

ANNUAL CORPORATE GOVERNANCE REPORT

LISTED COMPANIES

Issuer's identification data:	INDRA
Year ended:	31 December, 2012
CIF (Tax Id. No.):	A-28599033
Company name:	Indra Sistemas, S.A.

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

MODEL ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

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

NIF, CIF or similar Other data
A- 28599033

A. CAPITAL STRUCTURE

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

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

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

Yes No

Clase	Número de acciones	Nominal unitario	Nº unitario de derechos de voto	Derechos diferentes

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

Name of Shareholder	Number of Direct Votes	Number of Indirect Votes(*)	Percentage of Total Votes
Banco Financiero y de Ahorros, S.A.	32.813.822	236.011	20,14
Corporación Financiera Alba, S.A.	0	18.587.155	11,32
Lolland, S.A.	0	8.218.807	5,01
Liberbank, S.A.	0	8.230.588	5,01
FMR LLC	0	16.350.795	9,96

(*) BANCO FINANCIERO Y DE AHORROS, S.A. THROUGH:

Name of Direct Shareholder	Number of Direct Votes	Percentage of Total Votes
Bankia, S.A.	186.870	0,11
Mediación y Diagnósticos, S.A.	24.871	0,01
Participaciones y Cartera de Inversión, S.L.	24.270	0,01

(*) CORPORACIÓN FINANCIERA ALBA, S.A. THROUGH:

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

(*) LOLLAND, S.A. THROUGH:

Name of Direct Shareholder	Number of Direct Votes	Percentage of Total Votes
Casa Grande de Cartagena, S.L.U.	8.218.807	5,01

(*) LIBERBANK, S.A. THROUGH:

Name of Direct Shareholder	Number of Direct Votes	Percentage of Total Votes
Cantábrica de Inversores de Cartera, S.L.	8.212.805	5,00
Administradora Valtenas, S.L.	17.783	0,01

(*) FMR LLC THROUGH:

Name of Direct Shareholder	Number of Direct Votes	Percentage of Total Votes
FID LOW PRICED STOCK FUND Y OTROS	16.350.795	9,96

As stated in a report filed with the CNMV on 11 August 2011, FMR LLC owns its interest through several funds named in the report. The report does not detail the number of shares that each fund owns directly except for the total amount owned by FID LOW PRICED STOCK FUND, which on that date amounted to 8.695%.

PLEASE INDICATE SIGNIFICANT CHANGES IN COMPANY SHAREHOLDER (HEREINAFTER "SHAREHOLDER") COMPOSITION DURING THE FISCAL YEAR:

Name of Shareholder	Date of Change	Description of Change

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

Name of Director	Number of Direct Votes	Number of Indirect Votes	Percentage of Voting Rights
Adeministradora Valtenas, S.L.	17.783	0	0,011
Isabel Aguilera Navarro	24.427	0	0,015
Javier de Andrés González	88.584	0	0,054
Casa Grande de Cartagena, S.L.U.	8.212.998	0	5,004
Daniel García-Pita Pemán	30.209	12.600	0,026
Luis Lada Díaz	18.362	0	0,011
Juan March de la Lastra	14.149	0	0,009
Mediación y Diagnósticos, S.A.	24.871	0	0,015
Javier Monzón de Cáceres	298.777	0	0,182
Monica De Oriol Icaza	17.783	0	0,011
Participaciones y Cartera de Inversión, S.L.	24.270	0	0,015
Ignacio Santillana del Barrio	7.288	0	0,004
Rosa Sugrañes Arimany	19.091	0	0,012
Alberto Terol Esteban	10.038	0	0,006
Percentage of voting rights held by the Board of Directors			5,375

PLEASE COMPLETE THE FOLLOWING TABLES WITH DETAILS OF THE COMPANY'S DIRECTORS WHO HOLD COMPANY SHARE OPTIONS:

Name of Director	Number of Direct Option Rights	Number of Indirect Option Rights	Number of Equivalent Shares	Percentage of Total Voting Rights
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A.4 If applicable, please specify any family, commercial, contractual or corporate relationships that exist among significant Shareholders to the extent that they are known to the Company, unless they are insignificant or arise in the ordinary course of business:

Name of Related Party	Nature of Relationship	Brief Description
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A.5 If applicable, please specify any commercial, contractual or corporate relationships that exist between significant Shareholders and the Company and/or Group, unless they are insignificant or arise in the ordinary course of business:

Name of Related Party	Nature of Relationship	Brief Description
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A.6 Please specify whether the Company has been notified of any Shareholder agreements that may affect it, in accordance with Section 112 of the Ley del Mercado de Valores ("Spanish Securities Market Law" or "LMV"). If so, please describe these agreements and list the party Shareholders:

Yes No

Parties to the Shareholder Agreement	Percentage of Affected Shares	Brief Description of the Agreement
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Please specify whether the Company is aware of any coordinated actions among its Shareholders. If so, please provide a brief description:

Yes No

Parties to the Coordinated Act	Percentage of Affected Shares	Brief Description of the Agreement
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If any of the aforementioned agreements or coordinated acts have been modified or terminated during the year, please specify expressly:

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

Yes No

Name of Individual or Company:

Remarks:

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

At the close of the fiscal year:

Number of Direct Shares	Number of Indirect Shares (*)	Total Percentage of Share Capital
11,041	---	0,01

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

Date of Notification	Total Number of Direct Shares Acquired	Total Number of Indirect Shares Acquired	Total Percentage of Share Capital
27-03-2012	1.696.840	0	1,033
4-05-2012	1.662.114	0	1,012
29-06-2012	1.652.889	0	1,007
5-12-2012	1.663.558	0	1,014
Gains/(losses) from disposal of treasury shares during the financial year			(1.921) m€

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

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

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

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

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

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

A.10 If applicable, please specify any legal and statutory limitations to the exercise of voting rights, as well as any legal limitations to the acquisition or transfer of ownership of shares.

None

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

Yes No

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

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

Yes No

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

Description of the restrictions described above

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

Yes No

Description of legal limitations on the acquisition or transfer of equity interests

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

Yes No

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

B. COMPANY ADMINISTRATIVE STRUCTURE

B.1 Board of Directors

B.1.1 PLEASE DETAIL THE MAXIMUM AND MINIMUM NUMBER OF DIRECTORS ESTABLISHED IN THE BYLAWS:

Maximum Number of Directors 16
Minimum Number of Directors 8

B.1.2 PLEASE COMPLETE THE FOLLOWING TABLE REGARDING DIRECTORS:

Name of Director	Representative	Position on the Board	Date First Named to Board	Last Reelection Date	Method of Selection to Board
Javier Monzón de Cáceres		Chairman	17/12/1992	21/06/2011	Annual Shareholders Meeting
Mediación y Diagnósticos, S.A. (Banco Financiero y de Ahorros, S.A)	Manuel Lagares Gómez Abascal	Vice-chair	02/11/2000	21/06/2011	Annual Shareholders Meeting
Daniel García-Pita Pemán		Vice-chair	25/06/2009	21/06/2012	Annual Shareholders Meeting
Javier de Andrés González		CEO	21/06/2011	21/06/2011	Annual Shareholders Meeting
Isabel Aguilera Navarro		Director	27/06/2005	21/06/2011	Annual Shareholders Meeting
Administradora Valtenas, S.L. (Cajastur)	Felipe Fernández Fernández	Director	21/06/2007	24/06/2010	Annual Shareholders Meeting
Casa Grande de Cartagena, S.L.U	Eusebio Vidal-Ribas Martí	Director	21/06/2007	24/06/2010	Annual Shareholders Meeting

Name of Director	Representative	Board	Date First Named to Board	Last Reelection Date	Last Reelection Date
		Director			Annual Shareholders Meeting
Luis Lada Díaz			21/06/2007	24/06/2010	
		Director			Annual Shareholders Meeting
Juan March de la Lastra			29/07/2009	24/06/2010	
		Director			Annual Shareholders Meeting
Mónica de Oriol e Icaza			21/06/2007	24/06/2010	
Participaciones y Cartera de Inversión, S.L. (Banco Financiero y de Ahorros, S.A.)	Carlos Stilianopoulos Ridruejo	Director	02/11/2000	21/06/2011	Annual Shareholders Meeting
Rosa Sugañes Arimany		Director	26/06/2008	21/06/2011	Annual Shareholders Meeting
Alberto Terol Esteban		Director	24/06/2010	24/06/2010	Annual Shareholders Meeting
Ignacio Santillana del Barrio		Director	21/06/2011	21/06/2011	Annual Shareholders Meeting
Total number of Directors					14

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

Name of Director	Director Type at Time of Leaving	Date Director Left
Regino Moranchel Fernández	Executive	29/11/2012

B.1.3 PLEASE COMPLETE THE FOLLOWING TABLES REGARDING THE DIRECTORS AND THEIR ROLES:

EXECUTIVE DIRECTORS

Director Name	Committee which Proposed Directorship	Position with the Company
Javier Monzón de Cáceres	Nomination, Compensation and Corporate Governance Committee	Chairman of the Board
Javier de Andrés González	Nomination, Compensation and Corporate Governance Committee	CEO
Total Number of Executive Directors	2	
Percentage of Directorship	14,29	

PROPRIETARY DIRECTORS

Name of Director	Committee Proposing Directorship	Name of Significant Shareholder Represented or Proposing Directorship
Administradora Valtenas, S.L	Nomination, Compensation and Corporate Governance Committee	Liberbank, S.A.
Casa Grande de Cartagena, S.L.U	Nomination, Compensation and Corporate Governance Committee	Lolland, S.A.
Juan March de la Lastra	Nomination, Compensation and Corporate Governance Committee	Corporación Financiera Alba, S.A.
Mediación y Diagnósticos, S.A	Nomination, Compensation and Corporate Governance Committee	Banco Financiero y de Ahorros, S.A.
Participaciones y Cartera de Inversión, S.L.	Nomination, Compensation and Corporate Governance Committee	Banco Financiero y de Ahorros, S.A.
Total Number of Proprietary Directors	5	
Percentage of the Board	35,71	

INDEPENDENT DIRECTORS

Isabel Aguilera Navarro

Born in 1960. Architect and Urban Planner, MBA from the Instituto de Empresa, Degree in Executive Management from IESE, Certificate in Executive Management (ADEL, "Alta Dirección de Empresas Líderes,") San Telmo. She has spent her career in several IT companies such as Olivetti, HP/Compaq, Vodafone, and Dell, where she was Chair and Chief Executive for Spain, Portugal and Italy; NH Hotels, where she was COO; Google Inc. where she was also General Manager for Spain and Portugal; and General Electric, where she was in charge of Spain and Portugal until May, 2009. Since October, 2011 she has served as Chair of the Social Council of the Universidad de Sevilla.

Daniel García-Pita Pemán

Born in 1947. Lawyer. He has spent his entire career at the law firm of J&A Garrigues, which he joined in 1969 and where he is a Managing Partner. He has served as Professor of Business Law at the Universidad Central de Madrid, a member of the Governing Board of the Madrid Bar Association. Legal Counsel to numerous organizations and member of the Board of important listed companies, Indra among them, where he was non-member Secretary until 2009. Currently he is Director and non-executive Chair of Banco Inversis, S.A. having been unanimously elected by the Independent Directors and shareholders.

Luis Lada Díaz

Born in 1949. Telecommunication Engineer and *Académico de Número* of the Royal Academy of Engineering, with a long career in Grupo Telefónica where he has been head of Telefónica Móviles and Telefónica de España. Additionally, he has been a director and leading member of many companies and organizations related to IT.

He is an advisor to Grupo Telefónica, Teldat, S.A. and Assia Inc., a Manager at Ribafuerte, S.L. and director at Telefónica I+D, Gamesa and at Corporación Tecnológica, S.A.

Mónica de Oriol e Icaza

Born in 1961. Degree in Economics and Business Administration from the Universidad Complutense de Madrid and a graduate of the London School of Economics. For years she has combined her business career with academic pursuits, as professor at the Universidad Complutense de Madrid, at the Centro de Estudios Universitarios (CEU) and at Saint Louis University in the United States.

Since 1989 she has been the chief shareholder and founder of Grupo Seguriber and currently is a Joint Administrator ("Administradora Mancomunada") of the companies which form the group.

Ignacio Santillana

Born in 1948. Degree in Economics from the Universidad Central de Barcelona, Doctorate in Economics from the Universidad Autónoma de Madrid; Masters and Ph. D. in Economics from the University of Indiana.

On 1 September, 1999 he joined Grupo Prisa as Head of the New Technologies and Telecommunications Division. At Prisa he has been COO, as well as Director of Strategic Planning. Currently, he is non-Executive Chair of Grupo Santillana de Ediciones, S.L. and a member of the board of Prisa Radio, S.L. and of SER (Sociedad Española de Radiodifusión), S.L. Before that, he spent his career in the United States as Executive Vice President and member of the Executive Committee at GTE (now Verizon) and at Telefónica, where he worked ten years as CFO, CEO of Telefónica Internacional, and General Manager of Telefónica. Earlier, he was Chairman of the Empresa Nacional de Innovación (ENISA) and Economist at AEBP (*Asociación Española de la Banca Privada*).

He has combined his business career with an academic one, serving currently as professor of Economic Analysis at the Universidad Autónoma de Madrid.

Rosa Sugrañes Arimany

Born in 1957. Degree in Business Administration. Founding member and Chairman of the Board of Directors of Iberia Tiles. Was a member of the board of Florida East Coast Industries from 2006 until the company was sold. Member of the board of Sabadell United Bank in Florida (USA) (Grupo Banco Sabadell) and of Grupo Rosa Gres de Barcelona.

Alberto Terol Esteban

Born in 1955. Degree in Economics and Business Administration from the Universidad Complutense de Madrid. He began his career at Arthur Andersen where he was made partner and headed various projects. He was a member of the Board of Partners of Andersen Worldwide and of the Executive Committee in Europe. He has been Managing Partner of Garrigues-Andersen. He filled the post of head of Europe for Andersen for a year and a half, and was a member of the Worldwide Executive Committee. He was also a member of the Executive Committee for Deloitte, where he was head of Latin America and later of Europe, Middle East and Africa. Currently he is Chairman and CEO of several family businesses and Independent Director at OHL, S.A. where he is head of the Audit, Compliance and Corporate Social Responsibility Committee, as well as International Senior Advisor to BNP Paribas.

Número total de consejeros independientes	7
% total del Consejo	50

OTHER OUTSIDE DIRECTORS

Name	Profile
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Number of Outside Directors	
Percentage of the Board	

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

Name of Director	Reasons	Company, Director or Shareholder to whom the Director is Connected
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Please specify any changes in status that have occurred during the period for each Director:

Name of Director	Date of Change	Prior Status	Current Status
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B.1.4 IF APPLICABLE, PLEASE EXPLAIN THE REASONS FOR THE APPOINTMENT OF ANY PROPRIETARY DIRECTORS AT THE REQUEST OF SHAREHOLDERS WITH LESS THAN A 5% EQUITY INTEREST.

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

Yes No

Name of Shareholder	Explanation
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B.1.5 PLEASE SPECIFY WHETHER ANY DIRECTORS HAVE LEFT THEIR POSTS BEFORE COMPLETION OF THEIR TERMS, WHETHER AND BY WHAT MEANS THE DEPARTING DIRECTOR PROVIDED THE BOARD WITH AN EXPLANATION FOR HIS OR HER DEPARTURE AND, IF THESE REASONS WERE PROVIDED IN WRITING TO THE ENTIRE BOARD, SPECIFY THE REASONS GIVEN:

Name of Director	Reason for Departure
Regino Moranchel Fernández	Mr. Moranchel tendered his resignation in accordance with Article 24.2 of the Board Rules, having terminated his employment relationship as a senior manager of the Company.

B.1.6 PLEASE IDENTIFY, IF ANY, POWERS DELEGATED TO THE CEO/S:

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

B.1.7 PLEASE IDENTIFY ANY DIRECTORS WHO ARE DIRECTORS OR OFFICERS IN OTHER COMPANIES IN THE GROUP OF WHICH THE LISTED COMPANY IS A MEMBER:

Name of Director	Name of Group Member	Position

B.1.8 PLEASE LIST ANY DIRECTORS WHO HAVE INFORMED THE COMPANY OF THEIR MEMBERSHIP ON THE BOARDS OF DIRECTORS OF OTHER COMPANIES (OTHER THAN GROUP COMPANIES) LISTED ON OFFICIAL SECURITIES MARKETS IN SPAIN:

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

Mr Carlos Stilianopoulos (natural person representative for Participaciones y Cartera de Inversión, S.L.) has informed the Company that his is a natural person representative for Participaciones y Cartera de Inversión, S.L. on the board of directors of Deoleo, S.A., and is a member of the boards of Sociedad de Promoción y Participación Empresarial Caja de Madrid, S.A. and of NH Hoteles, S.A.

Manual Lagares (natural person representative for Mediación y Diagnósticos, S.A.) has informed the Company that he is a member of the boards at International Consolidated Airlines Group, S.A., Iberdrola, S.A. and Mapfre, S.A.

