



ANNUAL REPORT ON COMPENSATION OF DIRECTORS  
FOR LISTED COMPANIES

2017

The contents of this report are the same as that contained in the annual report on director compensation filed with the Comisión Nacional de Mercados de Valores ("Spanish Stock Market Commission" or "CNMV") in accordance with the format established for it; although section C.1 is broad enough to contain all of the information required by the CNMV, a summary is included in section E in order to facilitate understanding of its contents.

## A. COMPANY COMPENSATION POLICY FOR THE CURRENT FISCAL YEAR

### A.1. Explain the company's compensation policy. Include in this section information regarding:

- **General principles and foundations of the compensation policy.**
- **Most significant changes made in the compensation policy applied during the prior fiscal year, as well as changes made during the fiscal year to the terms for exercising vested options.**
- **Standards used to establish the company's compensation policy.**
- **Relative size of the variable items of compensation compared with fixed items, along with the standards used to determine each component of director compensation packages (compensatory mix).**

#### EXPLAIN THE COMPENSATION POLICY

The current Compensation Policy was approved at the Annual Shareholders' Meeting held 29 June 2017 and applies to fiscal years 2018, 2019 and 2020.

Compensation for members of the Board of Directors (hereafter the "Board") is determined in accordance with provisions contained in the Bylaws, the Compensation Policy, and the Board Rules as well as resolutions adopted at Annual Shareholders' Meetings (individually, "Meeting").

In accordance with the provisions of Article 217 of the *Ley de Sociedades de Capital* ("Spanish Corporations Act" hereafter "LSC"), this compensation is reviewed periodically in order to ensure that it is reasonable in light of the size of the Company, its economic status and market practices for similarly situated companies. Also, regarding the design of and proposed changes to the compensation system, the Board continually ensures that it is designed to promote long term profitability and sustainability of the Company, and that it incorporates necessary safeguards for avoiding both excessive assumption of risk and reward for unfavourable results.

#### a) Compensation for Membership in Administrative Bodies.

The current compensation system consists of the following principles and concepts, contained in the Compensation Policy:

- That compensation of External Directors should provide sufficient incentive for their dedication, qualifications and responsibility, but should not constitute an obstacle to their independence.
- That compensation should not incorporate components tied to profits or stock price, the object being to dissociate it from short term variations and goals, and it is to be paid entirely in cash.
- Given the high degree of personal attendance by Directors at Board and Committee meetings, and given that the post is quite demanding in terms of dedication and commitment of time, compensation should consist in a fixed amount, determined as a function of the duties assumed by each Director.

Section A.3 shows the compensation amounts to be currently applied for membership on the various committees.

The Company applied the same principles and criteria during fiscal 2017 in accordance with the Compensation Policy in effect during that time.

#### b) Compensation for Performance of Executive Functions

Executive Directors receive additional compensation by virtue of their contractual relationships with the Company for carrying out the executive duties which they have been assigned.

This compensation is determined individually for each Executive Director by the Board upon proposal by the Nomination, Compensation and Corporate Governance Committee.

Since 2002, it has been Company practice to establish a medium term compensatory framework for Executive Directors, normally a period of three years.

The current Compensation Policy contains the following criteria and principles:

- That it be effective in attracting and retaining the best professionals, keeping their compensation in line with best practices and market conditions.
- That it promote retention of Directors and direct their management attention strictly and with special focus on the long term, with a reasonable connection to changes in stock value exclusively during that time frame.
- That it take into account current conditions, prospects, and sustainable growth objectives of the Company.
- That it include components which are fixed and variable; annual and multiannual; in cash, in kind, and in components tied to stock price; and are determined according to the following criteria:
  - I. That fixed compensation remain constant for the three year period except when specific circumstances arise which make a change advisable.
  - II. That variable compensation represent a very substantial portion of total compensation.
  - III. That medium term compensation have significant weight.
  - IV. That compensation tied to stock price be significant.
  - V. That receipt of a significant portion of variable compensation be time deferred.
  - VI. That the weight of the various compensation components be in line with best practices in the marketplace.

That each contract contain a clawback clause permitting the Company to demand reimbursement for any paid variable compensation in the event that it is later proven in an objective manner that its determination was based on incorrect or inexact data.

The current compensation scheme does not include stock options.

The principles, rationales, structure and compensation elements in the current Compensation Policy are substantially the same as those which formed the basis for the Compensation Policy in effect during fiscal years 2015-2017, comply with the provisions of the LSC, and are adjusted to national and international practices in compensation policy.

In applying those principles, compensation for Executive Directors arising from their management duties contains the following compensation components:

- Fixed Compensation: 25% of total annualised compensation.
- Annual Variable Compensation: 35% of total annualised compensation for 100% achievement of objectives.
- Medium Term Compensation: 40% of total annualised compensation for 100% achievement of objectives.

