COMPENSATION POLICY FOR DIRECTORS OF INDRA SISTEMAS, S.A.

This document describes the Compensation Policy for Directors of Indra Sistemas, S.A., and is submitted for approval at the Annual Shareholders Meeting to be held 25 June, 2015.

In the case that it is approved at the Annual Shareholders Meeting, the Company will apply this Compensation Policy for Directors during fiscal 2015, 2016 and 2017. Any modification or replacement of the Policy during this time will require prior approval at an Annual Shareholders Meeting in accordance with the terms of Article 529.19 of the *Ley de Sociedades de Capital* ("LSC").

I. Principles of the Compensation Policy

Compensation for members of the Board of Directors ("Board") is determined in accordance with the Bylaws, the Board Rules and resolutions adopted at Annual Shareholders Meetings.

In order to comply with the provisions of Article 214 of the LSC, said compensation is subject to periodic review in order to ensure that it is proportional to the size of the Company, the Company´s economic environment, and market standards for similarly situated companies. Also, in the policy´s design and in proposals for its amendment, the Board should continuously ensure that it is geared toward promoting the company's long term profitability and sustainability and that it incorporate safeguards to avoid the assumption of excessive risk and avoid rewarding unfavorable results.

a) Principles and Bases for Director Compensation for their Duties as Directors

- Compensation for External Directors should incentivize their dedication, qualifications, and responsibility, but should not constitute an obstacle to their independence.
- Compensation should not incorporate components tied to profits or to share 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 attendance by Directors at Board and Committee meetings, and given that the post is quite demanding in terms of dedication and commitment of time, a fixed compensation amount should be established, determined as a function of the duties assumed by each Director.
- In the event that public objectives of the Company are not met, the Board will reconsider the compensation amount, and inform the Annual Shareholders Meeting.

b) Principles and Bases for Director Compensation for Executive Functions

Executive Directors also receive compensation by virtue of their contractual relationships with the Company for carrying out executive duties which are assigned to them.

This compensation is determined individually for each of the Executive Directors by the Board upon proposal by the Appointment, Compensation and Corporate Governance Committee ("Committee").

This Compensation Policy is based on the following principles and criteria:

- That it effectively attract and retain the best professionals, keeping their compensation in line with best practices and market conditions.
- That it motivate longevity in their posts and orient their management with exactitude and special focus on the long term, and have a reasonable relationship with equity value during that time.
- That it relate to the current situation, prospects, and objectives of sustainable growth for the Company.
- That it include fixed and both annual and multiannual variable components; that it be paid in cash, in kind, and in items tied to equity value; and that it be determined consistent with the following criteria:

  i. That fixed compensation remain invariable for a period of three years except when specific circumstances arise which make a change advisable.
  ii. That variable compensation represent a substantial portion of total compensation.
  iii. That medium term compensation have a significant weight.
  iv. That compensation tied to stock price be significant.
  v. That the receipt of a significant portion of variable compensation be deferred.

- Employment contracts are to contain clauses which permit the Company to demand reimbursement of any variable compensation paid in the event that it is subsequently discovered that determination of such was based on erroneous or imprecise data.

II. Compensation Policy for Directors Arising from their Condition as Such

In accordance with Article 27 of the Bylaws, compensation paid to Directors arising from their condition as such consists of a fixed amount and per diems for attendance at Board meetings and meetings of the various committees, and this is paid in cash. The total amount paid to the Board corresponding to payments to its members arising from their condition as such may not exceed in any year the maximum amount determined at a Meeting.

In accordance with Article 529.19 of the LSC, the maximum annual amount of this compensation is decided at an Annual Shareholders Meeting in the Compensation Policy approved there.

In light of the above, it is proposed that the maximum amount of compensation for all Directors arising from their condition as such be fixed in the amount of 1,900,000 €. This maximum amount is calculated as a function of the current average compensation per Director (126,000 €) and the maximum number of Directors (15) provided for in the Bylaws.

Subject to said limit, the Board determines the amount of compensation payable to each Director arising from his or her condition as such taking into consideration the duties and responsibilities pertaining to each, membership of Board committees, assignments given, and other objective circumstances which it might deem relevant.

A breakdown appears below containing the key elements of the compensation policy for Directors arising from their condition as such.

