejudice to the provisions of section 82.4 of the Securities Market Act concerning exemption from publicity if this might affect the legitimate interests of the issuer.

VI. Treatment of inside information

VI.1. The treatment of Inside Information will conform to the following:

(i) Marking and Filing.- All Confidential Documents must be clearly marked with the word "confidential". Confidential Documents shall be filed separately from ordinary documents in different places designated for that purpose that will have special measures of protection to guarantee access solely to authorized staff.

(ii) Access.- Access to Inside Information must be expressly authorized by the person responsible for Inside Information concerned. All people who have access to it, or who obtain copies of a Confidential Document will be included on the list of people with access to that Inside Information. An External Advisor will be required, in addition, to sign an undertaking of confidentiality in the format established, at any given time, by the Enforcement Manager.

In the event that people subject to this Code could have access to Inside Information through a channel different that the indicated in the previous paragraph, they must immediately inform the Enforcement Manager.

(iii) Distribution and Reproduction.- Confidential Documents will always be distributed and sent using a secure means that will ensure that their confidentiality is maintained. The recipients of reproductions or copies or Confidential Documents shall refrain from making additional copies or disclosing the contents of any Confidential Document. The reproduction of a Confidential Document must be authorized by the responsible of the Confidential Information concerned.

(iv) Confidential Document Destruction.- Confidential Documents and all their copies will be destroyed by any means that ensures the complete elimination of such Confidential Document.

Each Confidential Document will be removed from meeting rooms and common areas, paying special attention to annotations and graphics on boards and other similar supports.

(v) Verbal Communication.- Inside Information must not be discussed in public places or areas where it may be heard by people who should not know about it.

Precaution will be extreme when communicating Inside Information through insecure means such as e-mail, using always encrypted and safety available means.

VI.2. Person Responsible for Inside Information.- For the purpose of this section, People Responsible for Inside Information shall mean all the people within the INDRA organization who are responsible for the matter to which the Inside Information refers.

For each operation to which the Inside Information refers, the Responsible Person will keep an updated register (Initiated List) that will include:

(i) all the people with access to such Inside Information;

(ii) the reason why they are included in the register;

(iii) the date in which each of them has had access to it, and

(iv) the dates of creation and updating of each Initiated List and any other measure mandated by the current regulation.

Such Initiated List will be immediately updated by the Person Responsible:

(i) when a new person must be added to the register; and

(ii) when a person included in the access has no longer access to the Inside Information; in that case, the date when this circumstance occurs must be recorded.

The Responsible Person will also warn the people included in the Initiated List of the classified nature of this information, of their obligation to keep it confidential, of the prohibition of its use, of the penalties and sanctions as a consequence of inappropriate use, of their inclusion in the register and of the provisions stated by the Organic Law 15/1999 of December 13, on Personal Data Protection.

The Responsible Person of the Inside Information shall send a copy of each Initiated List and its updates to the Enforcement Manager within maximum 5 days from the date of its creation or updating.

VI.3. Central Register of Inside Information. The Enforcement Manager will keep an updated central register with the information obtained from each Person Responsible for Inside Information in accordance with the provisions laid down in the previous section.

The Enforcement Manager shall keep the data included in the register for at least five years from the date when it was last updated or recorded. Also he/she will make the information available to the CNMV when requested.

VII. Transactions with securities or instruments

Policy in relation to the Company's bought-back stock

VII.1. In general, transactions of INDRA's Securities of Instruments will always be carried in accordance with the authorization granted by the General Shareholders' Meeting and not due to any purpose of involvement in the free process of forming market prices or favoring particular shareholders or investors.

VII.2. Transactions of Securities may be for the following reasons:

(a) Ordinary transactions, in order to give the Securities liquidity or reduce temporary fluctuations in the listed price.

(b) The execution of plans to buy or transfer ownership of the Securities and special transactions whose volume is significant and purpose is not one of those indicated in section a. above, in accordance with the resolutions adopted for that purpose by the Board of Directors.

VII.3. All the transactions referred to in section b) shall be notified to the CNMV and treated as a Relevant Event/Information.

The above stipulations are without prejudice to the information that the Company must provide pursuant to the provisions of the legislation concerning the notification of the acquisition of significant stake.

VII.4. It shall be the responsibility of the Chief Financial Officer of Indra to execute the plans and special transactions referred to in section VII.2.b.

above, and to supervise the ordinary transactions involving Securities referred to in section VII.2.a, promptly informing INDRA's Chairman.