**A.2. Information regarding preparatory work and the decision-making process used to determine the compensation policy and the role, if any, played by the compensation committee and other supervisory bodies in crafting the compensation policy. This information shall include any mandate given to the compensation committee, its composition, and the identity of external advisors whose services have been used to define the compensation policy. Describe the category of directors, if any, who participated in determining the compensation policy.**

#### EXPLAIN THE PROCESS FOR DETERMINING THE COMPENSATION POLICY

In accordance with the Board Rules, proposals regarding compensation policy for Directors as well as specific schemes to be implemented and their components and amounts, are drafted by the Nomination, Compensation and Corporate Governance Committee and brought before the Board of Directors for a decision within the framework and limits established by the Bylaws, resolutions of Shareholders and Board Rules or, when warranted, submitted to the Shareholders at Annual Meetings.

As mentioned in the section above, in order to draft their proposals, the Nomination, Compensation and Corporate Governance Committee periodically analyzes trends and best practices in compensation policies for directors and senior managers; the opinions of shareholders and proxy advisers; as well as the results of votes at Meetings regarding proposals regarding compensation matters.

The Nomination, Compensation and Corporate Governance Committee has regularly availed itself of the advice of independent and well respected experts in this field. For drafting the Compensation Policy for 2015-2017 as well as the current policy approved at the Annual Shareholders Meeting in 2017 for the period 2018-2020, the advisors Willis Towers Watson were used.

The members of the Nomination, Compensation and Corporate Governance Committee are exclusively outside Directors, the majority Independent, and the chairman is always Independent. At the time of issuance of the present Report, it is composed of five members, three of them Independent and the other two Proprietary Directors representing the two largest Shareholders of the Company.

During meetings of the Board in which proposals related to compensation specific to Executive Directors are considered, those Directors are not present, and they do not participate in any manner in deliberations nor in making related decisions.

**A.3. State the amount and nature of fixed compensation components, with a breakdown, if applicable, of amounts given to executive directors for the performance of their management duties; of additional compensation as chair or member of a committee of the board; of fees for attending meetings of the board and its committees; of other fixed compensation paid for being a director, as well as an estimate of the resulting fixed annual compensation. Identify any non-cash compensation and the criteria for awarding it.**

#### EXPLAIN THE NATURE OF THE FIXED COMPENSATION COMPONENTS

##### a) For Membership on Administrative Bodies.

Compensation for Directors for performance of their duties as Directors is determined as a function of their membership on the various administrative bodies. It consists exclusively of a fixed amount which is determined by considering the responsibility and dedication required, and determined in accordance with the following: 80 m€ for membership on the Board; 40 m€ for membership on the Audit and Compliance Committee; 24 m€ for membership on the Nomination, Compensation and Corporate Governance Committee; and 24 m€ for membership on the Executive Committee, the chairmen receiving 1.5 times the indicated amounts.

These amounts have remained invariable since fiscal 2015. In section D which follows, individual compensation amounts for each Director in 2017 are given as a function of membership and duties on the various committees of the Board.

Without affecting the fact that the fixed amount be paid entirely in cash, all of the Directors have informed the Company of their decisions to dedicate a significant portion of their compensation (approximately 50% of net compensation) towards the purchase of Indra shares, promising as well to keep those shares so long as they remain at their posts.

##### b) For Performance of Executive Functions

Annual fixed compensation received by Executive Directors is paid entirely in cash.

Under the company reorganisation plan established in the 2018-2020 Strategic Plan, in December 2017 and January 2018 the Indra Board of Directors agreed to a series of changes in Company management structure consistent with the appointment of two new Executive Directors, Ms. Cristina Ruiz and Mr. Ignacio Mataix, who are in charge of IT business and T&D business (which consists of Defence and Security, Transport and Air Traffic Management), respectively.

This new management structure means elimination of the post of COO and the separation of Mr. Javier de Andrés, who occupied the post, from the Company.

As a result of these changes, the amounts of Fixed Compensation for Executive Directors for the current fiscal year for performance of management duties are the following:

- CEO: 775 m€
- Vice President Director for IT: 550 m€
- Vice President Director for T&D: 550 m€

**A.4. Explain the amount, nature and primary characteristics of the variable components of the compensation systems.**

##### In particular:

- **Identify each of the compensation plans of which the directors are beneficiaries, their scope, their approval dates, their beginning dates, the length of time they are in effect, and their main features. In the case of stock option plans and other financial instruments, the general features of the plan shall include information on the terms for exercising such options or financial instruments for each plan.**
- **Indicate any compensation under profit-sharing or bonus plans, and the reason they are given.**

- **Explain the fundamental parameters and rationale for any annual bonus plan.**
- **The categories of directors (executive directors, proprietary external directors, independent external directors or other external directors) who are beneficiaries of compensation systems or plans which include variable compensation.**
- **The rationale for such variable compensation systems or plans, the criteria for evaluating performance, and the components and evaluation methods for determining whether such evaluation criteria have been met, and an estimate of the monetary value of variable compensation to which the current compensation plan would give rise, based on the assumptions or goals used for its determination.**
- **If applicable, explain any established deferred payment periods and/or periods for retaining shares or other financial instruments, if they exist.**

#### EXPLAIN THE VARIABLE COMPONENTS OF THE COMPENSATION SYSTEMS

The only variable components of compensation for the Board are those for Executive Directors as part of additional compensation for performance of management duties.

Compensation for Executive Directors incorporates two variable components: Annual Variable Compensation, and Medium Term Compensation, defined in the Compensation Policy in force during the current fiscal year and as approved at the 2017 Meeting valid for the period 2018-2020.