Table 1. Compensation Policy for Directors Arising from their Condition as Such.

	Proposal	Amounts	Form of Payment
Fixed Amount	Adequately compensate for the dedication demanded of the post, but not so much that it jeopardizes the independence of the Director.	Gross amount per Director: • For membership on the Board: 80,000 €. • For membership on the Audit and Compliance Committee: 40,000€. • For membership on the Appointment, Compensation and Corporate Governance Committee: 24,000€. • For membership on the Strategy Committee: 24,000€. Chairmen of each body receive 1.5 times the amounts indicated. • No per diems are currently being paid. Adjustments may be made annually subject always to the limits approved at a Meeting for Board compensation as a whole.	Paid totally in cash

The Compensation Policy for Directors as such does not include the granting of credits, advances or guarantees issued by the Company on behalf of members of the Board. Neither does it include participation by non-Executive Directors in any pension plan.

Company Directors have no right to severance pay in the event of termination of their duties as Directors. Neither do they have, as company directors to any contractual right to any additional compensation not described in this section.

The Company has acquired an errors and omissions policy for its Directors.

III. Compensation Policy for Directors for Completion of their Executive Duties

The Compensation Policy contained herein for Executive Directors is crafted in accordance with the following criteria:

- Defer receipt of a significant part of variable compensation, with a portion of the deferred compensation paid in stock
- Inclusion of a clawback clause in contracts for senior management
- Increase in the weight given to shares in compensation, up to 50% of the total
- Eliminate the current delivery of shares as an independent compensation component
- Establish a mandatory policy of share ownership during the contractual relationship with the Company

In order to fix these criteria, the Board and the Committee have paid particular attention to voting results regarding the delivery of shares for 2014-2016 during the past Meeting, comments received from investors and proxy advisors during the Corporate Governance Road Show which took place in the last quarter of 2014, and recommendations contained in the recently approved Code of Good Governance for listed companies.

In drafting this Compensation Policy, the Committee and the Board availed itself of the advice of an external consulting firm with specialized expertise in these matters.

Application of the above referenced criteria means that compensation for Executive Directors for performance of their executive duties is made up of the following components:

- <u>Fixed Compensation</u> (FC), representing 25% of total compensation to remain invariable during a period of three years, except in extraordinary circumstances.

- <u>Variable Annual Compensation</u> (VAC), representing 35% of total compensation for a 100% attainment of objectives. The concept of deferred payment is introduced, so that 30% of the remaining amount (equivalent to 10.5% of total compensation at Target levels) is to be deferred over a three year period in equal parts and received at once in the form of Company shares, the number of which is determined – as a function of the average listed price for the thirty calendar days immediately preceding – on the date of delivery of the VAC. An amount equivalent to the dividends paid by the Company from the date of the granting of options will also be paid.

- <u>Medium Term Compensation</u> (MTC), which represents 40% of total compensation for 100% attainment of objectives. It is to be received entirely in Company shares – the target number of which is determined initially – as a function of reaching objectives set for the period ("Performance Share Plan").

- Additionally, Executive Directors commit to following the following policy of <u>nonalienation of shares</u> during the entire time they are at their posts: maintain ownership of Company shares resulting from having invested an amount equivalent to twice their gross fixed compensation in their purchase. A maximum period of six years will be given in order to make said investment, which must be maintained so long as they remain at their posts.

This form of payment yields the following results:

- Fixed Compensation represents 25% of the total while variable represents 75%.
- Compensation received in shares represents 50% of the total (as opposed to 25% under the earlier system).
- Medium Term Compensation represents 50% of the total, counting the deferred portion of Variable Annual Compensation, as opposed to 25% under the earlier system (considering that the annual delivery of shares is not medium term compensation).

The Board also approved the inclusion a clawback clause in Executive Director contracts specifically so that the Company may demand reimbursement of any variable compensation received in the event that it is later shown that calculation was based on incorrect or inexact data.

No changes are planned for the early retirement and long term savings plan currently in place.