The Company may entrust the execution of ordinary transactions to stockbroker companies and other members of the market.

The transactions of Indra's Securities or Instruments will be subject to clear criteria and measures to avoid that the decisions whether to invest or not may be affected by the spreading of the Inside Information.

VII.5. As a consequence of ordinary transactions involving own shares, Indra could not have bought-back stock that exceed, at any given time, the limit fixed by the Board of Directors. Securities acquired in the course of executing the plans and special transactions mentioned on section VII.2.b above, will not be included to that limit. In the case of other securities, the Board of Directors shall fix the applicable limit in each case.

Without prejudice to the provisions of section VII.7. below, The Chairman shall inform at each meeting of the Board of Directors of Securities or Instrument transactions since the previous meeting.

VII.6. The Chief Financial Officer of Indra and the people that he designates within the Company shall be responsible for notifying official transactions involving Securities or Instruments in accordance with the provisions in force, and for keeping adequate records of such transactions.

Volume of transactions involving Securities or Instruments

VII.7. In the case of the execution of the plans and special transactions referred to in section VII.2.b. above, the volume of the transactions involving Securities shall not exceed that laid down in the Board of Director's resolution. Any subsequent modification of such resolution shall be notified to the CNMV.

VII.8. Regarding the ordinary transactions not included in the previous section the following rules will apply to the volume of transactions:

(i) The maximum daily trading volume shall not exceed 25% of the average volume traded on the SIBE fixing or order system within normal business hours over the previous ten sessions (not including in the calculation any Public Offerings or Takeover Bids made in such period).

(ii) Exceptionally, in those isolated sessions in which the market displays greater volatility that its usual averages, the aforementioned volume may be increased, and the CNMV will be confidentially notified to this effect.

Price

VII.9. Purchase bids may be made at any price, provided that such price does not exceed the higher of the following: (i) the price at which the last transaction carried out by independent third parties would have been matched, and (ii) the price associated with the best independent offer to buy already made.

VII.10. Sale bids can be made at any price provided that said price is no lower than the lowest of the following: (i) the price at which the last transaction carried out by independent third parties would have been matched, and (ii) the price associated with the best independent offer to sell already made.

Trading

VII.12. In general, the aim will be to stagger Securities trading over the course of each session and to that end, except in exceptional circumstances observed by the Chief Financial Officer of Indra, and after consultation with the Chairman, the following guidelines will be followed:

(i) Orders to buy and orders to sell will not be kept open at the same time.

(ii) No purchase bids or sale bids that might set price trends can be made in the period of adjustment before the session opens. If, at the end of the adjustment period, the Security has not started trading, in order to fix a first price, a bid can be made to permit trading to start. This bid must necessarily be made on the basis of the prices associated with the best purchase bid and sale bid existing, and that which is closest to the closing price on the previous day. In any case, the restrictions on volume established in the previous paragraphs will apply.

(iii) During the periods of bidding care will be taken to avoid setting price trends. Exceptionally, in order to avoid abnormal fluctuations produced as a result of orders made by third parties during said bidding periods, transactions can be made tending to correct this deviation.

(iv) Transactions in bought-back stock will not be arranged with companies belonging to the Group, their directors, significant shareholders or people designated by any of them, unless expressly authorized by the Board of Directors.

(v) Trading in Securities should be done on the Computerized Trading System (SIBE) during normal business hours.

Scope and temporary modification of the above rules

VII.13. The above rules shall not apply to the following Securities operations, which must in all cases be authorized by the Chairman of Indra:

(i) Those done on the SIBE using the special system of block contracting.

(ii) Those that constitute special stock market operations.

(iii) Those involving derivatives hedging on stock market indexes contracted with Collective Investment Institutions.

(iv) Those resulting from arbitrage with futures and options on stock market indexes.

VII.14. In the case of urgent necessity, in order to protect the interests of INDRA and its shareholders, the Chairman may temporarily decide to modify or suspend the application of the rules set out in this Chapter VII, informing the CNMV and the Board of Directors to this effect as soon as possible.

VIII. Enforcement Manager for the Code of Conduct

The Enforcement Manager is the person in charge of the application, interpretation and compliance of the provisions laid down in the Code of Conduct, and he/she will be the Manager of the Board Secretary Office and Legal Matters of INDRA.