##### a) Annual Variable Compensation

In accordance with the Compensation Policy in force during the current fiscal year, the purpose of this compensation component is to reward the creation of value through achievement of established objectives as well as individual management performance.

To this end the Board, upon a prior report from the Nomination, Compensation and Corporate Governance Committee, set annual objectives for each Executive Director, said objectives being both quantitative and qualitative.

**Quantitative objectives** have a minimum weight of 50% in calculating Annual Variable Compensation. They are composed of metrics which ensure an adequate balance between financial and operational aspects in management of the Company.

**Qualitative objectives** have a minimum weight of 30% in calculating this incentive. They are primarily tied to the individual performance evaluation for Executive Directors.

In order to determine the degree of achievement of each objective, a central value is established – equivalent to reaching 100% of the objective – which in the case of quantitative objectives corresponds to achieving the annual budget for the Company in each one of its component parameters. The Board sets a minimum and maximum percentage for reaching each of the established objectives.

With the goal of ensuring that Annual Variable Compensation is fairly associated with performance of the beneficiaries, at the time which achievement level is determined for quantitative objectives, any extraordinary events which would distort the evaluation criteria are disregarded.

As indicated in Section A.1 above, the Compensation Policy in force during the current fiscal year establishes a Target Annual Variable Compensation amount (corresponding to 100% achievement of objectives) equivalent to 1.4 times Fixed Compensation. Likewise, in the event that objectives are exceeded, it establishes a maximum Annual Variable Compensation being 120% of the Target amount, which would be equivalent to 1.68 times Fixed Compensation and also establishes a minimum achievement threshold below which the resulting Annual Variable Compensation will be zero.

Achievement of a 100% level of objectives (Target) results in Annual Variable Compensation amounting to 35% of total annualized compensation for Executive Directors. Thirty percent of said Annual Variable Compensation (equivalent to 10.5% of Total Annual Target Compensation) is deferred and paid out in three equal instalments over a three year period, entirely in Company stock, the amount of which is fixed on the date of award as a function of the average quoted price for the thirty sessions of the Stock Exchange prior to delivery. An amount in cash equal to any dividends paid by the Company from the date on which the shares are allotted will also be paid.

## b) Medium Term Compensation

In accordance with the Compensation Policy in force during the current fiscal year, the purpose of this compensation is to reward the creation of long term sustainable shareholder value by means of reaching a combination of economic-financial and operational objectives contained in the Strategic Plan and shareholder value creation.

To accomplish this, Medium Term Compensation is structured around a single three year cycle and is delivered entirely in Company shares. The Board makes an initial assignment of shares. A percentage between 0% and 133% of the shares assigned at the beginning of the Plan will be delivered at Plan's end, calculated as a function of the degree to which the objectives tied to Medium Term Compensation are met ("Performance Share Plan").

In the Medium Term Compensation, financial, strategic and operational objectives have a maximum weight of 80% and those relating to the revaluation of the shares have a maximum weight of 30%.

The Board, after a report from the Nomination, Compensation and Corporate Governance Committee, issued a set of objectives for each Executive Director.

In order to determine the degree of achievement of each objective, a central value is established – equivalent to reaching 100% of the objective –; which corresponds to reaching Company's budget for each one of the parameters. A minimum and maximum percentage is established for each objective. For achievement levels below the minimum threshold, the Medium Term Compensation would be zero.

The objective tied to share performance is Total Shareholder Return relative to the Ibex 35, and will operate similar to the way it did in the Compensation Policy for 2015-2017.

In evaluating the achievement of objectives circumstances outside the ordinary course of business (such as acquisitions, restructuring, intergroup transactions...) may be taken into account by the Board and the Nomination, Compensation and Corporate Governance Committee when they would have influenced -- positively or negatively -- completion of objectives and were not the direct result of the Executive Director's management. Additionally, in evaluating the achievement of objectives, other circumstances such as the general economic environment or the performance of Indra within the market or sector in which it operates, or the performance of comparable companies may be taken into account.

The Nomination, Compensation and Corporate Governance Committee may propose that the Board adjust Medium Term Compensation before delivery under exceptional circumstances arising

from internal or external factors. Details regarding any such adjustment will be explained in the corresponding compensation report.

As indicated in Section A.1 above, the Compensation Policy approved for the period 2018-2020 establishes a Medium Term Compensation Target (corresponding to 100% achievement of objectives) equivalent to 1.6 times Fixed Compensation. Likewise, in the event that objectives are exceeded, it establishes a maximum Medium Variable Compensation being 133% of the Target amount, which would be equivalent to 2.13 times Fixed Compensation and also establishes a minimum achievement threshold below which Medium Variable Compensation will be zero.

For a 100% achievement of objectives (Target), Medium Term Compensation represents 40% of the total annualized compensation for Executive Directors.

No other element of variable compensation is provided for in the Compensation Policy.

Additionally, Executive Directors agree to abide by the following retention policy regarding shares while they are at their posts: to retain ownership of a number of Company shares which would result from having invested the equivalent of two times gross fixed compensation. They are given a maximum of six years from their appointment in order to obtain such an investment level, which they must maintain while they are at their posts.