B.1.9 PLEASE SPECIFY WHETHER THE COMPANY HAS ESTABLISHED RULES CONCERNING THE NUMBER OF BOARDS ON WHICH ITS DIRECTORS MAY HOLD SEATS, PROVIDING DETAILS IF APPLICABLE:

Yes No

Explanation of the rules

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

B.1.10 REGARDING RECOMMENDATION NUMBER 8 OF THE UNIFIED CODE, PLEASE INDICATE WHICH POLICIES AND STRATEGIES OF THE COMPANY ARE GENERALLY RESERVED FOR APPROVAL BY THE BOARD AT ITS PLENARY SESSIONS:

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

B.1.11 PLEASE COMPLETE THE FOLLOWING TABLES DETAILING TOTAL COMPENSATION RECEIVED BY DIRECTORS DURING THE YEAR:

a) In the Company subject to this report:

Compensation Item	Amount in thousands of euros
Fixed compensation	2.046
Variable compensation	1.829
Allowances	0
Compensation provided for in the Bylaws	2.264
Share options and/or other financial instruments	0
Other	4.197
TOTAL	10.336

Other Benefits	Amount in thousands of euros
Advances	0
Loans	0
Pension Funds and Plans: Contributions	0
Pension Funds and Plans: Obligations	0
Life Insurance Premiums	76
Guarantees extended by the Company on behalf of Directors	0

"Fixed Compensation" and "Variable Compensation" refer to amounts accrued by Executive Directors during fiscal 2012. Included in "Others" are payments in kind, including delivery of shares by virtue of the authorisation given by shareholders during 2011, as well as medium term incentives for Executive Directors. These incentives are accrued at the end of 2013, that is at the end of the three year term (2011-2013) as they were planned. It is customary for the Company to make monthly reserves based upon a reasonable estimate of the amounts which are likely to be paid once the last fiscal year of the three year period (2011-2013) is closed.

The amounts indicated correspond to an average of 2.9 Executive Directors during fiscal 2012.

As the Company has released in 2010 and 2011 Compensation Reports, Company's sucesion plans estipulated that Executive Vice Chairman would resign by the end of 2012. The Company announced on November the 30th the termination of Executive Vice Chairman's labour relationship with the Company in force since 1972, by menas of which he has accrued a total compensation of gross 9,1M euro, in accordance with article 27.3 of the Bylaws and his senior management contract.

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

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

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

c) Total compensation by Director status

Director Status	From the Company	From the Group
Executive	8.486	0
Outside Proprietary	750	0
Outside Independent	1.100	0
Other Outside	--	--
TOTAL	10.336	0

d) Compared to profit attributable to the parent company:

Total compensation of Directors (in thousands of Euros)	10.336
Total Directors' compensation/profit attributable to the parent Company (stated as %)	7,8

Note 37 to the Company's annual financial statements for 2012, which are published together with this Report, includes detailed individual information about the compensation of Directors.

B.1.12 PLEASE IDENTIFY SENIOR MANAGEMENT WHO ARE NOT EXECUTIVE DIRECTORS, AND THEIR TOTAL COMPENSATION ACCRUED DURING THE YEAR:

Name	Position
Juan Carlos Baena Martín	General Manager
Emilio Díaz Expósito	General Manager
Emma Fernández Alonso	General Manager
Rafael Gallego Carbonell	General Manager
Santiago Roura Lama	General Manager
Carlos Damián Suárez Pérez	General Manager
Total Senior Management Compensation (in 1000's of euros)	6.818

Total compensation for senior management was determined using the same criteria as for executive directors, and corresponds to 6 senior managers during fiscal 2012.

Note 37 to the Company's annual financial statements for 2012, which are published together with this Report, includes detailed information regarding each element of compensation of senior management.

B.1.13 PLEASE IDENTIFY THE TOTAL AMOUNT OF ANY GUARANTEE OR "GOLDEN PARACHUTE" CLAUSES IN THE EVENT OF DISMISSAL OR CHANGE OF CONTROL PRESENT IN THE CONTRACTS OF SENIOR MANAGEMENT OF THE COMPANY OR GROUP, INCLUDING EXECUTIVE DIRECTORS. PLEASE SPECIFY WHETHER THE GOVERNING BODIES OF THE COMPANY OR GROUP MUST BE NOTIFIED AND/OR APPROVE OF THESE AGREEMENTS:

Each senior manager has signed a contract with the Company which governs the conditions applicable to his or her employment. These contracts, which the Company has reported publicly since fiscal 2006, were authorised by the Board of Directors after a favourable report and corresponding proposal by the Nomination, Compensation and Corporate Governance Committee, and have been submitted to the Shareholders at the annual Shareholders Meeting since 2007. By virtue of these contracts, in the event of termination of their employment with the Company, senior managers are entitled to severance payments depending upon their length of service in senior management, except in the event of voluntary resignation or dismissal for cause, from a minimum of one time (three times for the Chairman and Executive Vice Chairman) to a maximum of three and a half times their total base compensation (regular salary as defined in their contracts). Executive Directors and operations general managers have signed non-competition agreements with the parent Company valid for up to two years after the completion of their employment, which establishes the applicable compensation at between 0.5 and 0.75 times their annual compensation per year of non-competition as determined by the Company at the time of separation.

As indicated in section B.1.11 above, in 2012 the employment relationship of the Executive Vice Chair ended and the terms of his employment contract were applied.

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

N ^o	Number of Beneficiaries	Broad of Director		Shareholders at Annual Meeting
		YES	NO	NO
	3			X
	Body which approves of the agreements			X
	Are the Shareholders informed of the terms at Annual Meeting?	X		

B.1.14 PLEASE EXPLAIN THE PROCESS FOLLOWED TO ESTABLISH COMPENSATION FOR DIRECTORS OF THE BOARD OF DIRECTORS AND THE RELEVANT CLAUSES IN THE BYLAWS.

Process to determine compensation for Directors of the Board of Directors and relevant clauses in the Bylaws

In general terms, the process for determining compensation levels for Directors consists of a proposal brought to the Board by the Nomination, Compensation and Corporate Governance Committee (the "Committee"), in accordance with the strictures of the Bylaws and rules decided at annual Shareholders Meetings regarding the criteria, components and amount of compensation of the Directors. Outside advisors are used when deemed necessary. The Board analyzes the Committee's proposal and brings before the annual Shareholders Meeting those matters for decision which are within the purview of the Shareholders. After approval, the Board distributes the maximum total compensation fixed at the Meeting among its members in accordance with criteria the Board approves and in accordance with stipulations from the Meeting.

After receiving a report from the Committee, the Board undertook a new analysis in 2011 of the good corporate governance criteria which currently predominate in the area of compensation, as well as those which are most common in companies comparable to Indra. For proper assembly of those criteria, it relied upon advice from the independent firms of experts Egon Zehnder and PwC. After this analysis it was concluded that the preferences of investors and shareholders, as well as recommendations in this field, generally advise against compensation plans for Directors other than executive managers which incorporate components tied to profits or stock value, the goal being disassociation of Board compensation from short term targets and variables.

For that reason, after receiving a report from the Committee, and bearing in mind the high level of attendance to Board's and Committees' meetings and the fact that directors' devotion and availability is of greatest significance, the Board considered it appropriate that to eliminate profit sharing from

the new compensation plan and instead base compensation upon a fixed amount determined by the duties discharged by each Director, and paid entirely in cash.

As a result, in fiscal 2011 shareholders attending General Shareholders Meeting approved the amendment of article 27 of the Bylaws to eliminate profit sharing, and a maximum total compensation amount of 2,400,000 euros was set for the Board. This amount will remain fixed unless changed at a Meeting.

The maximum annual amount of 2,400,000 euros approved at the Meeting is derived by multiplying the maximum number of Directors provided for in the Bylaws (16) by 150,000 €, the average annual compensation per Director, which is considered as reasonable.

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

Without altering the fact that Board compensation must be paid in cash, all of the Directors agreed in June 2011 to dedicate a significant portion of their compensation (a third of gross compensation, which for a natural person Director amounts to approximately 50% of net compensation) to the purchase of Indra shares with the commitment as well to retain ownership of the shares until the ends of their respective terms. The CNMV was given notice of this decision by the Directors by filing a notice of Relevant Event on 28 July, 2011 and this rule has been applied for all of fiscal 2011 and 2012.

In accordance with article 37.3 of the Bylaws, receipt of the compensation described above and as provided for in the Bylaws is consistent with and independent of salary received by Executive Directors because of their employment relationships with the Company.

The relevant clause in the Bylaws is Article 27.1, which provides that Directors receive fixed compensation which may not exceed in total the maximum amount set at the Annual Shareholders Meeting. It is up to the Board to decide, subject to that limit, the amounts to be received by each Director as well as the bases for and date of payment.

Article 27.2 provides that, independent of the above mentioned compensation, the Shareholders at Meeting may agree to deliver stock, stock options, or any other compensation tied to Company share value to Directors in accordance with applicable law.

Finally, article 27.3 sets out that the compensation above be consistent with and independent of wages, salaries, allowances, pensions or any other kind of payments, or with the delivery of services, made generally or specifically to Directors who have an employment relationship with the Company – Senior Management or Otherwise – consistent with membership on the Board of Directors

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

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

B.1.15 PLEASE SPECIFY WHETHER THE BOARD APPROVES A DETAILED COMPENSATION POLICY, AND IDENTIFY MATTERS ON WHICH IT ISSUES AN OPINION:

Yes No

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

B.1.16 PLEASE SPECIFY WHETHER THE BOARD PRESENTS AN ADVISORY REPORT ON THE POLICY FOR COMPENSATION OF DIRECTORS TO THE SHAREHOLDERS TO VOTE ON AS A SEPARATE ITEM ON THE AGENDA AT THE ANNUAL SHAREHOLDERS MEETING. IF SO, PLEASE EXPLAIN THE ASPECTS OF THE REPORT RELATED TO THE COMPENSATION POLICY APPROVED BY THE BOARD FOR FUTURE YEARS, THE MOST SIGNIFICANT CHANGES IN THESE POLICIES COMPARED TO THE POLICY APPLIED DURING THE FISCAL YEAR AND A COMPLETE SUMMARY OF HOW THE COMPENSATION POLICY WAS APPLIED DURING THE YEAR. PLEASE DESCRIBE THE ROLE PLAYED BY THE COMPENSATION COMMITTEE, SPECIFY WHETHER EXTERNAL ADVISORY SERVICES WERE USED AND, IF SO, PROVIDE THE IDEN-

TITY OF THE EXTERNAL ADVISORS CONSULTED:

Yes No

Issues considered in the report on compensation policy

The report on the policy for compensation of Indra Directors and senior management is prepared by the Board of Directors pursuant to Article 29 of the Board Rules. The report is prepared in accordance with applicable law taking into consideration recommendations and best practices in this area.

The Annual Report on Compensation Policy for Indra's Directors and Senior Management was discussed separately by Shareholders as point 10 on the agenda at the Meeting held 21 June, 2012 and approved by a favourable vote of 84.78% of the share capital present. That Report conforms with the requirements of Ley de Economía Sostenible ("Economic Sustainability Act"), was submitted to the CNMV, and is available to the public on the CNMV website (www.cnmv.es) and on the Company's website (www.indra.es).

Role Played by the Compensation Committee

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

	Yes	No
Was external advice used?	■	
Identity of external advisors	Egon Zehnder	

B.1.17 PLEASE IDENTIFY ANY DIRECTORS WHO ARE ALSO MEMBERS OF THE BOARD, MANAGEMENT PERSONNEL, OR EMPLOYEES OF COMPANIES WITH SIGNIFICANT OWNERSHIP INTERESTS IN THE LISTED COMPANY AND/OR OTHER GROUP COMPANIES:

Name of Director	Name of Significant Shareholder	Post
Juan March	Corporación Financiera Alba, S.A. Banca March	Director Director

In this regard please note that:

- Mr. Stilianopoulos (representative of Participaciones y Cartera de Inversión S.L.) is a member of the

board of Negocios Mayoristas de Bankia, S.A.

- Mr. Manuel Lagares (natural person representative of board member Mediación y Diagnósticos, S.A.) is CEO of Banco Financiero y de Ahorros, S.A.

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

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

- Mr. Felipe Fernández (natural person representative of board member Indra Administradora Valtenas, S.L.) is a director of Liberbank, S.A.

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

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

B.1.18 PLEASE SPECIFY WHETHER THE BOARD RULES WERE AMENDED DURING THE YEAR:

Yes No

Description of Amendment

In its session of 26 April, 2012 the Board of Indra agreed to amend the Board Rules in order to make them consonant with new legislation approved since their last amendment. The Board took advantage of this opportunity to clarify and improve the wording of some of the Articles.

Pursuant to Article 528 of the Ley de Sociedades de Capital (“Spanish Corporations Act” or “LSC”), Shareholders were informed of the changes at the Meeting held 21 June, 2012.

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

B.1.19 PLEASE SPECIFY THE PROCEDURES FOR APPOINTMENT, RE-ELECTION, ASSESSMENT AND REMOVAL OF DIRECTORS: THE COMPETENT BODIES, STEPS TO FOLLOW AND CRITERIA APPLIED IN EACH PROCEDURE.

1. Appointment and Re-election:

As established in Article 21 of the Board Rules, members are nominated, re-elected or ratified by the Shareholders at Meetings or by the Board in application of the provisions set forth in the LSC and the Bylaws.

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

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

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

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

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

As established in Article 21 of the Board Rules, the Board shall present each proposal for the appointment or re-election of its members to the Shareholders at Meetings to vote on separately.

Any re-election of Directors proposed to the Shareholders by the Board shall undergo formal review equal to that applied when appointing new Directors.

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

2. Assessment

Pursuant to Article 14 of the Board Rules, the Board of Directors performs an annual evaluation of its proceedings and the quality of its work, as well as those of its committees. For this purpose, each of these bodies performs its own evaluation and prepares a report on its activities and actions during the year, which is then submitted to the Board.

In order to carry out the assessment for fiscal 2011 the Board did not consider it necessary to rely upon external consultants, as was done for fiscal 2005 and 2008. Given the ongoing reforms in corporate governance, economic conditions, and the cost of that external advice, it was considered preferable to perform a formal internal assessment and wait one more year to hire outside consultants for this matter.

As a result, an individual assessment of each Director was accomplished by means of a formal internal process to assess multiple aspects relating to the structure, composition and workings of the Board and its committees, as well as the efficacy of their actions and the contributions of their members, by answering 86 questions of a questionnaire.

The Board of Directors examined the conclusions of this report carefully and issued a satisfactory opinion of its performance and the quality of its work and that of its Committees in fiscal 2011, as well as a recommendation to analyze (on its own or by its Committees) the main recommendations and suggestions arisen during the assessment process.

Similarly, Article 17 of the Board Rules establishes that the Board Committees must report to the Board of Directors on an annual basis to provide details of initiatives carried out during the year, presenting their respective activity reports for approval. As recommended by the CNMV and as it has done since 2003, the Company will publish during this fiscal year its Audit and Compliance Committee Activity Report for 2012, along with any other information made available to the Shareholders when called to the Meeting.

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

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

At the proposal of the Nomination, Compensation and Corporate Governance Committee, the assessment of the Chairman of the Board for fiscal 2011 mainly considered: adequate differentiation between the Chairmanship of the Board and the position of chief executive; leadership of the Board in exercising its functions and duties effectively, ensuring that any issues required by the Board Rules and other relevant questions in the Company's interest are submitted with sufficient data to the Board for consideration; promoting active participation, analysis and discussion by Directors in order to gain sufficient understanding of the issues discussed and take decisions based on justified criteria; boosting relations with Shareholders and investors, and promoting information and transparency policies. The evaluation also took into account the assessments regarding the performance of the Chair included in the Board evaluation mentioned above.

On the basis of the assessment carried out, the Board issued a very satisfactory and unanimous opinion on the performance of the Chairman of the Board in fiscal 2011.

3. Termination of Directors:

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

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

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

B.1.20 PLEASE SPECIFY THE SITUATIONS IN WHICH THE DIRECTORS ARE REQUIRED TO RESIGN:

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

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

- b) When a Director has seriously breached his or her obligations as a Director, or has committed an act or omission inconsistent with the duties of diligence and responsibility required in order to perform the Director's duties.
- c) When continuation of the Director in his or her position may jeopardize the interests of the Company or adversely affect its standing or reputation or the functioning of the Board.
- d) When the reasons for which the Director was appointed cease to exist.
- e) When the Director cannot maintain the necessary dedication to perform his or her duties effectively.
- f) When a Shareholder represented by a Proprietary Director sells its entire equity interest or reduces its interest to a level that requires a decrease in the number of Proprietary Directors representing the Shareholder.
- g) Before the commencement of criminal or administrative action is taken by the Securities Market supervisory authorities which may involve disciplinary proceedings for serious misconduct, if this event may seriously affect the standing and reputation of the Company.
- h) Should a change occur in the conditions or circumstances concerning an Independent Director that may strip the Director of independent status.
- i) In the event that an Executive Director leaves his management post for any reason when membership on the Board is predicated on the Executive Director's status as a senior manager.

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

B.1.21 PLEASE SPECIFY WHETHER THE CHIEF EXECUTIVE FUNCTION OF THE COMPANY IS HELD BY THE CHAIRMAN OF THE BOARD OF DIRECTORS. IF SO, PLEASE EXPLAIN THE MEASURES TAKEN TO LIMIT THE RISK OF CONCENTRATED POWER HELD BY ONE SINGLE PERSON:

Yes No

Measures to limit risks

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

- i) Call meetings of the Board or include new items on the agenda;
- ii) Call the Board once a year, or include an item on the agenda for a session, to assess the performance of the Chairman in this capacity and as chief executive of the Company. The Chairman must be absent from the meeting when this evaluation is discussed and the meeting is to be chaired by the Vice-Chairman;
- iii) Co-ordinate and attend properly to any concerns expressed by external Directors and, particularly, Independent Directors.

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

Any Director may propose issues for discussion by the Board and demand the inclusion of items on the agenda at any meeting called, as set forth in Article 14 of the Board Rules.

The Board of Directors has named a Chief Executive Officer to whom it has delegated the same powers as the Chairman of the Board.