What follows is a table showing the components of the Compensation Policy for Executive Directors as it pertains to performing their executive duties:

Table 2. Compensation Policy- Executive Directors

	Purpose	Parameters	Procedure
Fixed Compensation (FC)	Compensation based on responsibility level and professional experience	**Amount:** • Chairman 775m€. • CEO 550m€. FC to remain constant for a period of three years, except in extraordinary circumstances	Determined by taking into account the portfolio of executive duties associated with the post and comparative compensation information for listed companies comparable to Indra. Situations exist where the Committee might acknowledge, for example, a change in responsibilities, development during incumbency and/or longevity issues. In these circumstances, the Committee might propose a pay rise. The reasons for such will be broken down in the corresponding compensation report.

	Purpose	Parameters	Procedure
Variable Annual Compensation (VAC)	Compensation for creation of value by achieving set goals contained in the strategic plans of the Group.	Target (100%) 140% of fixed annual compensation. Maximum (120% of target) 168% of fixed annual compensation. **Metrics** Tied to individual achievement and attainment of economic and financial goals of the business and specific, predetermined, quantifiable operations aligned with the interests of the Company and contained in the Company´s strategic plans, all without prejudice to the possibility of considering other objectives, whether quantitative or qualitative. Quantitative objectives have a minimum weight of 50% of total incentives. They consist of metrics which guarantee an adequate balance between financial and operational aspects of Company management. Qualitative objectives have a minimum weight of 30% of total incentives. They are primarily linked to the individual evaluations of Executive Directors. Quantitative objectives for fiscal 2015 for the Chairman as well as the CEO are the following: cash flow, EBIT and new business, which have a total weight of 70% of variable annual compensation. In determining the level of achievement of each objective, a central value is established, equivalent to a 100% achievement of said objective, which amounts to attainment of the annual goal of the Company for each parameter. Minimum achievement is 60% up to a maximum of 120% for an evaluation of excellent in achievement of each objective. The other 30% of the VAC is tied to business and management objectives, which evaluation by the Board is qualitative. The minimum achievement is also set at 60% and a maximum of 120% for an evaluation of excellent in achievement of each objective. Evaluation of the level of achievement of objectives does not take into account extraordinary results which may arise. The Annual Report on Compensation describes individually the specific objectives and their weight for the Chairman and the CEO for fiscal 2015.	It is the responsibility of the Committee to approve goals at the beginning of each fiscal year and evaluate their achievement once the fiscal year is ended. The Committee sets the amount of VAC earned for the fiscal year based on the level of achievement of quantitative and qualitative goals. With the aim of ensuring that VAC is effectively tied to the performance of recipients, at the time of determining achievement level of quantitative goals, extraordinary events which might distort evaluation criteria are eliminated. The scale for measuring achievement, determined at the beginning of each fiscal year, includes a minimum level below which no incentive pay is made, a target level corresponding to 100% achievement of goals, and a maximum for each metric. In order to calculate the amount of variable compensation, the level of achievement and the weight given to each objective – individual and/or global – is considered applying internal rules and procedures for goal evaluation established by the Company for its management. 30% of VAC is deferred in three equal parts during a three year period and is received entirely in Company shares, the number of which is determined on the date of delivery of the VAR as a function of the average listed price for the thirty prior sessions of the *Bolsa*. An amount equivalent to the dividends paid by the Company from the date of the granting of options will also be paid. **Post Evaluation Control** The Committee may propose that the Board adjust variable compensation, whether deferred or not, under exceptional circumstances due to internal or external factors. Details regarding said adjustments are broken down in the corresponding compensation report. Contracts with Executive Directors contain a clawback clause in which the Company retains the right of reimbursement of variable compensation amounts improperly paid when it is apparent that such amounts were determined using any erroneous datum.