**A.5. Explain the main features of any long term savings plans, including retirement and any other survival benefit, either wholly or partially financed by the company, and whether funded internally or externally, and provide an estimate of their cost or equivalent annual amount, stating the type of plan, whether it is a defined contribution or defined benefit plan, the conditions under which payment rights are vested in favour of directors, and their compatibility with any kind of severance payment for early retirement or termination of the labour relationship between the company and the director.**

**Indicate also any contributions to defined contribution pension plans on the director's behalf; or any increase in the director's vested rights in the case of contributions to defined-benefit plans.**

### EXPLAIN ANY LONG TERM SAVINGS PLANS

No Director is a beneficiary of any long term savings plan, pension or retirement plan, or any similar benefit as a result of their status as a member of the governing bodies.

Executive Directors are beneficiaries of an Early Retirement and Long-Term Savings Plan provided through a defined contribution fund outsourced by means of an insurance policy. The Company makes annual contributions to it for each Executive Director, determined as a percentage of total annualised target compensation.

The Long Term Early Retirement and Savings Plan is not a pension plan and its receipt by each Executive Director is contingent. Thus, the Executive Director will have the right to receive the accumulated amount in the Plan upon reaching the age of 62 or earlier in the event of termination of his or her contractual relationship with the Company without cause, including in the event of change in control of the Company. Nonetheless, in the event of breach of contract, voluntary separation, or death before the age of 62, the Executive Director will not receive the Plan.

The maximum amount that may be received under the Early Retirement and Long-Term Savings Plan is limited to the total annualised target compensation amount in the cases of Ms. Ruiz and Mr. Mataix, and to an amount equivalent to 45 days' total annualised target compensation for each year of service in the case of the CEO.

The amounts budgeted in 2018 by the Company for the Early Retirement and Long-Term Savings Plan are:

- CEO: 15% of his total annualised target compensation;
- Ms. Cristina Ruiz: 6.72% of her total annualised target compensation;
- Mr. Ignacio Mataix: 16.56% of his total annualised target compensation.

Executive Directors are not beneficiaries of any pension plans or any other retirement, savings or deferred compensation plan other than the Early Retirement and Long-Term Savings Plan.

Sections C and D below detail payments made under the Early Retirement and Long-Term Savings Plan during fiscal 2017.

**A.6. Indicate any severance benefits agreed to or paid in case of termination of duties as a director.**

**EXPLAIN THE SEVERANCE BENEFITS**

Directors of the Company as such do not have any rights to compensation or severance of any kind in the event of termination of their mandates.

**A.7. State the terms and conditions that must be included in the contracts of executive directors performing senior management duties. Include information regarding, among other things, the term, limits on severance benefit amounts, clauses regarding duration on the board, prior notice periods, as well as payments in lieu of prior notice, and any other clauses relating to hiring bonuses, as well as benefits or golden parachutes due to early retirement or termination of the contractual relationship between the company and the executive director. Include, among other things, any covenants or agreements on moonlighting, exclusivity, permanence, or loyalty and any post-contractual non-compete clauses.**

**EXPLAIN THE CLAUSES IN EXECUTIVE DIRECTOR CONTRACTS**

Executive Directors maintain a business relationship with the Company described in their contracts, which regulate the conditions applicable to their professional relationship with the Company.

Said contracts are of indefinite duration. In the event of termination for reasons not attributable to them, the three Executive Directors have a temporary severance right equivalent to the positive difference between an amount equivalent to one year of total target compensation and the amount accumulated at that moment on their behalf in the Early Retirement and Long-Term Savings Plan which, as indicated in Section A.5 above, they would be entitled to receive.

The contracts for the three Executive Directors contain as well a requirement that the Company give three months' notice of termination of the professional relationship and, in the event of noncompliance, compensation equivalent to total annualised target compensation for the uncompleted notice period.

Additionally, said contracts contain a non-compete agreement for one year after the end of the relationship with the Company paid in an amount equivalent to 0.75 times total annualised target compensation. In the case of the CEO, until 2017 the term of the non-compete agreement was 2 years with total compensation amounting to 1.5 times total annualized target compensation. In January 2018 and upon proposal of the CEO – considering that a one year non-compete agreement adequately protected the Company interests and that the amount of money to be paid out by the Company for two years was onerous – the Board resolved to reduce the term of the non-compete agreement to one year and therefore its value.

The contracts of all Executive Directors contain clawback clauses in which the Company retains the right of reimbursement of variable compensation amounts improperly paid when it is objectively apparent that such amounts were determined using any erroneous datum.



**A.8. Explain any supplemental compensation accrued by directors in consideration of services provided other than those inherent in their position.**

**EXPLAIN THE SUPPLEMENTAL COMPENSATION**

There is no supplementary compensation for Company Directors.

**A.9 Indicate any compensation in the form of advances, credits and guarantees given, stating the interest rate, main features, and amounts eventually repaid, as well as the obligations assumed on their behalf as a guarantor.**

**EXPLAIN ADVANCES, CREDITS AND GUARANTEES GIVEN**

As provided for in the Compensation Policy for the period 2018-2020, the Company has in place a policy for the concession of advances and loans applicable to Executive Directors, and which sets a maximum amount (equivalent to two months' gross Fixed Annual Compensation) and certain conditions for liquidation of the debt dependent upon the term of the loan. Granting of these loans is subject to approval by the Board of Directors after a favourable report from the Nomination, Compensation and Corporate Governance Committee and execution of the appropriate contract as provided for in the policy.