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

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

Yes No

Explanation of the Rules

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

As established in the Board Rules, the Vice-Chairman of the Board appointed from among the Independent Directors co-ordinates and voices the concerns of external Directors and, particularly, Independent Directors, and is authorised to call a meeting of the Board once a year or include an

item on the agenda for a session to evaluate the performance of the Chairman in this capacity and as chief executive of the Company.

B.1.22 ARE SUPERMAJORITIES OTHER THAN THOSE ESTABLISHED BY LAW NECESSARY FOR ANY SPECIFIC DECISION?

Yes No

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

Passage of Resolutions

Description of Resolution	Quorum	Type of Majority
--	--	--

B.1.23 PLEASE STATE WHETHER THERE ARE ANY SPECIFIC REQUIREMENTS, OTHER THAN THOSE RELATING TO DIRECTORS, TO BE APPOINTED CHAIR OF THE BOARD.

Yes No

Description of Requirements

B.1.24 PLEASE SPECIFY WHETHER THE CHAIR HAS A CASTING VOTE:

Yes No

Matters Where the Chairman has a Casting Vote

All, except for sessions which, as stipulated in the Board Rules, the Chairman must not attend or in which the Chairman must abstain from voting.

B.1.25 PLEASE SPECIFY WHETHER THE BYLAWS OR THE BOARD RULES ESTABLISH ANY LIMIT AS TO THE AGE OF DIRECTORS:

Yes No

Age Limit for Chairman

Age Limit for CEO

Age Limit for Directors

B.1.26 PLEASE SPECIFY WHETHER THE BYLAWS OR THE BOARD RULES ESTABLISH ANY LIMIT ON THE TERM OF INDEPENDENT DIRECTORS:

Yes No

Term Limit

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

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

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

B.1.27 IF THE NUMBER OF FEMALE DIRECTORS IS SMALL OR ZERO, PLEASE EXPLAIN THE REASONS FOR THIS SITUATION AND THE INITIATIVES TAKEN TO CHANGE IT.

Explanation of Reasons and Initiatives

In particular, please specify whether the Nomination and Compensation Committee has established procedures so that selection processes are not implicitly biased in a way that hinders the selection of female Directors, and rather actively seek qualified female candidates:

Yes No

Please Indicate the Most Important Procedures

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

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

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

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

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

The three female Directors account for 21.42% of the total number of Directors, 25% of external Directors (Independent plus Proprietary), and 42.86% of Independent Directors, which is the category in which the Board is most capable of exercising its influence to apply gender diversity policies.

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

B.1.28 PLEASE SPECIFY WHETHER THERE ARE ANY FORMAL PROCESSES WHEREBY DIRECTORS MAY VOTE BY PROXY. IF SO, PLEASE PROVIDE A BRIEF EXPLANATION.

In addition to applicable legislation, Article 15.2 of the Board Rules stipulates that, if a Director

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

B.1.29 PLEASE SPECIFY THE NUMBER OF MEETINGS HELD BY THE BOARD OF DIRECTORS DURING THE YEAR, AND IF APPLICABLE, THE NUMBER OF TIMES THAT THE BOARD MET WITHOUT THE CHAIRMAN BEING PRESENT.

Number of Board Meetings	11(*)
Number of Board Meetings without the Chairman	2(**)

(*) In addition, the Board adopted resolutions by writing and without a meeting once during the year.

(**) Number of meetings where the Chairman was absent because they dealt with 1) his compensation and annual performance evaluation as chief executive; 2) his evaluation as Chairman of the Board.

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

Number of meetings held by the Executive Committee	11
Number of meetings held by the Audit Committee	8
Number of Meetings held by the Appointment and Compensation Committee	9
Number of meetings held by the Appointment Committee	-
Number of meetings held by the Compensation Committee	-

B.1.30 PLEASE SPECIFY THE NUMBER OF MEETINGS HELD BY THE BOARD OF DIRECTORS DURING THE YEAR IN WHICH SOME OF ITS DIRECTORS WERE NOT PRESENT. FOR THE PURPOSES OF THIS SECTION, PROXIES GIVEN WITHOUT SPECIFIC INSTRUCTIONS SHOULD BE CONSIDERED AS NON-ATTENDANCE:

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

For fiscal 2012, physical attendance at meetings of the Board was 86% overall and 92% for Independent Directors

B.1.31 PLEASE SPECIFY WHETHER THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS SUBMITTED TO THE BOARD FOR APPROVAL WERE PREVIOUSLY CERTIFIED:

Yes No

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

Name	Position
Javier de Andrés	CEO
Juan Carlos Baena Martín	CFO

B.1.32 PLEASE EXPLAIN ANY MEASURES ESTABLISHED BY THE BOARD OF DIRECTORS TO PREVENT THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS PREPARED BY THE BOARD FROM BEING SUBMITTED TO THE SHAREHOLDERS AT A MEETING WITH A QUALIFIED AUDIT OPINION.

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

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

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

B.1.33 IS THE SECRETARY OF THE BOARD A DIRECTOR?

Yes No

B.1.34 PLEASE EXPLAIN THE PROCEDURES FOR APPOINTMENT AND REMOVAL OF THE SECRETARY OF THE BOARD, SPECIFYING IF SAID APPOINTMENT AND REMOVAL ARE BASED ON A REPORT BY THE NOMINATION COMMITTEE AND APPROVED BY THE BOARD IN FULL.

Appointment and Removal Procedure

Article 13 of the Board Rules establishes that appointment, compensation and removal of the Secretary must be approved by the Board after a report by the Nomination, Compensation and Corporate Governance Committee. Furthermore, as established in Article 20 of the Board Rules, one of the duties of the Nomination, Compensation and Corporate Governance Committee is to issue reports on proposals for appointment or removal of the Secretary or Vice-Secretary of the Board.

The duties of the Secretary and legal counsel to the Board must be exercised by the individual designated by the Board. Membership on the Board is not required in order to be Secretary of the Board. When the Secretary is also the legal counsel, a legal professional of known competence and experience should be chosen.

The appointment of Mr. Pedro Ramón y Cajal in June, 2009 as Secretary of the Board was approved by the Board of Directors in plenary session, taking into account a favourable report from the Appointment, Compensation and Corporate Governance Committee.

	Yes	No
Does the Appointment Committee issue reports on appointments?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Does the Appointment Committee issue reports on removals?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Are appointments approved by the Board in plenary session?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Are removals approved by the Board in plenary session?	<input checked="" type="checkbox"/>	<input type="checkbox"/>

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

Yes No

Note

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

B.1.35 PLEASE SPECIFY ANY MEASURES ESTABLISHED BY THE COMPANY TO ENSURE THE INDEPENDENCE OF ITS AUDITOR, FINANCIAL ANALYSTS, INVESTMENT BANKS AND RATING AGENCIES.

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

- i) to propose that the Board file a relevant event report when there is a change of auditor, along with a statement regarding any disagreements that arose with the outgoing auditor and, if applicable, their substance;
- ii) to ensure that the Company and the auditor comply with applicable law regarding the provision of non-audit services;
- iii) to analyze the reasons in the event of resignation by the external auditor.

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

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

Pursuant to changes made to the Ley de Auditoría ("Audit Law"), the Audit and Compliance Committee issues an annual report on the independence of the external auditors of the Company discussing the non-audit services rendered to the Company prior to issuing each fiscal year's auditors' report on financial statements,

B.1.36 PLEASE SPECIFY WHETHER THE COMPANY CHANGED ITS EXTERNAL AUDITOR DURING THE YEAR. IF SO, PLEASE IDENTIFY THE INCOMING AND OUTGOING AUDITOR:

Yes No

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

Explanation of Disagreements

B.1.37 PLEASE SPECIFY WHETHER THE AUDIT FIRM PROVIDES ANY NON-AUDIT SERVICES TO THE COMPANY AND/OR ITS GROUP AND, IF SO, THE FEES PAID AND THE CORRESPONDING PERCENTAGE OF TOTAL FEES INVOICED TO THE COMPANY AND/OR GROUP:

Yes No

	Company	Group	Total
Amount invoiced for nonaudit services (100's of euros)	199	100	299
Amount invoiced for nonaudit services/ Total amount invoiced by the audit firm (in %)	35%	11%	21%

B.1.38 PLEASE SPECIFY WHETHER THE AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE PRECEDING YEAR CONTAINS A QUALIFIED OPINION OR RESERVATIONS. IF SO, PLEASE EXPLAIN THE REASONS GIVEN BY THE CHAIR OF THE AUDIT COMMITTEE TO EXPLAIN THE CONTENT AND EXTENT OF THE AFOREMENTIONED QUALIFIED OPINION OR RESERVATIONS.

Yes No

Explanation of Reasons

B.1.39 PLEASE STATE THE NUMBER OF CONSECUTIVE YEARS THE CURRENT AUDIT FIRM HAS BEEN AUDITING THE FINANCIAL STATEMENTS OF THE COMPANY AND/OR GROUP. FURTHERMORE, PLEASE SPECIFY THE NUMBER OF YEARS AUDITED BY THE CURRENT AUDIT FIRM AS A PERCENTAGE OF THE TOTAL NUMBER OF YEARS THAT THE FINANCIAL STATEMENTS HAVE BEEN AUDITED:

	Company	Group
Number of Consecutive Years	21	21
Number of years audit by the current audit firm/ number of years the Company has been audited (in %)	95%	95%

B.1.40 PLEASE STATE THE AMOUNT OF EQUITY PARTICIPATION OF DIRECTORS IN COMPANIES WITH IDENTICAL, SIMILAR OR COMPLEMENTARY BUSINESS PURPOSES AS THOSE OF THE COMPANY OR GROUP. PLEASE ALSO DESCRIBE ANY POSITIONS OR DUTIES HELD BY DIRECTORS IN SUCH COMPANIES:

Name of Director	Name of relevant company	% equity participation	Position or duties
Luis Lada	Telefónica I+D, S.A.U.	---	Director
Participaciones y Cartera de Inversión, S.L.	Eurobits Technologies, S.L. New Truro España, S.L.	49,98 ⁽¹⁾ 5% ⁽²⁾	Director

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

(2) Indirect equity participation through Inmogestión y Patrimonios, S.A.

- Mr Felipe Fernández (representative of Director Administradora Valtenas, S.L.) is Chairman of the Board and Chair of the Executive Committee of Infocaja, S.L.

B.1.41 PLEASE SPECIFY WHETHER THERE IS A PROCEDURE WHEREBY DIRECTORS MAY CONTRACT WITH OUTSIDE ADVISORS, AND PROVIDE DETAILS IF APPLICABLE:

Yes No

Explanation of Procedure

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

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

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

- (i) outside advice is not necessary for the adequate performance of duties assigned to external Directors;
- (ii) the size or the importance of the problem does not justify the cost; or
- (iii) the assistance or advice required can be suitably provided by the Company's experts and technical personnel.

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

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

B.1.42 PLEASE SPECIFY WHETHER THERE IS A PROCEDURE FOR PROVIDING INFORMATION TO DIRECTORS TO ALLOW THEM TO PREPARE FOR MEETINGS OF ADMINISTRATIVE BODIES WITH SUFFICIENT NOTICE. IF SO, EXPLAIN THE PROCEDURE:

Yes No

Explanation of Procedure

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

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

Additionally, Article 30 of the Board Rules establishes that all Directors are responsible for the diligent procurement of information on the Company's condition and development, and preparation for the meetings of the Board and any committees to which they belong.

B.1.43 PLEASE SPECIFY WHETHER THE COMPANY HAS ESTABLISHED RULES WHEREBY DIRECTORS MUST PROVIDE INFORMATION REGARDING AND, IF APPLICABLE, RESIGN IN ANY CIRCUMSTANCES THAT MAY DAMAGE THE COMPANY'S STANDING AND REPUTATION. IF SO, PROVIDE DETAILS:

Yes No

Explain the Rules

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

B.1.44 PLEASE SPECIFY WHETHER ANY DIRECTOR HAS NOTIFIED THE COMPANY THAT HE OR SHE HAS BEEN TRIED, OR NOTIFIED THAT JUDICIARY PROCEEDINGS HAVE BEEN FILED, FOR ANY OFFENCES DESCRIBED IN ARTICLE 124 OF THE SPANISH CORPORATIONS ACT.

Yes No

Name of Director	Criminal Charge	Remarks
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Please explain whether the Board of Directors has examined the case. If so please explain and provide reasons for the decision taken as to whether the Director in question should continue in his or her position.

Yes No

Decision Taken	Explanation	Continue/not continue
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B.2. COMMITTEES OF THE BOARD

B.2.1 PLEASE PROVIDE DETAILS OF ALL COMMITTEES OF THE BOARD OF DIRECTORS AND THEIR MEMBERSHIP:

EXECUTIVE COMMITTEE

Name	Post	Status
Javier de Andrés	Chairman	Executive
Mónica de Oriol	Member	Independent
Manuel Lagares	Member	Proprietary
Felipe Fernández	Member	Proprietary
Daniel García-Pita	Member	Independent
Luis Lada	Member	Independent
Juan March	Member	Proprietary
Rosa Sugrañes	Member	Independent

AUDIT COMMITTEE

Name	Post	Status
Alberto Terol	Chairman	Independent
Luis Lada	Member	Independent
Carlos Stilianopoulos	Member	Proprietary
Ignacio Santillana	Member	Independent
Eusebio Vidal-Ribas	Member	Proprietary

NOMINATION AND COMPENSATION COMMITTEE

Name	Post	Status
Daniel García-Pita	Chairman	Independent
Manuel Lagares	Member	Proprietary
Isabel Aguilera	Member	Independent
Juan March	Member	Proprietary
Rosa Sugrañes	Member	Independent

B.2.2 PLEASE INDICATE WHETHER THE AUDIT COMMITTEE ASSUMES THE FOLLOWING FUNCTIONS:

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

B.2.3 PLEASE DESCRIBE THE ORGANISATIONAL AND OPERATIONAL RULES AND AREAS OF RESPONSIBILITY ASSIGNED TO EACH BOARD COMMITTEE.

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

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

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

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

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

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

EXECUTIVE COMMITTEE

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

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

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

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

- a) The Company's general strategies and, where appropriate, specific strategic plans, annual targets and budgets.
- b) The general policy for risk management including assuring the existence and correct implementation of suitable internal control and reporting systems.
- c) The general policy for finance, and policy regarding treasury shares or dividends.
- d) The overall corporate structure through which the Company engages in business.
- e) Operations involving the acquisition and disposal of Company assets and similar corporate transactions involving amounts in excess of 30 million euros.
- f) Non arms' length transactions, in accordance with applicable law and Board Rules.
- g) The creation or acquisition of equity interest in special-purposes entities or entities domiciled in countries or territories classified as tax havens, and any other similar transactions that could obscure the Group's transparency.
- h) Information policy and the policy for communicating with Shareholders, markets, and public opinion in general, and in particular:
 - i) the preparation and approval of the information that the Company issues publicly on an annual basis together with the financial statements submitted for approval by the Shareholders at a Meeting; and
 - ii) the approval of the financial information that the Company is required to publish regularly in accordance with applicable law.
- i) Proposals regarding Directors' compensation and the determination of the amount thereof, in accordance with the Bylaws and resolutions from Meetings.
- j) Modification, transfer or deletion of the Company website.
- k) The appointment, terms of contract – including severance clauses in particular – compensation, dismissal, and performance monitoring of senior management.
- l) General policies regarding corporate responsibility.
- m) Corporate governance policies and rules governing the internal functioning of the Board and its committees, as well as evaluation of the quality and effectiveness of their functioning and accomplishments.
- n) All other matters specifically provided for in the Board Rules.

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

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

AUDIT AND COMPLIANCE COMMITTEE

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

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

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

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

- a) Report to the Shareholders at a Meeting on points raised by the Shareholders regarding matters that fall within the committee's area of competence.
- b) Supervise the functioning of the Company's internal controls, internal audit, and risk management systems, as well as discuss with external auditors areas of significant weakness in the internal control system detected during the audit.
- c) Supervise the preparation and presentation of regulated financial information.
- d) Deliver to the Board of Directors for submission to a Meeting proposals for the appointment of the external auditors as well as the terms of their employment, the scope of the auditor's mandate and where appropriate, dismissal or non-renewal of appointment.
- e) Liaise directly with the external auditors and evaluate the development and results of their work, paying special attention to any issues that might pose a threat to auditor independence and any other issues related to the performance of the financial audit process, and maintain all

other communications required by audit legislation and technical audit rules. In any event, the committee should receive an annual written report from the external auditors confirming the auditor's independence of the Company or entities related directly or indirectly to the Company, as well as a report describing any form of services rendered to such entities by persons or organizations related to the external auditors in accordance with applicable law on audits.

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

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

- a) Act as a channel of communication between the Board and the external auditors, from whom regular information is received on the audit plan and the results of its implementation. The committee also evaluates the management team's responses to the external auditor's recommendations and mediates in the event of any disagreement between the external auditor and the management team in relation to the principles and standards applied in the preparation of the financial statements. The committee must encourage the auditor of the parent company to assume responsibility for the audits of all Group companies.
- b) Report to the Board, prior to the Board's adoption of the corresponding decisions, on the creation or acquisition of holding companies or companies domiciled in tax havens, and on any other transaction or operation that could obscure the Company's transparency.
- c) Review prospectuses for publicly traded instruments.
- d) Report to the Board, prior to the Board's adoption of the corresponding decisions, regarding financial information which the Company must periodically make public by virtue of its status as a listed company. The committee will verify that the quarterly and semiannual financial statements are prepared using the same criteria as the annual financial statements.
- e) Establish measures to safeguard the independence of the external auditors to include:
 - i) propose that the Board file a relevant event report when there is a change of auditors, along with a statement relating any disagreements that arose with the outgoing auditor and, if applicable, the contents thereof;
 - ii) ensure that the Company and the auditors observe applicable law on the provision of services other than audit services, in accordance with the provisions of Article 43 of the Board Rules, and;
 - iii) should the external auditors resign, examine the circumstances leading to their resignation.
- f) Oversee the performance of the audit contract, aiming to ensure that the opinion on the financial statements and main content of the audit report are prepared in clear and precise terms.