	Purpose	Parameters	Procedure
Medium Term Compensation (MTC)	Compensates creation of long term sustainable value for Shareholders.	**Target** (100%) 160% of fixed annual compensation. **Total Maximum** (133% of Target) 213% of fixed annual compensation. The maximum attainment level of each objective may individually reach 150%, but together may not exceed the Total Maximum. **Metrics** Combination of economic, financial and operational objectives of the Strategic Plan along with creation of Shareholder value. Financial, strategic and operational metrics will have a maximum weight of 80%. Metrics with reference to share performance value will have a maximum weight of 30%. Specifically, for the 2015-2017 triennium, metrics and their weights for the Chairman as well as the CEO are the following: • 20% Total Shareholder Return (TSR) relative to the Ibex 35 • 30 % net Free Cash Flow accumulated for the period 2015-2017 • 50 % Execution of the Strategic Plan 2015-2017 In determining the level of achievement of each objective, a central value is established, equivalent to a 100% achievement of said objective, which amounts to attainment of the goal of the Company for each parameter. Minimum achievement is 60% up to a maximum of 150% for an evaluation of excellent in achievement of each objective. For achievement levels below the minimum, the value of the incentive is zero. As for relative TSR, it is planned that the number of shares delivered will be zero if the TSR of Indra shares does not reach the 18th position in ranking (mean); 60% of the shares initially assigned if said performance reaches the mean of the Comparison Group; 100% in the event that TSR of share value is situated in the 12th position (68th percentile); and 150% in the event that it reaches 5th position or better in the Comparison Group, the percentage being calculated using linear interpolation for interstitial positions.	The Plan is structured around a single three year cycle. Payment is made by an initial delivery of shares. Of the shares dedicated at the Plan's beginning, a percentage between 0% and 133% will be delivered at the end, calculated as a function of attainment of metrics tied to the MTC. The number of shares to be delivered will be determined as a function of the average listed price of shares in the prior 60 sessions of the *Bolsa* before 25 June, 2015, the date that the Annual Shareholders Meeting is to approve this Compensation Policy. Each metric has associated with it a scale of achievement, set at the beginning of the Plan, which includes a limit below which no incentive is paid whatsoever, a target level which corresponds to 100% achievement of objectives, and a specific maximum level for each metric. Evaluation of the level of achievement of objectives does not take into account extraordinary events which may arise. **Post Evaluation Control** The Committee may propose that the Board adjust MTC under exceptional circumstances due to internal or external factors. Details regarding said adjustments are broken down in the corresponding compensation report. Contracts with Executive Directors contain a clawback clause in which the Company retains the right of reimbursement of variable compensation amounts improperly paid when it is apparent that such amounts were determined using any erroneous datum. .
Early Retirement and Long Term Savings Plan	Deferred compensation tied to longevity of the Executive Director with the Company	**Maximum** • Chairman: 15% of the total annual compensation • CEO: 17% of the total annual compensation • Anticipated contributions for 2015 to the Early Retirement and Long Term Savings Plan will reach 426m€ for the Chairman (corresponding to 11 months) and 374 m€ for the CEO.	The Early Retirement and Long Term Savings Plan is made up of a defined external contribution fund by means of an insurance policy with individual payments, and is the only commitment on the part of the Company to make specific annual payments. Contributions are determined as a percentage of the total annual base pay (that is, considering the proportional part of the MTC) and are made during the contractual relationship with the Company up to age sixty-two, at which time the Executive Director will receive the accumulated savings independent of continued employment with the Company (or at an earlier time in which the employment relationship with the Company ceases without cause, including in the event of a change of control), in the form of cash, life annuity, or a combination of both.

	Purpose	Parameters	Procedure
			The Company has bought life insurance policies in order to cover the risk of death or disability of Executive Directors.
Payments in Kind	Insurance Policies	The total annual cost of premiums for the two Executive Directors is less than 100m€	

Advances, Credits and Guarantees

It is the policy of Indra not to grant credits, advances or any other type of guarantee on behalf of Executive Directors.

Contract Terms

The current contract governing performance of duties and responsibilities of Executive Directors is a business contract and includes clauses which are customary in this type of contract.

Table 3. Payments in the event of termination of the contractual relationship

	Early Termination	Voluntary Separation	Objective Reason
Notice	Notice period of three months. In the event of separation before the end of the contract period, the Company pays the Executive Director. Severance is equal to the amount of total annualized compensation for the uncompleted notice period.	Notice period of three months. In the event of separation before the end of the contract period, the Executive Director pays the Company. Payment is equal to the amount of total annualized compensation for the uncompleted notice period.	Same terms as for Early Termination.
Severance	• Chairman: has a transitional right to severance equivalent to the positive number difference between the amount accumulated on his behalf in the Early Retirement and Long Term Savings Plan and the amount equal to his total annualized compensation. • CEO: no golden parachute or severance clause	In the event that the Executive Director decides to end his relationship with the Company arising from a substantial change in the conditions of employment, a significant change in ownership of the Company having the effect of replacing management bodies of the Company, or a change in its primary business, so long as the decision to leave is made within six months of said change, severance shall be the same as for Early Termination	Dismissal brought about by substantial non-compliance with duties as Executive Director. No severance in this case.