**A.10. Explain the main characteristics of compensation in kind.**

**EXPLAIN COMPENSATION IN KIND**

Directors do not receive any payment in kind for membership on governing bodies.

Pursuant to the terms of their contracts, Executive Directors receive payment in kind, which consists of a life and disability policy.

They are also beneficiaries of a health policy under the conditions of a group policy taken out by the Company for senior managers.

The Executive Directors Ms. Ruiz and Mr. Mataix have the right to the use of a Company vehicle in accordance with applicable Company policy.

**A.11. State the compensation received by the director by virtue of payments made by the listed company to a third party to which the director provides services, if such payments are intended to provide compensation for services rendered to the company.**

**EXPLAIN THE COMPENSATION RECEIVED BY THE DIRECTOR BY VIRTUE OF PAYMENTS MADE BY THE LISTED COMPANY TO A THIRD PARTY TO WHICH THE DIRECTOR PROVIDES SERVICES**

None.

**A.12. Any form of compensation other than those listed above, of whatever nature and from any member of the group, especially when it is deemed to be a related party transaction or when its payment obscures an accurate view of the total compensation accrued by the director.**

**EXPLAIN OTHER FORMS OF COMPENSATION**

There are no additional compensation items.

**A.13. Explain the actions taken by the company regarding the compensation system in order to reduce exposure to excessive risk and align it with the long-term goals, values, and interests of the company, including any reference to: measures intended to ensure that the compensation policy takes into account the long-term results of the company, measures which establish an appropriate balance between fixed and variable components of compensation, measures adopted with respect to those categories of personnel whose professional activities have a significant impact on the entity's risk profile, repayment formulae or clauses allowing demand of the return of variable compensation components based on results if such components have been paid based on data that is later shown to be clearly inaccurate, and measures provided to avoid any conflicts of interest.**

**EXPLAIN ACTIONS TAKEN TO REDUCE RISK**

As explained in section A.1 above, Directors' compensation system for membership on administrative bodies is designed with the specific goal of divorcing this compensation from short term goals and variables.

Also, as regards specifically compensation for Executive Directors for performance of management duties, the current compensation scheme places a significant amount of weight (more than 50%, including the deferred portion of Annual Variable Compensation) on medium term components and variable components (75%) versus fixed remuneration (25%), as explained throughout this Report.

The procedures for determining goals and for assessing their achievement place special attention on the most important variables related to development of sustainable value in the medium and long term.

The Corporate Governance system, internal operating rules, control systems, and compliance programs in place at the Company establish specific oversight mechanisms and checks and balances in order to avoid the concentration of decision making power in areas which might lead to a higher assumption of risk by the Company as well as avoiding, or if applicable, adequately managing, conflicts of interest which may arise.

As indicated in Section A.7, contracts for Executive Directors contain clawback clauses which permit claims for reimbursement for improperly awarded payments under terms that are described in said Section.

## C. OVERALL SUMMARY OF THE APPLICATION OF THE COMPENSATION POLICY DURING THE FISCAL YEAR JUST ENDE

**C.1. Summarise the principal characteristics of the structure and compensation items of the compensation policy applied during the fiscal year just ended giving rise to the breakdown of individual compensation received by each director as reflected in section D of this report, as well as a summary of the decisions made by the board in applying those items. Evaluation data**

### EXPLAIN THE STRUCTURE AND COMPENSATION ITEMS OF THE COMPENSATION POLICY APPLIED DURING THE FISCAL YEAR

#### a) Compensation for Membership on Administrative Bodies

As indicated above, compensation consists exclusively of fixed amounts paid entirely in cash. The fixed amounts for fiscal 2017 are the following: 80m€ for membership on the Board; 40m€ for membership on the Audit and Compliance Committee; 24m€ for membership on the Nomination, Compensation and Corporate Governance Committee; and 24m€ for membership on the Executive Committee, with the chairs of each body receiving 1.5 times the amount indicated.

Application of these amounts for membership on each of the administrative bodies gives rise to the individual amounts shown in Section D below.

#### b) Compensation for Executive Functions

During fiscal 2017, specific compensation for Executive Directors was determined in accordance with the criteria and components provided for in the 2015-2017 Compensation Policy and as described in the Annual Compensation Report for fiscal 2016.

- Fixed Compensation

Fixed compensation, in accordance with the provisions of said Policy, amounted to 775m€ for the CEO and 535m€ for the prior COO, who left his post on 21 December 2017.

- Annual Variable Compensation

As for Annual Variable Compensation, the Board, after a report from the Nomination, Compensation and Corporate Governance Committee, issued a set of annual objectives for each Executive Director, those objectives being the following:

**Quantitative objectives:** The following were established for the CEO as well as the prior COO: Cash Flow, EBIT and order intake, with a weight of 70% for Annual Variable Compensation.