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

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

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

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

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

NOMINATION, COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE

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

This committee is required to be chaired by an Independent Director. When the chairman is absent, meetings are to be chaired by the Independent Director named by the committee for this purpose. In any event, the Chairman of the Board – if Executive – or the CEO are to be consulted and called to meetings of the committee when it deliberates on issues relating to Senior Management other than themselves.

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

- a) Report on the composition of the Board of Directors, professional qualifications for membership, and the criteria to be applied in the selection of Directors. The committee is responsible for verifying that the selection procedures applied include criteria favourable to gender diversity in the composition of the Board.
- b) Assess the extent to which the knowledge, skills and experience of proposed candidates for membership on the Board and its various committees meet the required profiles, and verify compliance with applicable requirements considering the category of Directorship position in question. The committee is required to consider possible candidacies for vacancies on the Board suggested by other Directors.

- c) Present to the Board, prior to the re-election of Directors, a report on the performance of their duties to date.
- d) Verify annually that the category of Directorship position to which each director is appointed remains appropriate and include this information in the Annual Corporate Governance Report.
- e) Report to the Board on the process of succession to the chairmanship and the position of chief executive officer, and supervise plans for succession to senior management positions.
- f) Report on proposals for the appointment or dismissal of the Secretary and Vice secretary of the Board.
- g) Report on proposals for the appointment or dismissal of members of the Advisory Council. Make proposals to the Advisory Council regarding its internal operating rules.
- h) Present proposals to the Board regarding the compensation system for Directors, their components and amounts, within the limits established in the Bylaws and resolutions of the Shareholders at Meetings. The committee is also required to report on the compensation of the Secretary in the event the Secretary is not a Director.
- i) Report to the Board on proposals for the appointment and dismissal of Senior Management, and report - prior to approval by the Board - on their compensation and the terms and conditions of their employment contracts with the Company, including severance clauses.
- j) Present to the Board an annual assessment of the performance of Senior Management personnel in their duties, including the Chairman, if an Executive Director.
- k) Propose the annual report on compensation policy to be presented by the Board to the General Shareholders Meeting as well as the information on compensation published by the Company prior to its issue by the Board and in accordance with Article 29 of the Board Rules.
- l) Present a report to the Board of Directors for the purposes of the annual assessment of the Chairman of the Board.
- m) Report to the Board of Directors - prior to approval by the Board - on related party transactions with Directors, with significant Shareholders or Shareholders represented on the Board, with Senior Management or with persons related to any of the above, which transactions require Board approval.
- n) Perform periodic analysis of the Company's policies, norms, procedures and practices in the area of corporate governance and corporate responsibility as well as their conformity with national and international standards, recommendations and best practices.

- o) Carry out an annual evaluation of the effectiveness of, and compliance with, the Company's corporate governance rules and procedures, and review before publication corporate governance information that the Board of Directors is required to approve and include in its annual public report.
- p) Propose to the Board amendments to the Company's corporate governance rules, explaining why it considers such amendments to be advisable.
- q) Report to the Board of Directors - prior to approval by the Board - on the information that the Company discloses publicly in relation to matters falling within its area of competence.
- r) Consider suggestions on issues falling within its area of competence made by Shareholders, Directors or Senior Management of the Company.

B.2.4 PLEASE INDICATE THE ADVISORY AND CONSULTING FUNCTIONS AND ANY DELEGATED POWERS CORRESPONDING TO EACH OF THE COMMITTEES:

Committee Name	Brief Description
Executive	All powers of the Board of Directors are permanently delegated to this Committee, except for those that are reserved by law, by the Bylaws, or by Article 5 of the Board Rules for the Board. The Committee is empowered to adopt executive resolutions when exercising these delegated powers, which are described in detail in section B.2.3. above.
Audit and Compliance	The function of this committee is primarily to advise and make proposals to the Board of Directors and, where appropriate, to the Shareholders at Meetings, regarding issues falling within its area of responsibility, as listed in section B.2.3 above.
Nomination, Compensation and Corporate Governance	The function of this committee is primarily to advise and make proposals to the Board of Directors and, where appropriate, to the Shareholders at Meetings, regarding issues falling within its area of responsibility, as listed in section B.2.3 above.

B.2.5 PLEASE INDICATE, WHERE APPLICABLE, THE EXISTENCE OF ANY REGULATIONS GOVERNING BOARD COMMITTEES, WHERE THESE REGULATIONS MAY BE FOUND, AND ANY AMENDMENTS MADE TO THEM DURING THE FISCAL YEAR. PLEASE ALSO STATE WHETHER ANY ANNUAL REPORTS ON THE ACTIVITIES OF EACH COMMITTEE HAVE BEEN VOLUNTARILY PREPARED.

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

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

In accordance with the recommendation made by the CNMV, and as has been the case since 2003, the Report on the Activities of the Audit and Compliance Committee was published when Shareholders were called to the 21 June 2012 Meeting, along with the rest of the information made available to Shareholders.

B.2.6 PLEASE INDICATE WHETHER THE COMPOSITION OF THE EXECUTIVE COMMITTEE REFLECTS THE PARTICIPATION OF THE DIFFERENT CATEGORIES OF DIRECTOR IN THE BOARD OF DIRECTORS:

Yes No

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

C. RELATED-PARTY TRANSACTIONS

C.1 PLEASE STATE WHETHER APPROVAL - FOLLOWING A FAVOURABLE REPORT BY THE AUDIT COMMITTEE OR OTHER COMMITTEE ENTRUSTED WITH THIS TASK - OF TRANSACTIONS ENTERED INTO BY THE COMPANY WITH DIRECTORS, WITH SIGNIFICANT SHAREHOLDERS OR SHAREHOLDERS REPRESENTED ON THE BOARD, OR WITH PERSONS RELATED TO ANY OF THE ABOVE, IS RESERVED FOR THE BOARD IN PLENARY SESSION:

Yes No

C.2 PLEASE DESCRIBE RELEVANT TRANSACTIONS INVOLVING A TRANSFER OF RESOURCES OR OBLIGATIONS BETWEEN THE COMPANY OR ENTITIES WITHIN ITS GROUP AND THE COMPANY'S SIGNIFICANT SHAREHOLDERS:

Name of Significant Shareholder	Name of Company within the Group	Nature of the Relationship	Type of Transaction	Amount (1000's of euros)
BANCO FINANCIERO Y DE AHORROS	VARIOUS GROUP COMPANIES	CONTRACTUAL	Finance Expenses ⁽¹⁾	263
BANCO FINANCIERO Y DE AHORROS	VARIOUS GROUP COMPANIES	COMMERCIAL	Leasing	60
BANCO FINANCIERO Y DE AHORROS	VARIOUS GROUP COMPANIES	COMMERCIAL	Services Received ⁽²⁾	272
BANCO FINANCIERO Y DE AHORROS	VARIOUS GROUP COMPANIES	CONTRACTUAL	Other expenses ⁽³⁾	90
BANCO FINANCIERO Y DE AHORROS	VARIOUS GROUP COMPANIES	CONTRACTUAL	Finance income ⁽⁴⁾	196
BANCO FINANCIERO Y DE AHORROS	VARIOUS GROUP COMPANIES	COMMERCIAL	Services rendered ⁽⁵⁾	10.701
BANCO FINANCIERO Y DE AHORROS	VARIOUS GROUP COMPANIES	CONTRACTUAL	Finance Agreements: Loans (as borrower) ⁽⁶⁾	16.521
BANCO FINANCIERO Y DE AHORROS	VARIOUS GROUP COMPANIES	CONTRACTUAL	Amortization or Cancellation of Loans and Leasing Contracts (lessee)	6
BANCO FINANCIERO Y DE AHORROS	VARIOUS GROUP COMPANIES	CONTRACTUAL	Commitments Undertaken ⁽⁷⁾	72.248
BANCO FINANCIERO Y DE AHORROS	VARIOUS GROUP COMPANIES	INTERNAL	Dividends and other Benefits Paid	22.347
BANCO FINANCIERO Y DE AHORROS	VARIOUS GROUP COMPANIES	CONTRACTUAL	Other activities ⁽⁸⁾	98.819
LOLLAND, S.A.	CASA GRANDE DE CARTAGENA	INTERNAL	Dividends and other benefits paid	5.587

Name of Significant Shareholder	Name of Company within the Group	Nature of the Relationship	Type of Transaction	Amount (1000's of euros)
LIBERBANK	VARIOUS GROUP COMPANIES	COMMERCIAL	Services Rendered	621
LIBERBANK	CANTABRICA DE INVERSIONES, S.L.	INTERNAL	Dividends and other benefits paid	5.595
CORPORACIÓN FINANCIERA ALBA, S.A	BANCA MARCH, S.A.	CONTRACTUAL	Finance expenses ⁽¹⁾	71
CORPORACIÓN FINANCIERA ALBA, S.A	BANCA MARCH, S.A.	COMMERCIAL	Services Received ⁽²⁾	4
CORPORACIÓN FINANCIERA ALBA, S.A	BANCA MARCH, S.A.	CONTRACTUAL	Other expenses ⁽³⁾	14
CORPORACIÓN FINANCIERA ALBA, S.A	BANCA MARCH, S.A.	COMMERCIAL	Services Rendered ⁽⁵⁾	24
CORPORACIÓN FINANCIERA ALBA, S.A	BANCA MARCH, S.A.	CONTRACTUAL	Commitments Undertaken ⁽⁷⁾	10.990
CORPORACIÓN FINANCIERA ALBA, S.A	ALBA PARTICIPACIONES, S.A.	INTERNAL	Dividends and other Benefits Paid	12.639

(1) Refers to expenses and interest as a result of financial brokerage services and drawdown on credit facilities.

(2) Refers to services contracted by Indra in the ordinary course of business.

(3) Refers to expenses related to management of bank guarantees.

(4) Refers to interest received by Indra on current deposits.

(5) Refers to services rendered by Indra in the ordinary course of business.

(6) Refers to the credit line maximums.

(7) Refers to the maximum limit of guarantees and credit cards.

(8) Refers to the maximum limit of derivative and commercial lines of credit.

The Company has included in its semiannual public report under the heading "Other Related Parties" transactions completed with Banco Inversis and Bankia, companies in which Indra holds equity stakes of 12.77% and 38.48%, respectively.

Non arms' length transactions with significant Shareholders do not represent, either individually or as a whole, a significant amount relative to the Group's assets or revenues, and all took place in the ordinary course of business and under market conditions, and were authorised by the Board in

accordance with Board Rules. Notwithstanding the foregoing, it is Company policy to make detailed public disclosures of such transactions.

C.3 DETALLE LAS OPERACIONES RELEVANTES QUE SUPONGAN UNA TRANSFERENCIA DE RECURSOS U OBLIGACIONES ENTRE LA SOCIEDAD O ENTIDADES DE SU GRUPO, Y LOS ADMINISTRADORES O DIRECTIVOS DE LA SOCIEDAD:

Name of administrator or Manager	Name of Company within the Group	Nature of the Relationship	Type of Transaction	Amount (1000's of euros)
MONICA DE ORIOL E ICAZA	INDRA SISTEMAS, S.A.	COMMERCIAL	Receipt of Services ⁽¹⁾	2.881
MONICA DE ORIOL E ICAZA	INDRA SISTEMAS, S.A.	COMMERCIAL	Rendering of Services ⁽²⁾	11

(1) Security services rendered by companies within the Seguriber-Umano Group, in which Ms. Oriol is a majority shareholder and CEO. Companies within the Seguriber-Umano Group had a commercial relationship with Indra prior to the appointment of Ms Oriol as Director.

(2) Services rendered by Indra to Seguriber-Umano in the ordinary course of business.

Non arms' length transactions with Directors do not represent, either individually or as a whole, a significant amount relative to the Group's assets or revenues, and all took place in the ordinary course of business and under market conditions, and were authorised by the Board in accordance with Board Rules. Notwithstanding the foregoing, it is Company policy to make detailed public disclosures of such transactions.

C.4 PLEASE DESCRIBE RELEVANT TRANSACTIONS CARRIED OUT BY THE COMPANY WITH OTHER COMPANIES BELONGING TO THE SAME GROUP, PROVIDED THAT THESE ARE NOT ELIMINATED IN THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND DO NOT FORM PART OF THE COMPANY'S ORDINARY BUSINESS ACTIVITIES IN TERMS OF THEIR PURPOSE AND CONDITIONS:

Name of Entity within the Group	Brief Description of the Transaction	Amount (1000's of euros)
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C.5 PLEASE INDICATE IF ANY DIRECTORS HAVE FOUND THEMSELVES IN A CONFLICT OF INTEREST AS DEFINED IN ARTICLE 127.3 OF THE LSA DURING THE FISCAL YEAR.

Yes No

Name of Director	Description of Conflict of Interest
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C.6 PLEASE DESCRIBE THE MECHANISMS IN PLACE TO DETECT, DETERMINE AND RESOLVE POTENTIAL CONFLICTS OF INTERESTS BETWEEN THE COMPANY AND/OR ITS GROUP AND ITS DIRECTORS, MANAGEMENT PERSONNEL OR SIGNIFICANT SHAREHOLDERS.

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

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

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

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

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

Article 32 of the Board Rules stipulates that:

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

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

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

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

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

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

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

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

C.7 IS THERE MORE THAN ONE GROUP COMPANY LISTED IN SPAIN?

Yes No

Please name the listed subsidiaries:

Listed Subsidiaries

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

Yes No

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

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

Measures taken to resolve potential conflicts of interest

D. RISK CONTROL SYSTEMS

D.1 GENERAL DESCRIPTION OF THE COMPANY'S AND/OR GROUP'S RISK POLICY, DETAILING AND ASSESSING RISKS COVERED BY THE SYSTEM TOGETHER WITH THE REASONS WHY THEY ARE ADEQUATE FOR THE TYPES OF RISK ANTICIPATED.

Risk management within the Group is a cross functional process involving all unit members, operations and process.

The objective of risk management is to lower risk and to make it predictable and manageable.

The Department of Global Risk is integrated into the organizational structure of Indra under the supervision of the Executive Committee, with the mission of implementing a periodic review of the level of risk to which the organization, its businesses and its corporate areas are subject. The process of risk management that was implemented addresses the methodological principles of the Committee of Sustaining Organizations and includes:

- Continuous identification of the most significant risks Indra faces using analysis of historical information, interviews, and analysis of process flows.
- A periodic evaluation of risk portfolio using a combination of quantitative and qualitative techniques. Evaluation of the two basic dimensions of risk, impact and probability, allows creation of a global risk map.
- Assessment of the management of identified risks in order to create action plans necessary to guarantee achievement of defined risk tolerance levels.

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

The principal risks are grouped into the following categories:

Strategic risks

Operational risks

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

Economic and financial risks

Compliance risks

- a. Legal, contractual and regulatory risks
- b. Labour risks
- c. Environmental risks

Strategic Risks

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

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

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

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

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

Operational Risks

The following risks fall under this category:

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

a. Risks associated with the process of completing projects

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

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

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

- A set of procedures for presentation of bids, including analysis and review by a bid committee from the areas of operations and management control before presentation to clients.
- Existence of an organization which follows all project phases, pre-contractual and contractual, and provides accurate information to management and business units on a timely basis, anticipating and assessing all risks.
- Tools based on internal information systems and designed to follow up risks which provide information and allow control of all key parameters identified during project planning, the risk plan established for each project and its monitoring, compliance with deadlines and other milestones established for the project such as technical and financial progress, follow-up of projected expenses, invoicing, payment, etc. These information systems include a series of indices and alarm mechanisms that allow anticipation of scheduling problems as well as any other problem which may affect proper development of projects and managing them in a timely manner.

It is important to point out that during fiscal 2012 the Company has continued with its intense programme of communication, training and implementation of standards, methods and computerised project management tools both in Spain and in its international subsidiaries. This effort has been essential to ensure appropriate internal control and risk prevention in all the Group's companies.

Indra has also continued to strengthen the knowledge of its professionals in project management methodology, continuing to gain PMP (Project Management Professional) certification. To date, over 522 professionals have been certified since this initiative began, making Indra the Spanish company with the largest number of PMPs.

Quality of services rendered and customer satisfaction are the areas of risk most closely watched by the professionals at Indra and are guaranteed by the implementation and international export of mandatory Proprietary methodologies for project management. Additionally, over the years Indra has developed a system of quality management recognized by obtaining certification for business and geographic areas: : ISO 9001, PECAL 21 10, PECAL 160, UNE-EN 9100, EASA part 145, CMMI

(Capability Maturity Model Integration), a model for improvement and assessment of development and maintenance processes for software systems and products.

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

b. Risks Associated with Human Capital

Proper management of key people is an especially important mission taking into account that the primary asset of the Group is our more than 38,577 professionals placed throughout the world.