Table 4. Exclusivity and Non Compete

	Details
Non Compete	Contracts with Executive Directors contain post-contractual non compete clauses for a period of two years upon termination of the relationship with the Company in exchange for payment of 0.75 times total annual compensation.

Policy of Nonalienation of Shares

Directors commit to abide by the following policy of nonalienation of shares so long as they retain their posts: maintain ownership of a number of shares resulting from the investment in their purchase of an amount equal to two years' gross Fixed Compensation. A maximum of six years, beginning the earlier of 1 January 2016 or from the date of appointment, is given in which to make said investment.

Effectiveness and Current Status of Past Policies

Upon approval at the Meeting, the present Compensation Policy will take effect beginning fiscal 2015. Its approval will cause early termination and settlement of the Medium Term Incentive 2014-2016 for the CEO as it pertains to fiscal 2014. The Committee has proposed to the Board and the Board has resolved that the amount due under this item be zero €.

Compensation Policy for New Appointees

In fixing the compensation plan for a new Executive Director, the Committee considers the experience and knowledge of the candidate, his or her provenance (internal or external to the Company) and compensation level at the time of appointment, while at all times following the criteria, components and limits provided for in the present Compensation Policy.

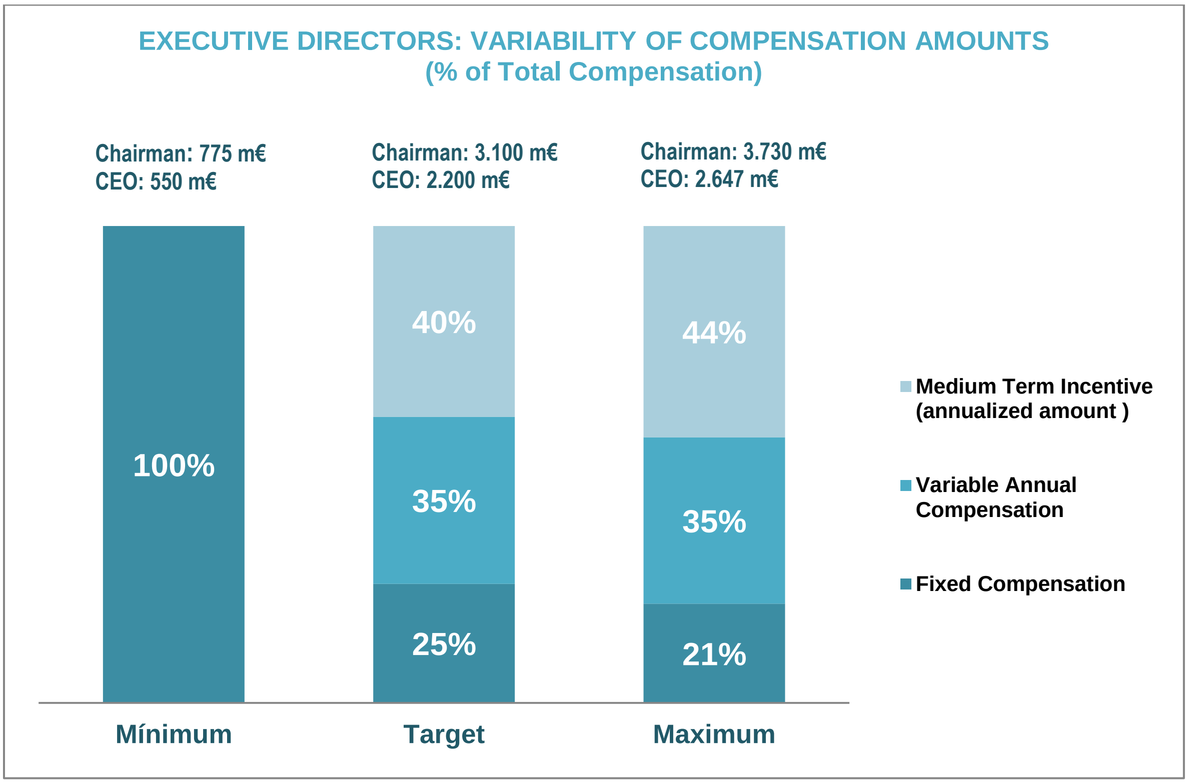
In order to attract candidates from outside the Company, the Committee may offer special incentives to compensate for income lost due to early termination at the prior company. These special incentives will be fixed based on similar compensation for goals that are similarly demanding or difficult (and assuming they would have been met at the prior employer) and have a similar measurement period.