In order to determine the degree of achievement of each objective, a central value was established – equivalent to reaching 100% of the objective – which corresponds to reaching Company annual budget for each one of the parameters, according to the following achievement standards:

	ACHIEVEMENT LEVEL	PAYMENT	ACHIEVEMENT LEVEL	PAYMENT	ACHIEVEMENT OF OBJECTIVES	PAYMENT	WEIGHT
<b>CASH-FLOW</b>	< 85%	0%	85%-100%	25%-100%	100%-110%	100%-120%	30%
<b>EBIT</b>	< 85%	0%	85%-100%	25%-100%	100%-110%	100%-120%	40%
<b>ORDER INTAKE</b>	< 90%	0%	90%-100%	25%-100%	100%-110%	100%-120%	30%

**Qualitative Objectives:** For the CEO during fiscal 2017 the only qualitative objective set was overall assessment by the Board of his management, so that the Board could evaluate in greater and a wider context the performance of his duties as chief executive, taking into consideration specific circumstances and situations arising during the fiscal year.

In the case of the prior COO, his objectives were linked to the following components: Integration of TecnoCom, the Transformation Plan for Technologies and Product Management strategy, implementation of the Global Unit Risk Management and inventories model and own products roadmap.

The choice of specific objectives came about taking into consideration their importance and relevance for meeting Company global objectives as well as specific needs identified where more management attention was desired.

Qualitative Objectives have a total weight of 30% of Annual Variable Compensation.

Upon the close of fiscal 2017, the Nomination, Compensation and Corporate Governance Committee and the Board engaged in an evaluation process for the level achievement of objectives tied to Annual Variable Compensation, with the following results:

Regarding quantitative objectives for the CEO, his achievement level resulted in payment of 68.8% of the amount associated with those objectives; as for qualitative objectives, his achievement level resulted in payment of 110% of the amount associated with those objectives. Given these evaluations and the respective weights given to them, the resulting overall goal achievement level by the CEO for Annual Variable Compensation 2017 resulted in payment of 81.2% of the target amount for Annual Variable Compensation, amounting to gross compensation of 880m€.

As for the prior COO, the Nomination, Compensation and Corporate Governance Committee and the Board agreed that termination of his employment relationship at the end of the fiscal year would include achievement of quantitative objectives, resulting in a payment of 68.8% of the amount associated with those objectives, and resulted in payment of 48.2% of the target amount of his Annual Variable Compensation, corresponding to a gross amount of 371 m€. Consistent with the provisions of the Compensation Policy 2015-2017, 70% of Annual Variable

Compensation was received in cash in March 2018.

The remaining 30% will be received in shares, the total number of which determined as a function of the average quoted price during the 30 stock market sessions prior to approval by the Board of Annual Variable Compensation, which price was 11.58 €. The result of the above calculation was that the number of shares awarded was 22,809 for the CEO and 9,604 for the COO. This number of shares will be delivered to the Executive Directors in three equal parts in 2019, 2020, and 2021.

In accordance with deferment as explained above, this past 23 February 2018 delivery of shares was made corresponding to the second 1/3 of Annual Variable Compensation for 2015 and the first 1/3 of Annual Variable Compensation for 2016, the CEO and COO receiving 14,466 and 8,007 shares respectively.

- Medium Term Compensation

As for Medium Term Variable Compensation, in accordance with the Compensation Policy 2015-2017, it is structured around a single three year cycle, the Board makes an initial assignment of shares (in function of the Target Medium Term Compensation and the share price during the 60 sessions of the stock exchange prior to the 2015 Meeting), a percentage of which between 0% and 133% will be delivered at Plan's end, calculated as a function of the degree to which the objectives tied to Medium Term Compensation are met.

The common objectives for the CEO and prior COO for Medium Term Compensation during 2015-2017, as well as their established relative weights, were the following:

OBJECTIVE	TYPE	WEIGHT
<b>TOTAL SHAREHOLDER RETURN RELATIVE TO THE IBEX 35</b>	QUANTITATIVE	20%
<b>AGGREGATE CASH FLOW FOR THE PERIOD 2015-2017</b>	QUANTITATIVE	30 %
<b>EXECUTION OF THE STRATEGIC PLAN 2015-2017</b>	QUALITATIVE	50 %

In order to determine the degree of achievement of each objective, a central value was established – equivalent to reaching 100% of the objective – with a minimum achievement percentage of 60% and a maximum of 150% for superior achievement. For achievement below the minimum threshold, Medium Term Compensation would be zero. In all cases the maximum overall total for achievement of objectives is 133%.

As regards Relative Total Shareholder Return, it is expected that the number of shares to be delivered will be zero if total shareholder return is below number 18 in ranking (median); 60% of the number of shares initially allocated in the event that total shareholder return is higher than 12th place (68th percentile); and 150% in the event that total shareholder return is situated at 5th place or above in the Ibex 35, calculating the percentage using linear interpolation for values in between.

In evaluating the completion of objectives, where it is justified, circumstances outside the ordinary course of business (such as acquisitions, restructuring, intergroup transactions...) would not be taken into account, when they would have influenced -- positively or negatively -- completion of objectives and were not the direct result of the Executive Director's management. Additionally, in evaluating the achievement of objectives, the Board may take into account other circumstances such as the general economic environment or the performance of Indra within the market or sector in which it operates, or the performance of comparable companies.