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

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

c. Physical Risks

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

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

d. Information Security Risks

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

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

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

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

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

- > Security policy and organization
- > Technology devices
- > Monitoring and audit
- > Training and awareness in security matters
- > Systems acquisition, development and maintenance
- > Business continuity
- > Statutory, contractual and regulatory compliance
- > Security related to Human Resources
- > Physical and environmental security

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

- > Security Regulation and Compliance
- > Audit of Technical Vulnerabilities
- > Connection of Platforms to the Indra Network
- > Security Monitoring
- > Platform Security
- > Applications Security
- > Device Encryption
- > Personal Data Protection Office
- > PKI
- > Antivirus
- > Security Implementation
- > Network Access Control
- > Backup
- > Firewall
- > Applications Firewall
- > Detection/prevention of Intrusions
- > AntiSpam

It should also be noted that Indra monitors proper compliance with norms regarding security, privacy and confidentiality, and ensures the proper handling of data and information from clients, vendors and staff.

One example of this compliance is the auditing system installed in Spain, which biennially verifies the security status of all corporate security systems and process for conformity with the provisions of the Reglamento de Desarrollo de la LOPD ("Regulation for Implementation of the Law on Protection of Personal Data") (Royal Decree 1720/2007, of 21 Diciembre), which is consistent with European Community Law (see Directive 95/46/CE of the European Parliament). This system, in addition to allowing Indra to comply with its legal obligations as repository of this information, ensures the proper handling, confidentiality and privacy of the personal data of the groups mentioned above.

Economic and financial risks

Management and mitigation of financial risks is accomplished at Indra by means of policies approved at the highest executive level and consistent with established rules, policies and procedures.

With the goal of eliminating the impact of differences in foreign exchange rates on projects which the parent Company and its subsidiaries pursue, hedging transactions are carried out with financial institutions (primarily through currency contracts).

Indra has available to it lines of credit and loans taken with various financial institutions in a sufficient amount to meet its current obligations. Regarding excess treasury funds, the policy at Indra is to invest them in safe, short term, highly liquid assets using very reputable financial institutions.

Indra is exposed to credit risk inasmuch as clients do not meet their obligations; however, Indra's book of business consists of clients with very strong credit. Nonetheless, and primarily in international transactions, mechanisms such as irrevocable letters of credit and insurance coverage are used to guarantee payment.

Finally, the risk of obtaining inadequate financial information has been managed since 2012 using an extensive internal financial information control system, explained in great detail in Addendum II to this report.

Compliance Risks

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

a) Legal, Contractual and Regulatory Risks

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

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

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

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

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

As a result of the entry into force of the ley orgánica 5/2010 amending the Criminal Code, the Company conducted an exhaustive analysis of the risks and control requirements associated with the amendment. As a consequence of this process, the Audit and Compliance Committee decided in 2011 to create a new Legal Compliance Unit, reporting to the General Secretary, which sends reports periodically to the Audit and Compliance Committee and whose mission was (and is) to establish means and procedures for the prevention, control and detection of criminal conduct and other legal risks for the Company and its subsidiaries and which resulted in the approval and publication of a Compliance Program in 2012.

b) Labour Risks

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

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

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

c) Environmental Risks

Although Indra is not considered to pose a notable risk to the environment due to the nature of its activities, the Company has established systems to manage and prevent this type of risk and continues to apply and improve its environmental policy in its different work centres. Indra's activities focus on intensive solutions and services in the use of communications and information technology, and therefore do not include contaminating processes.

Nonetheless, given the size of the Company and its presence in different countries, it is inevitable that its activity will produce a certain impact on the environment. Indra is aware of this, and is therefore committed to limiting the negative effects that this impact may produce as much as possible and ensure that environmental protection is considered when carrying out all its activities, thereby complying with its corporate social responsibility commitments.

This undertaking is given form in the adoption of an environmental management system based on UNE-EN ISO 14001, which has been implemented in Indra's work centres.

D.2 PLEASE SPECIFY WHETHER ANY OF THE DIFFERENT KINDS OF RISK (OPERATIONAL, TECHNOLOGICAL, FINANCIAL, LEGAL, REPUTATIONAL, TAX-RELATED...) THAT AFFECT THE COMPANY AND/OR GROUP HAVE OCCURRED DURING THE FISCAL YEAR:

Yes No

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

Risk which Materialized During the Fiscal Year	Circumstances which Caused it	Efficacy of the Control System
Integration of New Business	Indra Navis, A.S. (Park Air)	Integration plans proceeding as intended.
Financial Risk	Slow payment	Prompt management in order to minimize past due accounts payable.
Delays and cost overruns in the execution of some projects.	Changes in scope and overruns and unforeseen delays in reaching milestones.	Continuous review of the risk plans for projects in accordance with Indra methodology and the alarm system which emanate from economic monitoring have minimized its potential impact on costs and schedule.
Information Security Risk	Attacks associated with Advanced Persistent Threats motivated by the value of information managed by Indra	Adequate management of security risks by means of organizational, technological, supervisory and auditing measures

D.3 PLEASE SPECIFY WHETHER ANY COMMITTEE OR OTHER GOVERNING BODY IS RESPONSIBLE FOR ESTABLISHING AND SUPERVISING THESE CONTROL TOOLS:

Yes No

If so, give details of its functions.

Name of Committee or Body: Comisión de Auditoría y Cumplimiento

Description of Functions:

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

This mandate of the Board of Directors is accomplished by the duties given to the Audit and Compliance Committee, which periodically reviews internal control systems and the Company's risk management.

In practice, the Audit and Compliance Committee meets every year with the managers of these control systems. Additionally, at every meeting representatives of different corporate and business areas attend in order to understand and assess the effectiveness of the organisation, functions and activity and, if appropriate, issue recommendations regarding management of risk and improvement of controls.

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

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

D.4 IDENTIFICATION AND DESCRIPTION OF PROCESSES FOR COMPLIANCE WITH DIFFERENT REGULATIONS THAT AFFECT YOUR COMPANY AND/OR GROUP:

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

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

E. ANNUAL SHAREHOLDERS MEETING

E.1 PLEASE SPECIFY WHETHER THERE ARE ANY DIFFERENCES BETWEEN THE MINIMUMS SET OUT IN THE LSA REGARDING QUORUM FOR ANNUAL SHAREHOLDERS MEETINGS AND, WHERE APPROPRIATE, PROVIDE DETAILS

Yes No

% quorum different from that contained in Article 102 LSA for general matters	% quorum different from that contained in Article 102 LSA for special matters
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Quórum exigido en 1ª convocatoria

Quórum exigido en 2ª convocatoria

E.2 PLEASE SPECIFY WHETHER THERE ARE ANY DIFFERENCES BETWEEN THE LSA REGARDING THE ADOPTION OF RESOLUTIONS AND, WHERE APPROPRIATE, PROVIDE DETAILS:

Yes No

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

Supermajority distinct from that contained in Article 103.2 LSA for matters described in Article 103.1	Other matters requiring a supermajority
--	---

% established by the company for adoption of resolutions

Describe the differences

E.3 PLEASE LIST ANY SHAREHOLDER RIGHTS ENJOYED AT MEETINGS WHICH ARE DIFFERENT THAN THOSE ESTABLISHED IN THE LSA.

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

Right to Information

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

As soon as the Board knows the probable date that the next Meeting will be called and held, it issues

a public communiqué to the Spanish Securities Market Commission and on its corporate website, enabling Shareholders to propose matters for discussion or to be included on the Meeting agenda, which they can do via the Shareholders office or through the corporate website.

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

The Board of Directors therefore provides the information required by law and the Bylaws to the extent considered necessary. When corporate interest so advises, the Board may limit information made available to Shareholders. Under no circumstances may information required by the law be restricted.

Since 2003 the Board of Directors has prepared a report that is made available to Shareholders as soon as the Meeting is called. The purpose of this report is to inform Shareholders in as much detail as possible of the content of the different items on the agenda of the Meeting, as well as the proposals that the Board of Directors intends to submit in relation to each item. Each of the Board's proposals is accompanied by explanatory information. The Board believes that it helps Shareholders understand the proposals, facilitates their active and informed participation in the Meeting, and enables them to cast a more informed vote. Except where required by law, this information is biased toward clarity rather than legal formalism.

Similarly, once the call for the Meeting has been published, a channel is set up enabling Shareholders to make suggestions or proposals relating to the items on the agenda, or to request clarifications or additional information on these matters through the corporate website or the Shareholders' office.

Right of attendance

At the 2011 Meeting, the requirement that possession of 100 shares be a condition precedent for attendance was repealed, so that all Shareholders that can prove their status as such by delivery of a certificate of ownership or by means of any other document proving ownership of shares issued by a share depository after publication of the Meeting call may attend.

Exercise of representation and voting rights at the Meeting through telecommunication

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

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

Right of representation

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

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

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

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

Right to participate in the meeting

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

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

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

At the Meeting held 21 June, 2012 it was resolved to amend (i) the Meeting Rules as explained in Section E.6 below in order to bring the procedure for calling Meetings in line with the new version of the LSC; (ii) to introduce the new legal requirements regarding timeframes for calling extraordinary shareholders meetings, regulation of attendance, voting and representation rights; and (iii) to improve the wording of certain articles.

E.4 PLEASE SPECIFY ANY MEASURES ADOPTED TO ENCOURAGE THE PARTICIPATION OF SHAREHOLDERS AT MEETINGS.

Those measures are detailed in Section E.3 above.

E.5 PLEASE SPECIFY WHETHER THE POSITION OF CHAIRMAN OF THE GENERAL SHAREHOLDERS MEETING IS THE SAME AS THE CHAIRMAN OF THE BOARD OF DIRECTORS. PLEASE PROVIDE DETAILS, AS APPROPRIATE, OF MEASURES ADOPTED TO GUARANTEE THE INDEPENDENCE AND CORRECT OPERATION OF THE MEETING:

Yes No

Details of Measures

To guarantee that Meetings are properly run, as well as to ensure that Shareholders may adequately and correctly exercise their rights, the Meeting Rules dictate the procedures that the Chairman must follow at all times. The function of the Chairman is to moderate participation and ensure that the Meeting proceeds in an orderly fashion.

The Chairman of the Audit and Compliance Committee also attends the Meeting and, in accordance with the Bylaws and Meeting Rules, makes a report regarding matters within the scope of the committee's mandate.

Although not required by the Company's internal regulations, the Chairman of the Nomination, Compensation and Corporate Governance Committee also attends the Meeting and responds to any Shareholder queries regarding matters falling within the scope of this Committee's competence.

E.6 PLEASE PROVIDE DETAILS OF ANY AMENDMENTS TO THE MEETING RULES DURING THE FISCAL YEAR.

At the Meeting held 21 June, 2012 Item 4 of the agenda was approved amending the following articles of the Meeting Rules and now read as provided below. The amendments were the subject of two separate votes in accordance with the reason for the proposed change:

a) Harmonization with the LSC: Articles 1, 3, 5, 8, and 12

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 Shareholders and Investors section, and the Shareholders Office (Avenida de Bruselas, 35, Alcobendas, telephone: 91 480 98 00, fax: 91 480 98 47, email: accionistas@indracompany.com).

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 current version of these Rules will remain permanently available to shareholders on the CNMV website and on the corporate website, as well as being filed at the Civil Registry in accordance with applicable law.

The Company will ensure equal treatment of all similarly situated shareholders, especially as such treatment relates to information, participation and exercise of voting rights at Meetings.

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.

Article 3. Procedure and Notice Period

General Shareholders' Meetings, whether annual ("Meetings") or extraordinary, shall be called following a resolution of the Board of Directors, by way of a notice published, at a minimum, in the following media: (i) in the Boletín Oficial del Registro Mercantil ("Official Gazette of the Mercantile Registry") or a daily newspaper of general circulation in Spain (ii) on the CNMV website, and (iii) on the Company website, or in any other form as may be established by applicable law.

Call notice of a Meeting shall be made at least one month before the date established for the Meeting upon first call.

Notwithstanding the foregoing, in the event of extraordinary shareholders meetings where the Company offers reliable means of electronic voting, call notice may be given in as little as fifteen days before said meeting. Such reduction in notice shall require a resolution at a General Shareholders Meeting with no less than two-thirds of voting shares voting in favour, and shall expire no later than the next Meeting.

When the Board is called to convene an extraordinary shareholders meeting upon request by those holding 5% of capital stock, the meeting shall be held no less than two months following the date in which the Board was requested via Notary to meet, and the agenda shall include those matters raised in the request.

The call notice shall state the name of the Company, the place, date and time of first call and if, necessary, second call, along with the agenda, the position of the person or persons issuing the call and containing any other things required by applicable law. At least twenty-four hours shall elapse between the first and second calls.

Those shareholders representing at least 5% of the capital stock may request that an annex to the notice of call of a General Shareholders' Meeting be published in order to include one or more items on the Agenda provided that the new items are accompanied by the reasons for inclusion and, where appropriate, a proposal for resolution with the reasons therefore stated. This right shall be exercised by sending a certified notification that must 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 annex to the call shall also be published at least 15 days in advance of the date scheduled for the General Shareholders' Meeting. The lack of publication of the annex shall make it of no effect at the General Shareholders' Meeting.

Shareholders representing at least 5% of the capital stock, may, within 5 days following publication of the call, present proposals based upon resolutions regarding matters already appearing or which should appear on the agenda for the upcoming meeting as they are received and which shall be continuously published on the company website.

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 5. Shareholders' Right to Information

Shareholders have the right to receive extensive and accurate information regarding the points that are to be discussed and resolved at 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 law and Company Bylaws.

From the publication of the call notice through the holding of the Meeting, 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 on its website, as well as information required under applicable law or which the Board considers necessary in order to ensure Shareholders' rights to information.

Shareholders may, at their discretion, request in writing and in terms as established by law before the Meeting, or verbally during the meeting, clarification of public information which the Company has delivered to the CNMV since the last Meeting or information contained in the auditor's report.

The Company shall make available through the internet and the shareholders' office a means by which they may request clarification or additional information regarding agenda items for Meetings.

The Board of Directors may limit the information made available to the shareholders if required by the interests of the Company. Information requested by shareholders in accordance with the law and the Bylaws may not be denied when such request is supported by shareholders who represent no less a fourth of outstanding shares.

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.

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. Appointment of a representative by the Shareholder and notice to the Company may be made either in writing or electronically. The Board will issue procedures for each Meeting, consistent with the state of the art, in order to ensure security and effectiveness. This Article shall apply to revocation of proxies.

In the event of a proxy solicitation, the proxy document shall contain or have attached the agenda as well as a request for instructions on exercise of the right to vote and an indication as to how the representative will vote in the event no precise instructions are given.

Proxies should be given in writing and specifically for each Meeting save for spouses or direct descendents and ancestors of the Shareholder or when pursuant to a general power of attorney conferred by means of public document with the authority to manage all of the Shareholder's domestic assets.

In any event, the number of shares represented by proxy shall be included in determining quorum. Proxy holders may represent more than one Shareholder without limitation on the number of Shareholders represented.

Representation may also include matters which, although not anticipated to appear on the agenda as it appears on the call, may be brought up at the meeting in accordance with the LSC. Should there not be instructions regarding matters which are not legally required to appear on the agenda, the representative is to vote in the manner in which the representative feels is in the best interest of the Shareholder.

In the event that administrators or any other person on their behalf or in their interest have solicited a proxy, the administrator may not exercise any voting rights on agenda matters in which a conflict of interest arises.

Any proxy not containing a specific nominee or which is conferred generally to the Board will be assumed to have been assigned to the person specifically designated by the Board in the official notice of call for each Meeting.

For all proxies placed in the hands of the Board or one of its members, in the event that the proxy contains no instructions to vote against or to abstain, it shall be assumed that the Shareholder has delivered instructions to vote in favour of proposals for resolutions drafted by the Board and contained in the Meeting Agenda.

Brokers with proxies should provide the Company within seven days before the Meeting with a list indicating the identity of each client and the number of shares to be voted on the client's behalf, as well as any instructions received.

In any event, whether the proxy be voluntary, by operation of law, or by solicitation of proxy, no Shareholder may have more than one representative attend a meeting.

Representation shall always be revocable. The personal attendance at the meeting will have the effect of revoking any issued proxy and shall be immediately communicated to the representative in order that the representative not exercise a proxy when he may no longer do so.

Article 12. Voting on 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 which could be relevant to the outcome. The Chairman shall ensure that the various proposals put forward to the Meeting be voted on separately and in order, 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.

Shareholders with the right to attend and vote may submit their votes on matter contained in the agenda by means of post, email, or any other telecommunication means.

The Board of Directors will provide the procedures for voting by any remote communication means that fulfil the requirements for security and efficiency set forth in the Bylaws and that are at all times compatible with the state of the art.

Rules adopted by the Board in exercise of its duties under this Article shall be included in the notice of call for the Meeting contained on the corporate website. Proxy and distance voting forms shall be published on the Company website.

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.

Those at the Meeting who represent more than one shareholder may split their votes in accordance with the instructions received from the shareholders they represent.

Resolutions approved and voting results will be published in their entirety on the Company website within five days after adjournment of the Meeting.

b) Stylistic Changes: Articles 7 and 9:

Article 7. Accreditation as a Shareholder

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

For each Meeting, the Board of Directors will provide the procedures for attendance by any remote communication means that fulfil the requirements for security and efficiency set forth in the Bylaws and are at all times compatible with the state of the art.

Article 9. Place and Quorum

General Shareholders' Meetings may be held anywhere within Spanish territory. The administrative body will fix the place for each Meeting. In the event that no place is stated in the call, the meeting will be held at the registered office.

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.

Nonetheless, in order for the Meeting to be able to validly approve the, capital increases or decreases, and, in general, any amendment to the Company Bylaws, the issuance of debt, the suppression or limitation of subscription rights, as well as the reorganization, merger, spin-off or sale of all Company assets, or movement of the registered office abroad, shareholders holding at least fifty percent of the outstanding 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.