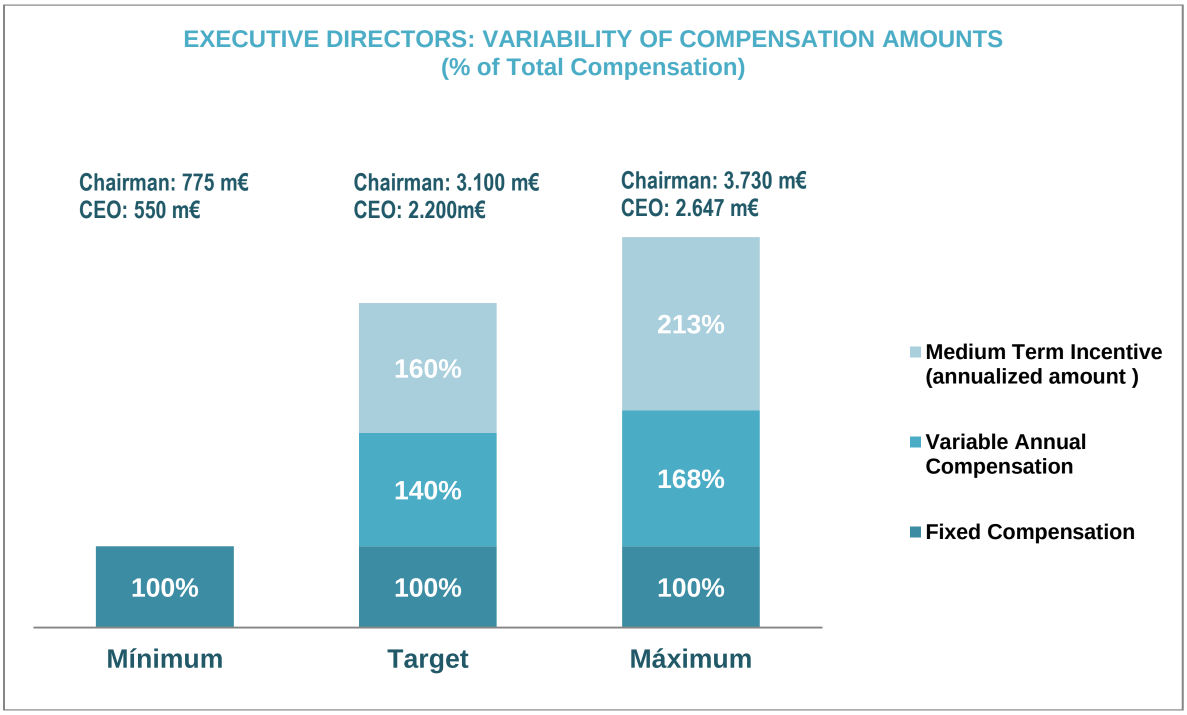
For promotions from within, the Committee may cancel and/or pay out preexisting incentives and other obligations which may be in effect at the time of appointment.

In the event that the new appointment means an international assignment, the general policy of the Company for international assignments will apply. This covers, but is not limited to: cost of living adjustment, housing, moving, family travel, education, tax equalization, international bonus and tax advice.

IV. Additional Information

The compensation plan for Executive Directors is variable, depending on the results obtained by the Company. The charts below show total variable compensation for Executive Directors under various scenarios of achievement of objectives (minimum, target and maximum), as well as the short term VAC and long term MTC (compensation for their positions as Directors are not included).




EXECUTIVE DIRECTORS: VARIABILITY OF COMPENSATION AMOUNTS
(% of Total Compensation)
Chairman: 775 m€
CEO: 550 m€
Chairman: 3.100 m€
CEO: 2.200m€
Chairman: 3.730 m€
CEO: 2.647 m€
100%
160%
140%
100%
213%
168%
100%
Medium Term Incentive (annualized amount)
Variable Annual Compensation
Fixed Compensation
Mínimum
Target
Máximum