Particularly, the Enforcement Manager will carry out the following duties:

(a) Carry out and promote the compliance of this Code, interpreting the correct application of its rules.

(b) Propose measures that he/she considers adequate regarding information flow control, and in general, to the compliance of this Code and its inspiring principles at INDRA, promoting the adoption of complementary rules and procedures to the effect.

(c) Receive from the people subject to the Code, communications and information projected in the Code, file them in order and take care of them adequately.

(d) Respond and solve all the consultations made by the people subject to this Code.

(e) Keep and update the registers that this Code refers to, and the relevant events informed to the CNMV.

(f) Verify that the informed transactions carried out in the market by people subject to this Code are not affected by inadequate access to Inside Information.

(g) Inform the Compliance and Audit Commission about all the relevant incidents related to the compliance of the provisions laid down in this Code. Nonetheless, at least every year, he/she shall provide general information regarding the compliance of the provisions of this Code.

(h) Establish periods of total prohibition of transactions of Securities and Instruments according to the circumstances that he/she can oversee.

(i) Perform any other duty assigned in accordance to the provisions laid down by this Code, and also, assign other people to collaborate with him/her for the performing of his/her duties.

The Enforcement Manager and his/her collaborators are obliged to guarantee the strict confidentiality of all the operations known by them in accordance to the duties assigned to them by virtue of this Code of Conduct.

IX. Enforcement and breach

IX.1. This updated version of the Code of Conduct in matters relating to the Securities Market will come into force on June 1, 2006. The Enforcement Manager will send it to the people subjected to it, who should confirm they have received it.

IX.2. Violation of the provisions of this Code of Conduct will be considered a professional misdemeanor, whose seriousness will be determined by the proceedings followed in accordance with the legislation in force.

The above is without prejudice to any infraction of the provisions of the Securities Market Act and its subsidiary legislation, or the civil or criminal liability that may incur in any given case by a person who violates this Code of Conduct.

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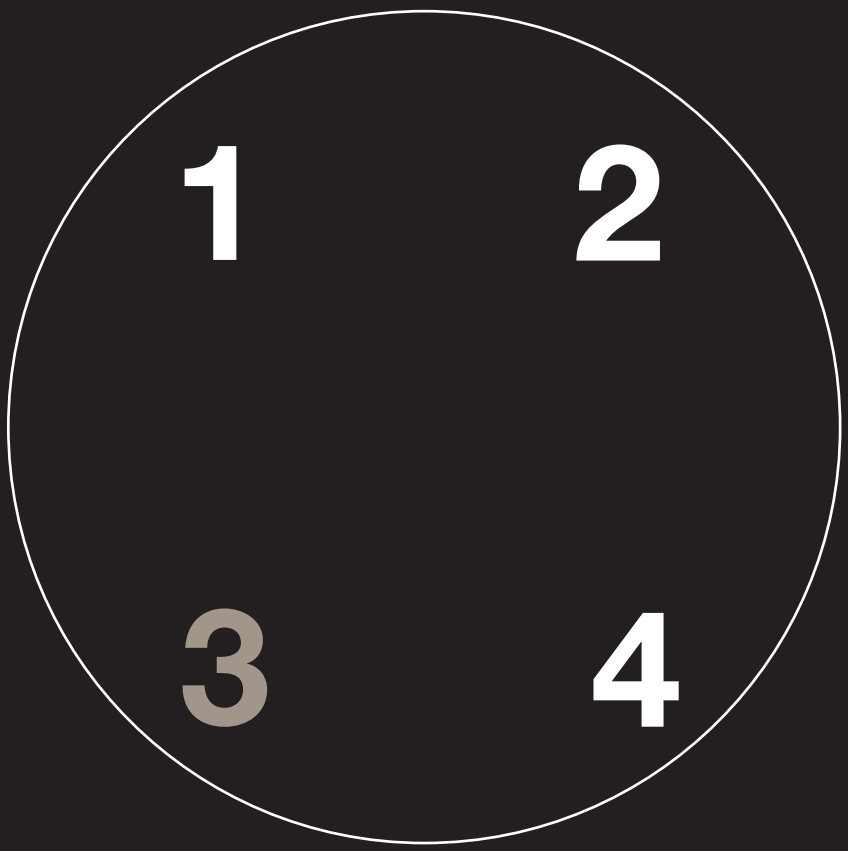
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