E.7 PLEASE PROVIDE DETAILS OF ATTENDANCE AT THE GENERAL SHAREHOLDERS MEETINGS HELD IN THE YEAR TO WHICH THIS REPORT REFERS:

Attendance Data					
Date of Meeting	% Physically Present	% Present by Proxy	% Distance Voting Electronic Voting Other		Total
21/06/2012	2,55	63,12	0,01	0,81	66,49%

E.8 PLEASE BRIEFLY DESCRIBE THE RESOLUTIONS ADOPTED AT THE GENERAL SHAREHOLDERS MEETINGS HELD DURING THE YEAR TO WHICH THIS REPORT REFERS AND THE PERCENTAGE OF VOTES WITH WHICH EACH RESOLUTION WAS ADOPTED.

FIRST.- Review and approval of the Financial Statements and the Management Report of Indra Sistemas, S.A. and its Consolidated Group for the fiscal year ended 31st December, 2011 as well as the proposal for distribution of earnings. Approval of the Board of Director's management.

Votes in favour: 96.87%

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

Votes in favour: 96.77%

THIRD.- Amendment of Articles 6, 10, 12, 14, 18, 22, 23, 30 y 31 of the Bylaws and Creation of a new Article 8 bis.

3.1. BLOCK I.- Harmonization with the LSC: Amendment of Articles 6, 8 bis (new), 10, 12 y 14.

Votes in favour: 96.86%

3.2. BLOCK II.- Stylistic Changes: Articles 18, 22, 23, 30 and 31:

Votes in favour: 96.86%

FOURTH.- Amendment of the Meeting Rules.

4.1. BLOCK I.- Harmonization with the LSC: Articles 1, 3, 5, 8, and 12

Votes in favour: 96.70%

4.2. BLOCK II.- Stylistic Changes: Articles 7 and 9:

Votes in favour: 96.79%

FIFTH.- Approval of the Corporate website.

Votes in favour: 96.67%

SIXTH.- Authorization for the Board to increase capital stock to include the issuance of redeemable shares with express authority to exclude pre-emptive rights.

Votes in favour: 85.70%

SEVENTH.- Authorization for the Board of Directors to issue convertible fixed income securities or those that may be swapped for shares, with the express authority to exclude pre-emptive rights and to increase capital stock in the amount necessary.

Votes in favour: 95.66%

EIGHTH.- The reelection of Mr. Daniel García-Pita as an Independent Director for a term of three (3) years as provided for in the Bylaws.

Votes in favour: 84.57%

NINTH.- Appointment of auditors of the individual and consolidated Financial Statements and Management Report for fiscal 2012

Votes in favour: 96.30%

TENTH.- 2011 Annual Report on Compensation on Directors and Senior Management.

Votes in favour: 84.78%

ELEVENTH.- Information submitted to the Meeting regarding changes made to the Board Rules.

Not submitted to a vote.

TWELFTH.- Approval and delegation of authority to formalize, enter and carry out the resolutions adopted at the Meeting.

Votes in favour: 96.87%

E.9 PLEASE SPECIFY WHETHER THERE IS ANY RESTRICTION IN THE BYLAWS THAT ESTABLISHES A MINIMUM NUMBER OF SHARES REQUIRED TO ATTEND THE MEETING.

Yes No

Minimum Number of shares required to attend the Meeting

E.10 PLEASE SPECIFY AND GIVE THE REASONS FOR THE COMPANY'S POLICIES WITH REGARD TO PROXIES AT THE MEETING.

Shareholders may confer representation for attendance at the General Shareholders Meeting on any party, whether or not a Shareholder. Representation should be conferred in writing specifically for each meeting, save for spouses or direct descendents and ancestors of the Shareholder or when pursuant to a general power of attorney conferred by means of public document with the authority to manage all of the Shareholder's domestic assets.

Proxy holders may represent more than one Shareholder without limitation on the number of Shareholders represented.

Any proxy not containing a specific nominee or which is conferred generally to the Board will be assumed to have been assigned to the person specifically designated by the Board in the official notice of call for each Meeting.

Representation may also include matters which, although not anticipated to appear on the agenda as it appears on the call, may be brought up at the meeting in accordance with the LSC. Should there not be instructions regarding matters which are not legally required to appear on the agenda, the representative is to vote in the manner in which the representative feels is in the best interest of the Shareholder.

In the event that administrators or any other person on their behalf or in their interest have solicited

a proxy, the administrator may not exercise any voting rights on agenda matters in which a conflict of interest arises, except that the administrator had been given specific voting instructions for each of the matters of the agenda.

For all proxies placed in the hands of the Board or one of its members, in the event that the proxy contains no instructions to vote against or to abstain, it shall be assumed that the Shareholder has delivered instructions to vote in favour of proposals for resolutions drafted by the Board and contained in the Meeting Agenda.

In compliance with Article 14 (bis) of the Bylaws, for each Meeting the Board of Directors will decide on the procedures for conferring representation by remote means of communication (including electronic means) which, in compliance with the security and efficacy requirements of this Article, are compatible with the state of the art.

E.11 PLEASE STATE WHETHER THE COMPANY IS AWARE OF INSTITUTIONAL INVESTORS' POLICY FOR PARTICIPATING OR NOT IN COMPANY DECISION-MAKING:

Yes No

Describe the Policy

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

E.12 PLEASE SPECIFY THE ADDRESS AND MEANS OF ACCESS TO CORPORATE GOVERNANCE CONTENT ON YOUR WEBSITE.

www.indra.es

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

F. EXTENT OF FOLLOW-UP OF CORPORATE GOVERNANCE RECOMMENDATIONS

Please specify the Company's level of compliance with recommendations from the Unified Code of Good Governance.

Where the Company fails to comply with any of these, explain the recommendations, rules, practices or criteria that the Company applies.

1. That the Bylaws of listed companies do not limit the maximum number of votes that may be cast by one Shareholder or contain other restrictions that hinder the takeover of control of the Company through the acquisition of shares on the market.

See sections: A.9, B.1.22, B.1.23 and E.1, E.2

Complies Explanation

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

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

b) The mechanisms in place to resolve any conflicts of interest that may arise.

See sections: C.4 and C.7

Complies Complies Partially Explanation Not Applicable

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

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

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

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

Complies Complies Partially Explanation

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

Complies Explanation

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

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

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

See section: E.8

Complies Complies Partially Explanation Not Applicable

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

See section: E.4, E.6

Complies Explanation

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

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

Complies Complies Partially Explanation

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

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

- i) The business plan, management targets and the annual budget.
- ii) The investment and financing policy.
- iii) The definition of the structure of the group of companies.
- iv) The corporate governance policy.
- v) The corporate social responsibility policy.
- vi) The policy for senior management compensation and performance appraisal.
- vii) The risk management and control policy and regular monitoring of internal information and control systems.

viii) The policies on dividends and treasury shares, particularly with regard to their limits.

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

b) The following decisions:

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

See sections: B.1.14.

ii) Compensation of Directors and, in the case of Executive Directors, additional compensation for their management duties and other conditions contained in their contracts.

See sections: B.1.14.

iii) Financial information which, as a listed entity, the Company is periodically required to publish.

iv) All types of investments or transactions which may be considered strategic by virtue of their large amount or special characteristics, except when they must be approved at a Meeting.

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

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

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

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

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

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

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

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

See sections: C.1 and C.6

Complies Complies Partially Explanation

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

See sections: B.1.1

Complies Explanation

10. That external Proprietary and Independent Directors constitute a broad majority of the Board and that the number of Executive Directors be the minimum necessary taking into account the complexity of the corporate Group and the percentage equity participation of Executive Directors in the Company.

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

Complies Complies Partially Explanation

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

See sections: B.1.3

Complies Explanation Not applicable

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

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

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

2. In companies where a plurality of Shareholders represented on the Board are not related to one another.

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

Complies Explanation

13. That the number of Independent Directors should represent at least one third of the total number of Directors.

See sections: B.1.3

Complies Explanation

14. That the Board of Directors explain the status of each Director to the Shareholders at the Meeting so that the Shareholders may appoint or ratify the Directors, and that these details be confirmed or, where appropriate, reviewed each year in the annual corporate governance report after verification by the Nomination Committee. This report should also explain the reasons for the appointment of Proprietary Directors at the proposal of the Shareholders

whose equity interest is less than 5%. It should also explain, where applicable, why formal requests from Shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other Shareholders whose proposal for Proprietary Directors was honoured.

See sections: B.1.3 and B.1.4

Complies Complies Partially Explanation

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

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

b) The Company seeks out, and includes among its potential candidates, women with the appropriate professional profiles.

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

Complies Complies Partially Explanation Not applicable

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

See sections: B.1.42

Complies Complies Partially Explanation

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

See section: B.1.21

Complies Complies Partially Explanation Not applicable

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

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

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

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

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

See sections: B.1.34

Complies Complies Partially Explanation

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

See sections: B.1.29

Complies Complies Partially Explanation

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

See sections: B.1.28 y B.1.30

Complies Complies Partially Explanation

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

Complies Complies Partially Explanation Not applicable

22. That the Board in plenary session must assess, on an annual basis:

- a) The quality and efficiency of the Board's operations;
- b) Based on a report by the Nomination Committee, the performance of the Chairman of the Board and chief executive of the Company;
- c) The performance of the Board Committees, on the basis of their reports.

See section: B.1.19

Complies Complies Partially Explanation

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

See section: B.1.42

Complies Explanation

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

See section: B.1.41

Complies Explanation

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

Complies Complies Partially Explanation

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

- a) Directors should inform the Nomination Committee of their other professional obligations in case they could affect the Director's required dedication
- b) Companies should establish rules on the number of boards in which Directors may participate.

See sections: B.1.8, B.1.9 and B.1.17

Complies Complies Partially Explanation

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

- a) At the proposal of the Nomination Committee in the case of Independent Directors.
- b) With a prior report from the Nomination Committee, in the case of other Directors.

See section: B.1.2, B.1.19, B.2.3

Complies Complies Partially Explanation

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

- a) Professional profile and biography;
- b) Any other Boards to which the Director belongs, regardless of whether the companies are listed
- c) Type of Directorship, indicating, in the case of individuals who represent significant Shareholders, the Shareholder that they represent or are linked to.

- d) The date of their first appointment as a Director of the Company's Board of Directors, and any subsequent Nomination, and;
- e) The shares and options they own.

Complies Complies Partially Explanation

29. That the mandate of Independent Directors may not exceed 12 years.

See section: B.1.26

Complies Explanation

30. That Proprietary Directors representing significant Shareholders must resign from the Board if the Shareholder they represent sells its entire shareholding or reduces its percentage interest to a level that requires a decrease in the number of Proprietary Directors representing this Shareholder.

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

Complies Complies Partially Explanation

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

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

See sections: B.1.2, B.1.5 and B.1.26

Complies Explanation

See Recommendation 29 above

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

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

See sections: B.1.43, B.1.44

Complies Complies Partially Explanation

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

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

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

Complies Complies Partially Explanation Not applicable

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

See section: B.1.5

Complies Complies Partially Explanation Not applicable

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

- a) The components of fixed compensation, with a breakdown, where appropriate, of the attendance fees received for the Board and its Committees, and an estimate of annual fixed compensation arising from them;
- b) Variable compensation, including in particular:
 - i) The status of Directors to whom variable compensation is paid, as well as an explanation of the relative weight of variable items compared to fixed compensation components.
 - ii) The criteria used to assess whether Directors are entitled to receive compensation in the form of shares, options or any variable component;
 - iii) Fundamental parameters and the basis of any annual bonus system or other benefits not paid in cash; and
 - iv) An estimate of the total amount of variable compensation that will be paid out under the proposed compensation plan in accordance with the extent to which reference objectives or targets have been met.
- c) The main characteristics of the benefits systems (for instance, Company paid pensions, life insurance etc.), with an estimate of their equivalent annual cost.
- d) Conditions that must be met in the contracts of Executive Directors who are members of Senior Management, including:
 - i) Duration;
 - ii) Notice period; and
 - iii) Any other clauses relating to signing bonuses, as well as severance agreements applicable to early termination of the contract between the Company and the Executive Director.

See section: B.1.15

Complies Complies Partially Explanation

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

This recommendation does not apply to share-based payments when Directors are required to maintain ownership of those shares until they leave their positions.

See sections: A.3, B.1.3

Complies Explanation

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

Complies Explanation

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

Complies Explanation

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

Complies Explanation Not applicable

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

This report should focus particularly on the compensation policy approved by the Board for the current year as well as, where appropriate, forecasts for the coming years. It should discuss all issues referred to in Recommendation 35, except for any extreme circumstances in which disclosure may result in the revelation of sensitive trade information. It should highlight the most significant changes in such policies applied during the year reviewed at the particular annual Meeting, and should also include an overall summary of how the compensation policy was applied during the last year.

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

See section: B.1.16

Complies Complies Partially Explanation

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

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

- i) Attendance allowances or other fixed compensation paid to Directors;
- ii) Any additional compensation received for chairing or sitting on any of the Board's committees;
- iii) Any profit-sharing or bonus amounts and the reason for which they were paid;
- iv) Contributions to defined contribution pension plans on behalf of Directors; or, in the case of defined benefit plans, any increases in vested rights when connected to contributions to defined benefit plans;
- v) Any severance agreed or paid in the event of dismissal;
- vi) The compensation received from other Group companies due to membership on their boards;
- vii) Compensation of Executive Directors resulting from their position as senior managers of the Company;
- viii) Any other compensation item apart from those mentioned above, regardless of the Group company from which it was received, especially if it is considered to be a related-party transaction or its omission would distort the total compensation received by the Director.

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

- i) The number of shares or options paid out in the current year and the terms for exercising options;
- ii) The number of options exercised in the year, indicating the total shares affected and the strike price;
- iii) The number of options to be exercised at year end, indicating their price, date and other requirements for their conversion;
- iv) Any modifications during the year to the conditions for exercising options already distributed.

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

Complies Complies Partially Explanation

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

See sections: B.2.1 and B.2.6

Complies Complies Partially Explanation Not applicable

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

Complies Explanation Not applicable

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

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

- a) That the Board appoint the members of these Committees, taking into account their knowledge, skills and experience and the tasks to be carried out by each committee; that it deliberate over their proposals and reports; and that they be required to appear before the first plenary session of the Board to report on their activities and answer all questions relating to the work performed.
- b) That these Committees must be comprised solely of External Directors, with a minimum of three. However, Executive Directors or senior management personnel may attend when committee members request their presence.
- c) That they be chaired by Independent Directors.
- d) That they be entitled to request external advisory services if necessary to fulfil their functions.

e) That minutes be taken at all committee meetings and a copy sent to all Directors of the Board.

See sections: B.2.1 and B.2.3

Complies Explanation Not applicable

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

Complies Explanation

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

Complies Explanation

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

Complies Explanation

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

Complies Complies Partially Explanation

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

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

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

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

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

See section: D

Complies Complies Partially Explanation

50. That the Audit Committee be responsible for:

1. With regard to information systems and internal control:

a) Supervise the preparation and completeness of financial information relating to the Company and, if applicable, the Group, ensuring that regulatory requirements are complied with, the scope of the consolidated Group is suitably defined, and accounting practices are correctly applied.

b) Regularly review internal control systems and risk management in order to identify, manage and recognise the main risks.

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

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

2. With regard to the external auditor:

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

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

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

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

ii) The Company and its auditor observe prevailing norms on the provision of non-audit services,

restrictions on the concentration of the auditor's business and, in general, any other regulations established to assure auditor independence;

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

d) In the case of groups, favour the use of the group auditor for all of the companies in the group.

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

Complies Complies Partially Explanation

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

Complies Explanation

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

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

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

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

See sections: B.2.2 and B.2.3

Complies Complies Partially Explanation

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

See section: B.1.38

Complies Complies Partially Explanation

54. That the majority of the Directors of the Appointment Committee - or the Nomination and Compensation Committee if both functions are combined in one body - are Independent Directors.

See section: B.2.1

Complies Complies Partially Explanation

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

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

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

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

d) Inform the Board on gender diversity matters included in Recommendation 14 of this Code.

See section: B.2.3

Complies Complies Partially Explanation Not applicable

56. That the Appointment Committee consult with the Chairman and the chief executive of the Company, especially in relation to Executive Directors.

That any Director may ask the Nomination Committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies Complies Partially Explanation Not applicable

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

a) Propose to the Board of Directors:

- i) The compensation policy applicable to Directors and senior management
- ii) The individual compensation of Executive Directors and the terms and conditions of their contracts.
- iii) The basic conditions of contracts signed with senior management

b) Ensure compliance with the compensation policy established by the Company

See sections: B.1.14, B.2.3

Complies Complies Partially Explanation Not applicable

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

Complies Explanation Not applicable

G. FURTHER INFORMATION OF INTEREST

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

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

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

Legally binding definition of an Independent Director:

Indicate whether any Independent Director has, or has had in the past, a relationship with the Company, its significant Shareholders or management personnel that was so significant that the director could not be considered independent under the definition provided in Section 5 of the Unified Good Governance Code:

Yes No

Name of Director

Type of Relationship

Explanation

This Annual Corporate Governance Report was approved by the Board of Directors of the Company at the meeting held on 21 March 2013.

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

Yes No

Name of Director not Voting for Approval of this Report

Reasons (opposed, abstention, non-attendance)

Explanation of Reasons

APPENDIX I

Additional information in accordance with the provisions of article 61 bis of the lmv as incorporated in the economic sustainability act

The information which follows complements that included in the current model of the Annual Report on Corporate Governance, forming an integral part of it, and meets the requirements of Article 61 bis of the LMV.

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

There are no issued securities which are not traded on a public EU market.