In February 2018 the Board, after a report from the Nomination, Compensation and Corporate Governance Committee, completed its achievement evaluation for objectives corresponding to Medium Term Compensation 2015-2017, determining the number of shares of the total amount initially allocated to each Executive Director for this component.

Global achievement of objectives percentage reached was 128% for the CEO and 73.57% for the COO, which resulted in delivery of 478,759 shares to the CEO and 194,423 shares to the COO.

Said shares were delivered this past 8 March 2018. Given the listed share price for Indra of 11.64€ on this date, the amount of compensation for this component amounted to 5,573m€ for the CEO and 2,263m€ for the prior COO.

The above euro amounts and number of shares are gross and are subject therefore to applicable tax withholding.

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Additionally, in December 2017 the termination of the contractual relationship of the COO Mr. de Andrés took place, resulting in payment of 550m€ as a breach of the contractual notice period.

Also, the termination of Mr. de Andrés contract gave rise to his right to receive payment from the third party provider of the Early Retirement and Long-Term Savings Plan, the balance subject in all cases to the maximum provided for in his contract. Said amount was 5,011m€.

Finally, said termination triggered application of the non-compete clause between the Company and Mr. de Andrés. As a result, in 2017 Mr. de Andrés received compensation for this in the amount of 45m€ for fiscal 2017.

## D. DETAIL INDIVIDUAL COMPENSATION PAID TO EACH DIRECTOR

**D.1 Complete the following charts regarding individual compensation for each director (including compensation paid during the fiscal year for executive duties) paid during the fiscal year.**

a) Compensation paid by the Company which is the subject of this report:

i. Cash compensation (in 1000's of €)

NAME	SALARY	FIXED COMPENSATION	PER DIEM	SHORT TERM VARIABLE COMPENSATION	LONG TERM VARIABLE COMPENSATION	COMPENSATION FOR COMMITTEE MEMBERSHIP	INDEMNITY	OTHER ITEMS	TOTAL FISCAL 2017	TOTAL FISCAL 2016
F. Abril-Martorell	775	120	0	880	0	36	0	8 <sup>(1)</sup>	1,819	1,911
J. de Andrés	535	80	0	371	0	24	0	614 <sup>(2)</sup>	1,624	1,254
J. Monzón	--	--	--	--	--	--	--	250 <sup>(3)</sup>	250	3,000
D. García-Pita	0	80	0	0	0	55	0	0	135	128
J. C. Aparicio	0	80	0	0	0	40	0	0	120	120
A. Menéndez	0	80	0	0	0	48	0	0	128	128
J. March	0	80	0	0	0	24	0	0	104	104
S. Martínez-Conde	0	80	0	0	0	64	0	0	144	144
I. Aguilera	0	40	0	0	0	12	0	0	52	116
L. Lada	0	80	0	0	0	40	0	0	120	112
I. Santillana	0	80	0	0	0	84	0	0	164	164
R. Sugrañes	0	40	0	0	0	12	0	0	52	104
A. Terol	0	80	0	0	0	62	0	0	142	144
E. De Leyva	0	80	0	0	0	64	0	0	144	144
S. Irazo	0	40	0	0	0	10	0	0	50	--
M. Rotondo	0	40	0	0	0	17	0	0	57	--

(1) Amount corresponding to in kind compensation for health benefits;

(2) Includes the amount received for in kind compensation for health benefits (6m€) and the amount received for termination of his contract with the Company (608m€) for the following components: (a) early contract termination without notice; (b) accrued vacation time; and (c) compensation delivered under for the corresponding period of the non-compete clause entered into with the Company.

(3) Includes in 2016 compensation delivered during the period to Mr. Monzón, the prior CEO, in consideration for a non-compete clause entered into with the Company.

## II. Stock based compensation plans

NAME/ PERIOD OF DELIVERY	TYPE OF PLAN AND EFFECTIVE DATE:	OWNERSHIP OF OPTIONS AT THE BEGINNING OF FISCAL 2017				OPTIONS GRANTED DURING FISCAL 2017					SHARES DELIVERED <sup>(1)</sup> DURING FISCAL 2017		
		NUMBER OF OPTIONS	NUMBER OF AFFECTED SHARES	STRIKE PRICE	STRIKE PERIOD	NUMBER OF OPTIONS	NUMBER OF AFFECTED SHARES	STRIKE PRICE	STRIKE PERIOD	CONDITIONS FOR EXERCISE	NUMBER OF SHARES	PRICE (€)	AMOUNT (M €)
fiscal 2015- 2017	triennial Medium Term Compensation												
F. Abril- Martorell											478,759	11.64	5,573
J. de Andrés											194,423	11.64	2,263

(1) Actual delivery of shares occurred 8 March 2018 but were vested 31 December 2017

## III. Long term savings plans

NAME	CONTRIBUTION BY THE COMPANY DURING THE FISCAL YEAR (1000'S €)		ACCUMULATED BALANCE (1000'S €)	
	FISCAL 2017	FISCAL 2016	FISCAL 2017	FISCAL 2016
F. Abril-Martorell	465	465	1,404	916
J. de Andrés	343	374	0	4,967