➤ **Information relating to the rules applicable to amendment of the Bylaws.**

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

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

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

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

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

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

➤ **Information regarding significant agreements entered into by the Company that will become effective, change, or terminate in the event of a change of control of the Company after a public takeover bid, and its effects, except when disclosure would be seriously prejudicial to the company. This exception does not apply in the event the company is legally bound to disclose such information (Article 61 bis, c, 4 LMV)**

There are no significant agreements entered into by the Company that will become effective, change or terminate in the event of a change of control of the Company after a public takeover bid.

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

Each senior manager has signed a contract with the Company which governs the conditions applicable to his or her employment. These contracts, which the Company has reported publicly since fiscal 2006, were authorised by the Board of Directors after a favourable report and corresponding proposal by the Nomination, Compensation and Corporate Governance Committee, and have been submitted to the Shareholders at the annual Shareholders Meeting since 2007. By virtue of these contracts, in the event of termination of their employment with the Company, senior managers are entitled to severance payments depending upon

their length of service in senior management, except in the event of voluntary resignation or dismissal for cause, from a minimum of one time (three times for the Chairman and Executive Vice Chairman) to a maximum of three and a half times their total base compensation (regular salary as defined in their contracts). Executive Directors and operations general managers have signed non-competition agreements with the parent Company valid for up to two years after the completion of their employment, which establishes the applicable compensation at between 0.5 and 0.75 times their annual compensation per year of non-competition as determined by the Company at the time of separation.

Appendix II

**Internal Control System for Financial Information (ICSFI)-
Fundamental Indicators**

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INTRODUCTION

Requirements for transparency in equity markets have evolved significantly in the past few years. In particular, the rules imposed on listed companies for preparation of financial information have become more sophisticated and their complexity has increased exponentially. In order to meet these requirements, it is imperative that internal financial control systems evolve accordingly and be capable of delivering reliable financial information of listed companies to the market within a reasonable degree of certainty.

Additionally, stakeholders continually demand that interests of shareholders, clients, employees, creditors and suppliers be protected by the company and its team. These new demands are expressed, among other ways, in the establishment by companies of specific means of improving confidence in all types of financial information made public.

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

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

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

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

- (i) Review the regulatory regime regarding internal control of financial information,
- (ii) Establish a framework of principles and best practices regarding ICSFI, including oversight of its workings, and
- (iii) Contribute to the improvement in transparency respecting the information that listed companies submit to equity markets regarding ICSFI.

Indra Sistemas, S.A. (hereinafter the "Company" or "Indra"), aware of the interests of markets and stakeholders and of the recommendations of the Working Group included in the document **Control interno sobre la información**

financiera de las Sociedades cotizadas ("Internal Control of Financial Information of Listed Companies" or "Working Group Document") issued in June, 2010, has established a voluntary process of review of its ICSFI with the following fundamental goals:

1. Achieve improvements in the effectiveness and security of financial information processes, minimizing the probability of error.
2. Comply with the new regulatory requirements regarding internal control and corporate governance and quickly adopt the best international practices.
3. Position the Company as a leader in internal control and corporate governance.

As a result of this process, and in order to improve transparency and the quality of public information regarding ICSFI delivered to the markets, Company management has gone beyond the recommendations of the Working Group Document and the requirements imposed under law by:

- a) preparing a description which follows of its ICSFI using the sixteen basic indicia recommended in Section III of the Working Group Document

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

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

(II) whether the ICSFI as of the close of fiscal 2012 is effective.

c) requesting that the external auditor issue a report in which it judges whether the design and function of Indra Group's ICSFI was effective or not at the close of fiscal 2012, considering a reasonable level of security and using generally accepted auditing principles along with a generally recognized framework of internal control.

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

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

GENERAL DESCRIPTION OF THE INDRA GROUP'S ICSFI

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

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

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

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

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

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

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

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

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

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

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

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

Based on the conclusions drawn by the ICSFI Evaluation Process, Company management renders an annual opinion regarding the adequate function of Internal

Control regarding Financial Information of Indra Group and formulates plans of action to correct deficiencies when they exist and take advantage of opportunities to improve noted in the Evaluation Process.

The Board of Directors is the body ultimately responsible for assuring the existence of an adequate internal control system for the Group and delegates the task of analysis to the Audit and Compliance Committee.

COMPANY CONTROL ENVIRONMENT

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

Board of Directors

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

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

- > General risk management policy and the design of adequate control and IT systems for management of that risk.
- > Policies for information and shareholder communication, markets, and public opinion in general, and specifically:
- drafting and approval of information that the Company annually makes public along with the

Financial Statements produced for approval at Annual Shareholders Meetings; and

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

Compliance Committee

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

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

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

- > Report to the Board prior to its making decisions regarding financial information which the Company, because of its status as a listed company, must make public from time to time. The Committee verifies that the quarterly and semi-annual financial statements are produced using the same accounting principles as the annual ones.
- > Ensure the independence and effectiveness of the internal audit function; propose the selection,

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

The Chairman of the Committee is an Independent Director and is chosen taking into account his or her knowledge and experience in Accounting and Audit.

Treasury and Finance

The Treasury and Finance Department is responsible for implementation and maintenance of controls and, based upon reports from internal audit, evaluates their effectiveness and operations.

Global Risk Department

The Global Risk Department, under the supervision of the Executive Committee, makes periodic reports to them and to the Compliance Committee regarding the internal control system.

The Global Risk Department includes the internal financial control unit, whose functions are the following:

- > Define the processes and people responsible for the drafting and presentation of financial information.
- > Identify critical risks in those processes.
- > Create a Model for Internal Control of Financial Information in collaboration with those in charge of those processes.

- > Maintain and update the Model for Internal Control of Financial Information and relevant documentation.
- > Keep documentation referring to current procedures and controls updated at all times.
- > Communicate changes in internal financial information control policies and procedures to the various companies and organizational areas of Indra Group.

All aspects of internal control of financial information are covered in the Company Guideline Elaboración, Mantenimiento y Supervisión del SCIIF ("Creation, Maintenance and Supervision of ICSFI"), which applies to all companies that have been in the Group for more than one year. This guideline has as its purpose establishing duties and measures for creating an adequate and effective internal control system which guarantees the reliability of financial information.

Internal Audit Department

Under the auspices of the Compliance Committee, Internal Audit conducts a review of the proper functioning of the ICSFI, evaluating its design, reporting any shortcomings it may detect during the course of its work as well as the schedule established for corrective measures in the event they are necessary.

2. What departments and/or mechanisms are in charge of: (i) design and review of corporate structure; (ii) clearly establishing lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) ensuring that adequate procedures exist for proper communication throughout the

company, especially as related to the production of financial information.

As regards organizational structure, Board Rules provide that:

- > The Nomination, Compensation and Corporate Governance Committee is to report to the Board regarding proposals for appointment and dismissal of Senior Management as well as make a report before decision by the Board over compensation and terms and conditions of their employment contracts.
- > That the Board adopt proper means so that no person or small group be able to make important decisions not subject to checks and balances.

The Board of Directors concentrates on matters of general control and supervision, ensuring that executive bodies and the management team act in accordance with stated strategies and goals. This task routinely requires design and review of organizational structure as well as definition of lines of responsibility and authority by the Chairman and his steering committee.

The Planning and Procedures unit of the Global Risk Department is responsible for the design, establishment, review and constant updating of Indra's corporate structure and consequently for those units involved in the process of creating financial information. This unit uses internal procedures which ensure proper performance and communication with all other areas.

The Organizational Chart is published on the Intranet and is accessible to all personnel in the Group.

3. Do the following elements exist, especially relative to the process of creating financial information:

- > Code of conduct, a body which approves it, degree of dissemination and instruction, included principles and values, (indicate if there is specific mention of transaction recording and creation of financial information), a body charged with analyzing infractions and proposing corrective actions and sanctions.
- > A hotline which permits communication to the audit committee of financial or accounting irregularities as well as potential breaches of the code of conduct and irregular activities within the organization, and whether these communications are confidential.
- > Periodic training programs for personnel involved in the preparation and review of financial information as well as evaluation of the ICSFI which at a minimum covers accounting rules, audit, internal control, and risk management.

Code of Ethics and Professional Conduct

The Indra Group has a Code of Ethics and Professional Conduct approved by the Board and published on the Intranet in Spanish and in English and which indicates ethical and responsible behaviour to be followed by the management team and all of the professionals at Indra and subsidiaries whilst carrying out Company business.

The Code of Ethics contains:

- > Corporate values which animate the work, use of resources, and daily performance of all of its professionals.

- > General principles of behaviour which arise from Company corporate values and provide the foundation for professional relationships and the capacity to inculcate our values and culture in order to engender ethical behaviour.
- > Definition of the responsibility of the Oversight Committee regarding communication, interpretation and application of the Code of Ethics.

The principles and the mandates of the Code of Ethics apply to all of the professionals at Indra.

The General Principles of the Indra Group are based on integrity, professionalism and respect, establishment of relationships based on transparency and ethics, constant portrayal of a professional image, recognition of the value of individuals, and respect for our social and natural environment.

Among the General Principles contained in the Code of Ethics one is found in the Section "Integrity and Transparency of Information" which provides that one must "Always convey information regarding our management which is truthful and consistent with current or generally accepted principles, especially in matters of finance and accounting, and always communicate clearly internally as well externally, based upon truthful and verified information.

Direct Channel

Since October, 2009, Indra has had in place a hotline for complaints known internally as the Canal Directo, accessible by means of the Intranet so that anyone who wishes may communicate securely and confidentially with the Oversight

Committee for the Code of Ethics and Professional Conduct regarding unethical or illegal conduct which he or she believes has occurred in the course of Company business. The Canal Directo is also available for questions regarding any doubts over interpretation or application of the Code of Ethics and Professional Conduct.

The terms of use of the Canal Directo guarantees the confidentiality of all information received by the Oversight Committee.

The Canal Directo places information received in a personal file, which is protected by security measures required by the Spanish regulations on protection of personal data. Personal information is deleted when it is no longer necessary or relevant or no more than two months after completion of the file if the information communicated is not proven out or as soon as the complaint has been completely processed.

The Canal Directo contains an email address and a telephone number for the purposes of communication.

Complaints made by means of the Canal Directo are analysed by the Oversight Committee, which determines if irregularities have been committed which are inconsistent with the principles and values contained in the Code of Ethics and Professional Conduct. The Audit and Compliance Committee then follows up on the complaints found in the Canal Directo.

The Oversight Committee issues an annual report over the degree of compliance with the Code, in which it discusses questions regarding its content and application, communicated incidents of non-compliance and how they

were resolved, and matters relating to how the Canal Directo functions. This report is delivered to the management and governing bodies of Indra.

During 2012 the Company created a Compliance Unit, under the supervision of the Secretary General, which has as its fundamental mandate the inculcation of principles of professional behaviour contained in the Code of Ethics.

Training Programs

Together with Treasury and Finance, Human Resources periodically develops external and internal training programs directed at personnel involved in the creation of financial statements for the Group. The training programs are focused on proper knowledge and implementation of International Financial Information Standards and on legislation and other regulations governing Internal Control of Financial Information.

The Global Risk Department as well as Internal Audit remain up to date on new developments in the areas of Risk Management and Internal Control, especially as they relate to Financial Information.

ASSESSMENT OF FINANCIAL INFORMATION RISKS

4. What are the principle characteristics of the risk identification process, including error and fraud risk, as regards to:

- > Whether the process exists and is documented.
- > If the process covers all of the objectives of financial information, (existence and occurrence; completeness;

valuation; delivery; breakdown and comparability; and rights and obligations), if it is updated and with what frequency.

- > The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.
- > If the process takes into account the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) to the extent that they affect the financial statements.
- > What management body of the company supervises the process.

In accordance with the Policy on "Creation, Maintenance and Oversight of the ICSFI" approved by senior management and the Audit and Compliance Committee and, ultimately, the Board, and with the goal of maintaining an effective control model, the identification of risks is a continuous process carried out by Company management and put in place and led by the Global Risk Department.

Indra has implemented a risk management and identification process permitting it to create a Risk Map, which is updated periodically. Currently, the Risk Map at Indra classifies risks in the following fashion:

- > **Financial Risks:** those risks associated with processes, techniques and instruments used for financial management which affect the reliability of information.

Under this category are found risks related to Accounting and reporting of financial information; management of capital of the Company and of others; planning; budgeting; and operational tax strategy.

- > **Strategic Risks:** risks associated with defining objectives and with structure and environment, including fraud.
- > **Operational Risks:** those risks associated with day to day operations carried out in the business plan. They include, among others, those associated with resource management, the lack, malfunction or incorrect use of information technology which supports the production of financial information, and all of the risks associated with the efficiency and effectiveness of these processes which are key components of the business.
- > **Compliance Risks:** include all of the risks associated with legal concerns and those of the operational codes of conduct of the organization. They also include risks associated with noncompliance with external and internal rules, as well as contractual relationships and warranties.

While the processes associated with information from treasury and finance identify all kinds of financial, strategic, operational and compliance risks, the process is focused on analyzing events which may affect the objectives of financial information as they relate to:

- > Existence and occurrence
- > Completeness

- > Valuation
- > Delivery, breakdown and comparability
- > Rights and obligations

Oversight of the process of identifying financial information risks is done by the Audit and Compliance Committee in accordance with its supervisory mandate within the ICSFI.

Identification of the Scope of Consolidation

The Group maintains a continuously updated company registry which contains all of the equity interests of the Group, whether the interest is direct or indirect, as well as any entity over which the group may exercise control independent of the legal means by which such control may be exercised including, should they exist, holding companies as well as special purpose entities.

Management and update of this registry is done in accordance with procedures dictated by the Company Guideline Consolidación y Elaboración de la Información Financiera ("Consolidation and Creation of Financial Information").

The scope of consolidation at Indra is determined monthly by Company management in the form of information available in the company registry in accordance with principles contained in International Accounting Standards 27, 28 and 31, SIC Interpretation 12, and any other local accounting standards. Changes to the scope of consolidation are communicated to all of the companies in the Group as they occur.

CONTROL ACTIVITIES

5. Documentation describing the flow of activity and controls (including those relating to risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgments, estimates, valuations and relevant forecasts.

Indra has a Model of Internal Control of Financial Information based on the Committee of Sponsoring Organizations of the Treadway Commission methodology that provides appropriate assurance respecting completion of the following goals:

- > Effectiveness and efficiency of operations.
- > Preservation of assets.
- > Reliability of financial information.
- > Compliance with applicable laws and regulations.

The ICSFI of Indra Group depends on the following fundamental concepts:

a) Entity Level Controls ("ELC") are those components of cross functional control used to evaluate Senior Management, that ensure an adequate level of internal control within the Indra Group, that perform a mitigating control function when necessary and which place special emphasis on the following components:

- Oversight
- Information and communication
- Control activities
- Risk evaluation
- Environmental control

b) Processes:

Indra has a Map of Common Business Processes used by the majority of the companies in the Group.

Level 1 processes are the following:

- > **Strategic:** processes intended to define and control organizational objectives, policies and strategies. They are directly related to the mission/vision of the organization and involve personnel at the highest levels of the organization.
- > **Key:** processes which permit the generation of products and services for the end user for that reason incorporate the essence of the business. Key processes are:
 - Pre-contract Stage
 - Production (Execution and Development).
- > **Support:** processes which provide the means and support necessary so that key and strategic processes may be accomplished.

These processes are in turn divided into 18 sub-processes (level 2) which affect the overall operation of the organizational units of the Indra Group. Additionally, each level 2 sub-process is divided into level 3 and even level 4 sub-processes.

The Planning Department manages and implements the Process Map and adapts it to each organizational change.

The Global Risk Department identifies processes as significant based on the existence of specific risks, considering those risks significant based on their potential

impact on financial information; all cases of potential error or fraud are considered significant.

The processes with the most impact on creation of financial information are the following:

- > Procurement
- > Administration of Personnel
- > Sales, Invoicing and Collections
- > Project Management
- > Management of Fixed Assets
- > Accounting and Closing
- > Treasury
- > Consolidation and Publication of Information
- > Management of Powers of Attorney
- > IT

The basic components of each of these processes are the following:

- > **Control Objectives:** Needs for control that must be satisfied in each step of the business cycle or process, in accordance with internal control definitions. In this way, they are used to verify and evaluate the accuracy of accounting and other information and determine whether all company financial information is provided to its end users, and cover the areas of completeness, closing, delivery, posting, validity and valuation.
- > **Risk:** It is possible that an event or action may affect the ability of the organization to meet its financial information objectives and/or successfully realize its strategies. As indicated in section 4 above, the Group has a risk map which includes fraud.

> **Control Activities:** Policies, procedures and practices applicable to Company personnel, application systems, and other resources in place to ensure that control objectives are reached and that risk mitigation strategies are executed. Process control activities are to be incorporated in operational processes and serve as a means for appropriately managing risk and are focused on its prevention, detection and correction. In the specific case of IT, control activities are known as General IT Controls ("GITC"). Control activities are designed to be preventative or detective and manual (human based) or automatic (machine based).

Process and GITC control activities are the backbone upon which the entire control model is built and cover the following concepts:

- Integrity and ethical values
- Commitment to professional competence
- Management direction and style
- Organizational Structure
- Assignment of authority and responsibility
- Human Resources policies and practices

Process control and GITC activities ensure that all of the control objectives for Indra found in the policy guide *Elaboración, mantenimiento y supervisión del SCIF* ("Creation, Maintenance and Oversight of ICSFI") are followed during the ordinary course of business and for every section of the financial statements.

All of the information regarding the model of Internal Control is posted on the Group Indraweb.

The Department of Global Risk reports to the Executive Committee and is entirely responsible for management of the Internal Control model, keeping up to date and current:

- > The process map showing financial information impact.
- > The relationship between processes and financial statement items.
- > An inventory of control activities and the ELC.
- > Identification of the organizational units affected.
- > Activity planning.

"Creation, Maintenance and Oversight of ICSFI", approved by Senior Management and the Compliance Committee (and by implication, the Board) provides that, by means of a process of continuous improvement, those responsible will create, revise and implement control and procedure activities along with the Global Risk Department, without obviating the need to perform an annual evaluation of those activities in order to make necessary changes and adjustments.

Any weaknesses in control found in the ICSFI will be included in a specific action plan for each one. Internal Audit will monitor, control, and report on them to the Audit and Compliance Committee until they are corrected.

Specific review of the relevant judgments, estimations, valuations and projections used to quantify some assets, liabilities, revenues, expenses and commitments stated and/or broken out in the financial information will be carried out by Treasury and Finance with the help of the executive level department affected. Hypotheses and estimates based on business outlook will be reviewed and

analyzed together with the executive level departments for Markets at Indra.

6. Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the entity and relate to the creation and publication of financial information.

The Internal Systems department of Indra Group is responsible for IT in the markets and territories in which Indra operates. Within their purview is the definition and oversight of security policies and standards for applications and infrastructure, among which is the internal control model for the IT area.

The Internal Control model at Indra covers IT processes which make up the IT environment, architecture and infrastructure as well as applications that affect transactions which directly affect the primary business processes of the Company. It also includes impact on financial information and closing procedures. The above named controls can be implemented automatically within the IT programs themselves or manually.

Security and management of services models established at Indra are based on regulation UNE-ISO/IEC 27001 Information Security Management Systems and regulation UNE-ISO/IEC 20000-1 Service Management Systems, respectively. Both Management Systems are certified by AENOR and are audited annually in order to verify that they comply with the above mentioned regulations.

Responsibility for Information Security at Indra rests on the Internal Information Systems Department with help from the Security Committee and its subcommittees and the Head of Information Security.

All IT Security regulations at Indra are issued by Internal Systems and approved by executive management of the Company.

Information Security Policy at Indra, published on the intranet, has as its objectives management of IT security and strategic alignment with business goals, guarantee of the confidentiality, completeness and availability of information, and all of the activities involved in achieving these objectives. This policy is mandatory at all businesses, markets and relevant activities of the Indra Group.

This Policy applies at all information development stages (generation, distribution, storage, handling, transfer and destruction) of the Systems which process it. It entails all of the Information Systems and services at Indra and all support servers as well as the environment and applications which affect business processes of the Company, covering therefore relevant processes in the creation and publication of financial information. This Policy conforms with a series of security objectives regarding specific aspects of Information Security, which include the following:

- Obtaining an accurate assessment and mitigation of risk with the goal of prioritizing security measures and controls based upon the business objectives at Indra.

- Establishment and periodic review of an Information Security Policy which establishes mandatory basic guidelines for all of the businesses at Indra.
- Coordination and organization of Information Security at Indra: the Information Security structure is composed of the Security Committee and its subcommittees, Head of Information Security, and the Heads of Market Security. Additionally, the companies at Indra are required to maintain contact with authorities and stakeholders in order to stay abreast of changes in law and trends in information security.
- Classification and control of assets with the goal of keeping them adequately protected.
- Security associated with human resources before engaging employees, contractors or third party users, during the contract, and upon termination or change, which carries with it the commitment from each of them to assume responsibility for security.
- Physical and environmental security in order to prevent unauthorized physical access, damage, and interference with buildings and information belonging to the organization. Resources for handling critical and sensitive information are located in secure areas and protected by security perimeters and controlled egress.
- Management of communications and operations in order to ensure the proper and secure operation of resources for handling information, to establish responsibilities and procedures for management and operation of information resources and media.
- Access Control. Access to information, resources for handling information and business process are controlled based upon the needs of the business and security. In order to establish access controls, among other things, one must take into account segregation of duties regarding requests and authorization for and administration of access to services and systems.
- Development and maintenance of information systems in order to guarantee the integration of security means in information systems during development, implementation and maintenance.
- Management of changes in order to ensure that modifications of services and systems infrastructure is done in a controlled manner, minimizing the risk of impact on the business.
- Management of information security incidents performing follow-up, mitigation, resolution and learning from information security incidents.
- Management of business continuity by establishing appropriate measures in order to minimize possible interruptions to operations, protect critical business processes and assure the restart of said processes.
- Compliance with applicable legal requirements, contractual obligations, and security requirements in order to avoid breaches and non-compliance.
- An adequate segregation of duties.

All of these control objectives are divided and specialized in turn to make controls for the special features and focus of finance. The information system rules at Indra define and explain the control activities necessary in order to cover the risks in the area of management of information systems as well as those relating to financial information processes and systems.

The Policy states that compliance with the described basic controls is mandatory in all Group companies at the corporate information level as well as with information managed by different markets, in which case those in charge are responsible for application and implementation of them.

7. Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, that may materially affect financial statements.

Indra does not subcontract relevant activities that could have an impact on financial information.

Nonetheless, there is an internal procedure for hiring external advisors which establishes the level of approval required as a function of the amount involved. Results or reports on contracts for accounting, tax or legal services are supervised by the head of Treasury and Finance as well as the head of the Legal Department and other departments when deemed necessary.

8. Procedures for review and authorization of financial information and description of the ICSFI to be published in the equity markets, indicating those responsible.

The Indra group presents financial information to the equity market quarterly. This financial information is created by the Consolidation Department, which reports to Treasury and Finance, and which engages in specific control activities to ensure the reliability of that information.

Additionally, the Departments of Management and Administrative Control, also part of Treasury and Finance, analyze and oversee the information produced before its publication to third parties through creation of management reports and monitoring of indices.

The CFO analyzes the reports received and provisionally approves them for their submission to the Audit and Compliance Committee.

The Audit and Compliance Committee controls the financial information presented. At the close of the fiscal year, the Audit and Compliance Committee also has access to information produced by the Group's external auditors regarding the results of their work.

Finally, the Audit and Compliance Committee reports to the Board on their conclusions regarding the financial information they receive so that, once approved by the Board, it may be published to the equity markets.

For its part, the report on the description of the ICSFI is produced by the Global Risk Department and Treasury and Finance together. Once approved by the CEO, it is

presented to the Audit and Compliance Committee which reviews and approves it and sends it to the Board for its approval before being made public in the equity markets.

INFORMATION AND COMMUNICATION

9. A specifically assigned task of defining and updating accounting policies (accounting policy area or department) as well as resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organization.

Responsibility for application of the Accounting Policies of the Group is the same for the entire geographic reach of the Indra Group and is found in Treasury and Finance.

The Company has an ICSFI Organizational Manual in which the duties and responsibilities of those positions involved in the process of creating financial information are described. As spelled out in that document, Treasury and Finance is responsible for establishing the accounting criteria to be applied, as well as approval of the Accounting Manual which the Head of the Administrative Services Centre produces and updates.

The Department of Administration keeps all those responsible for preparing financial information in the various business units of the Group informed of changes in rules, resolves doubts when they exist and receives information from companies in the Group necessary to assure consistent application of Accounting Policies of the Group and to determine the effect of application of new accounting rules.

On those occasions when application of an accounting rule is especially complex, the Treasury and Finance Department of the Indra Group informs the external auditors of the conclusions drawn from the Group's accounting analysis and solicits their opinion regarding the conclusions drawn.

10. A manual of accounting policies updated and communicated to the units by which the entity operates.

Accounting policies at Indra are developed based upon International Norms for Financial Information adopted by the European Union and found in a document called Manual de Contabilidad ("Accounting Manual"). This document is analyzed periodically by the Administrative Services Centre and is published on the Intranet.

11. Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICSFI.

Indra has a computer application which gathers individual financial statements and facilitates the process of consolidation and production of financial information. This application permits centralization of all of the resulting financial information of Group companies in a single system.

Most of the time, input of the information to the system is done automatically from the Group's computerized financial system.

SUPERVISION OF SYSTEM PERFORMANCE

12. If there is an internal audit function that has among its mandates support of the audit committee and the task of supervising the internal control system, including the ICSFI.

Internal Audit at Indra reports to the Audit and Compliance Committee and helps it to supervise the proper performance of the internal control system.

As regards the ICSFI in particular, Internal Audit performs an annual review of the design and effectiveness of the control activities regarding financial information. Pursuant to these reviews, Internal Audit sends reports on possible shortcomings in internal control that they have detected to those responsible for these activities, to Senior Management, and to the Audit and Compliance Committee, as well as action plans adopted by the Company for their mitigation.

Failure to complete an action plan for mitigating a risk detected in the course of Internal Audit's work is reported to the Global Risk Department for evaluation of its impact and, if it is considered significant, is reported to the CEO and the Audit and Compliance Committee

13. If there is a procedure by which the account auditor (in accordance with that contained in the Normas Técnicas de Auditoría ("Auditing Standards")), internal audit and other experts may communicate with senior management and the audit committee or managers of the entity regarding significant weakness in internal control identified during the review of the annual

accounts or any others they have been assigned. Additionally, state whether a plan of action is available for correcting or mitigating any weaknesses found.

Internal Audit communicates periodically with Senior Management and the Audit and Compliance Committee regarding weaknesses in internal control identified in process reviews carried out during the fiscal year as well as the state of implementation of action plans established for their mitigation.

For its part, the accounts auditor of the Group has direct access to Senior Management of the Group by means of periodic meetings for the purpose of obtaining information necessary for proper job performance as well as communicating weaknesses in internal control that might have been detected. The external auditors present an annual report to the Treasury and Finance Department, and to the Audit and Compliance Committee in which they describe weaknesses in internal control discovered in the course of their work.

14. A description of the scope of the evaluation of the ICSFI made during the fiscal year and of the procedure by which the person responsible communicates its results, if the entity has an action plan that describes corrective measures, and if it considers its impact on financial information.

Internal Audit has available an annual plan approved by the Audit and Compliance Committee. The plan anticipates the performance of tests of the business units and processes considered high risk according to the Company Risk Map.

During 2012, the plan included oversight of the ICSFI, which involved analysis of 273 control activities of which 47 are Entity Level Controls and 31 are IT. All of the controls functioned as designed, although some weaknesses and opportunities for improvement which do not significantly affect the quality of financial information were detected and gave rise to action plans in accordance with the policy of continuous improvement which characterizes the Indra Group. As of 31 December, 2012 there were no material weaknesses in the ICSFI.

Consistent with the above, Company Management believes that the ICSFI as well as the controls and procedures established to reasonably ensure that the financial information published by the Company is reliable and adequate are effective as of 31 December, 2012.

15. A description of ICSFI oversight activities carried out by the audit committee.

The Audit and Compliance Committee, through Internal Audit, oversaw the proper performance of the ICSFI, evaluating its design and operational effectiveness.

16. If the ICSFI information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report. If not, reasons why should be given.

With the goal of improving the transparency and quality of public information it sends out, Indra has gone beyond its legal obligations and the recommendations of the Working Group and:

- a) prepared this description of its ICSFI following the sixteen basic indicators recommended in Section III of the Working Group Document,
- b) issued a certification verified by the chief executive and the CFO in which they explicitly acknowledge: (i) their responsibility for establishing and maintaining an adequate ICSFI for the entity, specifying the internal control framework used in order to evaluate the effectiveness of the ICSFI (Internal Control – Internal Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission – COSO -) and (ii) that the ICSFI of the Indra Group is effective as of the close of fiscal 2012. Certification attached.
- c) considered it appropriate to request the external auditor issue a report in which the auditor renders an opinion, within a reasonable degree of certainty based upon generally accepted auditing standards and using as a reference a generally recognized internal control framework, whether the design and performance of the ICSFI of the Indra Group is effective as of the close of fiscal 2012, which is attached to this Annual Report on Corporate Governance.

As stated earlier, there exists no legally binding regulation which establishes the minimum requirements for companies in describing their ICSFI.

Future regulations issued regarding information about ICSFI that listed companies must publish may cause a change in the information contained in this report as they relate to breakdown or informational requirements.

MANAGEMENT REPORT ON ITS RESPONSABILITY FOR ICSFI

Management Report on its Responsibility for

Internal Control System for Financial Information

The Board of Directors and Management is responsible for the establishment and maintenance of an adequate Internal Control System for Financial Information (ICSFI).

The ICSFI at Indra Sistemas, S.A. and its affiliated companies ("Indra Group") is a process designed to provide a reasonable level of security as regards the reliability of financial information and creation of consolidated annual financial statements for third party use in accordance with the regulatory framework applicable to financial information.

Because of its inherent limitations, it is possible that internal control of financial information may not prevent or detect all errors and it is therefore capable of providing only a reasonable degree of accuracy in the presentation and preparation of the consolidated annual financial statements. Additionally, extrapolating evaluation of its current effectiveness to future fiscal years is subject to the risk that controls may become inadequate due to changing conditions or because of a reduced level of compliance with policies and procedures.

Management has carried out an evaluation of the effectiveness of the ICSFI as of 31 December, 2012, based on criteria established in the Integrated Framework for Internal Control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management excluded the following companies in its evaluation of 31 December, 2012 since these companies were acquired by Indra Group in transactions which took place during fiscal 2012.

Name of Company	Percentage of Equity Interest	Name of Shareholding Company
Indra Navia, A.S.	100,00%	Indra Sistemas, S.A.
Normeka, A.S.	66,00%	Indra Navia, A.S.
Compañía de Medios y Servicios, S.A.	100,00%	Indra BMB Servicios Digitales, S.A.
Central de Apoyos y Medios Auxiliares, S.A.U.	100,00%	Indra BMB Servicios Digitales, S.A.
Caymasa El Sendero, S.A.U.	100,00%	Central de Apoyos y Medios Auxiliares, S.A.U.
Telemarketing, Catálogo y producciones, S.A.U.	100,00%	Central de Apoyos y Medios Auxiliares, S.A.U.

The impact of consolidation of the above mentioned companies represents 1,61% of the total assets, 1,71% of total turnover, and 3,85 % of the net results of Indra Group as of 31 December 2012 and for the fiscal year ended on that date.

As a result of this evaluation, and based upon the above mentioned criteria, Management concludes that Indra Group maintained an effective ICSFI as of 31 December, 2012.

The ICSFI of Indra Group as of 31 December, 2012 was audited by independent auditors KPMG Auditores, S.L., as indicated in its report contained with the Annual Report of Indra Group for fiscal 2012.

21 March, 2013

INDEPENDENT AUDITOR'S REPORT ON ICSFI

KPMG Auditores S.L.
Edificio Torre Europa
Paseo de la Castellana, 95
28046 Madrid

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(Free translation from the original in Spanish. In the event of discrepancy, the original Spanish version prevails)

Independent Auditors' Report on
Internal Control over Financial Reporting

To the directors of
Indra Sistemas, S.A.

In accordance with your request and our engagement letter dated 29 May 2012, we have audited the internal control over financial reporting of Indra Sistemas, S.A. (the Company) and subsidiaries (the Indra Group) at 31 December 2012, based on the criteria established in Internal Control — Integrated Framework issued by the *Committee of Sponsoring Organizations of the Treadway Commission* (COSO). The Company's senior management and board of directors are responsible for implementing, maintaining and monitoring effective internal control over financial reporting, and for their assessment of the effectiveness of internal control over financial reporting, as stated in the accompanying Group management report on internal control over financial reporting. Our responsibility is to express an opinion on the effectiveness of the Group's internal control over financial reporting based on our audit.

A company's internal control over financial reporting is a process designed to provide reasonable assurance that annual financial reporting has been prepared in accordance with the applicable financial reporting framework and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Group; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the Group's consolidated annual accounts in accordance with the applicable financial reporting framework and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Group's assets that could have a material effect on the consolidated annual accounts. Because of the inherent limitations of internal control over financial reporting, it should be borne in mind that, irrespective of the quality of the design and operation of the internal control system adopted for annual financial reporting, this can only provide reasonable but not absolute assurance as to the objectives sought. We conducted our audit in accordance with ISAE 3000 (*International Standard on Assurance Engagements 3000*). This standard requires that we plan and perform our audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained by the Group in all material respects. Our audit included obtaining an understanding of the Group's internal control over financial reporting, testing and evaluating the design and operating effectiveness of internal control on a test basis, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

According to Group management's report on responsibility for internal control over financial reporting, management has excluded certain companies from its evaluation of internal control over financial reporting at 31 December 2012 mentioned therein, which were acquired by the Group through business combinations carried out in 2012. Our audit of the Group's internal control over financial reporting did not include the aforementioned companies. The companies included in management's report are subsidiaries, the interests in which are set out in the report, and the assets, revenues and net results of which account for 1.61%, 1.71% and 3.85%, respectively, of the amounts reflected in the consolidated annual accounts for the year ended 31 December 2012.

In our opinion, the Group maintains, in all material respects, effective internal control over financial reporting as at 31 December 2012, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In accordance with legislation regulating the audit of accounts in Spain, on 22 March 2013 we issued our unqualified auditors' report on the Group's consolidated annual accounts for 2012.

This report has been prepared in accordance with your request, within the context of the requirements of Securities Market Law 24/1998 of 28 July 1988, amended by Sustainable Economy Law 2/2011 of 4 March 2011, and the June 2010 Internal Control Working Group Document published by the Spanish National Securities Market Commission for the purposes of describing internal control over financial reporting in annual governance reports. We do not accept any liability resulting from third parties other than the addressees of this report.

KPMG Auditores, S.L.

Antonio Fornieles Melero

22 March 2013