## IV. Other benefits (1 000's €)

## COMPENSATION IN THE FORM OF ADVANCES, LOANS GRANTED

DIRECTORS	RATE OF INTEREST	BASIC TERMS	AMOUNT TO BE REPAYED	EJERCICIO 2016
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DIRECTORS	LIFE INSURANCE PREMIUMS		GARANTÍAS CONSTITUIDAS POR LA SOCIEDAD A FAVOR DE LOS CONSEJEROS	
	FISCAL 2017	FISCAL 2016	EJERCICIO 2017	EJERCICIO 2016
F. Abril-Martorell	18	14		
J. de Andrés	36	35		
D. García-Pita				
J. Carlos Aparicio				
A. Menéndez				
J. March				
S. Martínez-Conde				
I. Aguilera				
L. Lada				
I. Santillana				
R. Sugrañes				
A. Terol				
E. De Leyva				
S. Irazo				
M. Rotondo				



b) Compensation received by Directors for membership on the boards of other companies in the group. N/A

c) Compensation summary (1000's €)

NAME	COMPENSATION PAID BY THE COMPANY				COMPENSATION PAID BY COMPANIES IN THE GROUP				TOTALS		
	TOTAL CASH PAYMENTS	VALUE OF SHARES DELIVERED	GROSS PROFIT ON OPTIONS EXERCISED	TOTAL FISCAL	TOTAL CASH PAYMENTS	VALUE OF SHARES DELIVERED	GROSS PROFIT ON OPTIONS EXERCISED	TOTAL FISCAL 2017 FOR THE GROUP	TOTAL FISCAL 2017	TOTAL FISCAL 2016	CONTRIBUTIONS TO SAVINGS PLANS DURING THE FISCAL YEAR
F. Abril-Martorell	1,819	5,573	0	7,392	0	0	0	0	7,392	1,911	465
J. de Andrés	1,624	2,263	0	3,887	0	0	0	0	3,887	1,254	343
D. García-Pita	135	0	0	135	0	0	0	0	135	128	0
J. Carlos Aparicio	120	0	0	120	0	0	0	0	120	120	0
A. Menéndez	128	0	0	128	0	0	0	0	128	128	0
J. March	104	0	0	104	0	0	0	0	104	104	0
S. Martínez-Conde	144	0	0	144	0	0	0	0	144	144	0
I. Aguilera	52	0	0	52	0	0	0	0	52	116	0
L. Lada	120	0	0	120	0	0	0	0	120	112	0
I. Santillana	164	0	0	164	0	0	0	0	164	164	0
R. Sugrañes	52	0	0	52	0	0	0	0	52	104	0
A. Terol	142	0	0	142	0	0	0	0	142	144	0
E. De Leyva	144	0	0	144	0	0	0	0	144	144	0
S. Iranzo	50	0	0	50	0	0	0	0	50	0	0
M. Rotondo	57	0	0	57	0	0	0	0	57	0	0
J. Monzón	250 <sup>(1)</sup>	--	--	250	--	--	--	--	250	3,000	---
<b>Totals</b>	<b>5,105</b>	<b>7,836</b>	<b>0</b>	<b>12,941</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12,941</b>	<b>7,573</b>	<b>808</b>

(1) Included in 2017 figures is compensation paid during the period to Mr. Monzón, prior CEO, for the non-compete clause signed with the Company.

**D.2 Report the relationship between compensation received by directors and results or other measures of the entity's performance, explaining, if applicable, how changes in the company's performance may have affected changes in the compensation of the directors.**

a) Membership on Administrative Bodies

As indicated in Section A.1 above, the current Compensation Policy provides that, as regards director compensation for membership on administrative bodies, that such may be adjusted as a function of reaching goals made public by the Company. During fiscal 2017, such as has been described in Section A.3, fixed compensation for membership on the Board and its Committees has not changed.

b) Executive Functions

As explained in Section C.1, the quantitative objectives for Executive Directors (cash flow, EBIT, and Order intake) correspond directly to Company results and together account for 70% of Variable Annual Compensation. In fiscal 2017, the degree to which said objectives were achieved on the part of the CEO and the COO resulted in payment of 97.1% of the amount linked to these objectives.

**D.3 Report the results of the non-binding vote of the shareholders on the annual compensation report for the preceding fiscal year, indicating the number of votes against, if any:**

**ANNUAL COMPENSATION REPORT 2016**

	NUMBER	% OF TOTAL
VOTES CAST	126,514,908	100
VOTES IN FAVOR	90,600,849	71.6128
VOTES AGAINST	2,372,196	1.875
ABSTAINING	33,541,863	26.5122

## E. OTHER INFORMATION OF INTEREST

**If there are any relevant issues relating to director compensation that could not be included in the other sections of this report, but which should be included in order to provide more complete and lucid information on the compensation structure and practices of the company regarding its directors, list them briefly.**

- The annual financial statements contain detailed and comprehensive information regarding specific aspects relating to Director and senior management compensation as well as their contractual rights and obligations.

This Annual Compensation Report was approved by the Board of Directors of the Company during its meeting held 19 March 2018.

Indicate if any directors abstained or voted against approval of this Report.

NONE.