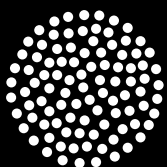


CORPORATE GOVERNANCE



Indra

Indra
Corporate Governance 2007

Introduction-04	●
2007 Report on Corporate Governance-06	●
Audit and Compliance Committee Activity Report 2007-28	●
	● Company Bylaws-40
	● Regulations for General Shareholders' Meetings-48
	● Regulations for the Board of Directors-54
	● Intenal Code of Conduct in Matters Relating to the Securities Market-70

Key words

Transparency 12.	Pages 9, 15, 24, 29, 30, 31
Participation 53.	Pages 7, 8, 9, 10, 11, 13
Compliance 104.	Pages 4, 6, 7, 14, 15, 17
Best practices 11.	Page 4

Introduction

This document reveals relevant information on Indra's Corporate Governance rules and system, pursuant to which Indra has been applying, since 1999, a maximum attention policy, so that Corporate Governance meets at all times national and international best practices and recommendations regarding the subject.

After the CNMV published the Unified Code on 'Good Governance of Listed Companies', the Company carried out a full review and update of its rules on Corporate Governance during the 2007 financial year, to adapt them not only to this Code, but also to the most recent recommendations and best practices in Corporate Governance matters.

Within this revision framework, the Board of Directors submitted to the 2007 General Shareholders Meeting suggested changes to section 30.2 of the Articles of Association. These amendments, approved by the shareholders, were changing the name of the Executive Committee to that of Delegated Committee and modifying section 12 of the General Shareholders Meeting Regulations to enable split voting by shareholders at the Meeting.

During 2007, the Company also fully revised the Board of Directors' Regulations, drafting an entirely new text (in the shape of a revised text) with the aim of making any pertinent amendments pursuant to incorporating the most recent Corporate Governance recommendations and practices, such as improvement of systematics and order and accuracy of the text, amongst others.

Following this revision, practically all mentioned recommendations were added to the approved Board of Directors' Regulations. Nevertheless, in some specific cases it was considered unnecessary to cite them clearly in internal regulations, despite the fact the company must comply with said recommendations.

The new Regulations text was approved and made public by the Board of Directors in its meeting of 20th December 2007 and subsequently available on the Company website (www.indracompany.com), both for shareholders and the general public.

Pursuant to the Spanish Securities Markets regulations, the Board of Directors shall inform shareholders of the major amendments to the Board of Directors' Regulations during its 2008 Ordinary Shareholders' Meeting, as established by point 7 of its Agenda.

As is usual since 2005, the Company will put in place procedures at the disposal of shareholders, so they can exercise or delegate their vote or confer their representation by electronic and remote means. These procedures will be available for the 2008 Ordinary Shareholders Meeting.

This document gathers the entire set of rules which run Corporate Governance at the Company -Articles of Association, the Meeting's Regulations, the Board of Directors' Regulations and the Internal Code of Conduct in matters related to securities markets- along with the Annual Corporate Governance Report and the Annual Report of the Audit and Compliance Committee Actions. All of the above will provide a global vision and an accurate assessment of Indra's Corporate Governance system, which, since 1999, has been in compliance with the best practices and recommendations regarding the subject. This has been consistently and publicly acknowledged by analysts and investors.

2007 Report on Corporate Governance

- 1. Presentation 3**
- 2. Ownership Structure of the Company 5**
 - 2.1. Significant shareholders 5
 - 2.2. Shareholder agreements 5
 - 2.3. Limitations on shareholders' rights 5
- 3. Governance and Administration of the Company 5**
 - 3.1. General Meeting of Shareholders 5
 - 3.2. Board of Directors 5
 - 3.3. Executive Committee 5
 - 3.4. Audit and Compliance Committee 5
 - 3.5. Nomination, Remuneration and Corporate Governance Committee 5
 - 3.6. Senior Management 5
- 4. Remuneration of Directors and Senior Managers 5**
 - 4.1. Directors 5
 - 4.2. Senior managers 5
 - 4.3. Other benefits and compensations 5
 - 4.4. Compensation clauses and non- competition commitments 5
 - 4.5. Other public information regarding remuneration 5
- 5. Transactions with Significant Shareholders and with Directors 5**
- 6. Own Shares 5**
- 7. Market Disclosure and Shareholder Communication Policy 5**
- 8. Relations with the External Auditor 5**

1. Presentation

This Report has been prepared on a voluntary basis by the Board of Directors of the Company and agreed by the Nomination, Remuneration and Corporate Governance Committee, with a view to making available to its shareholders and to markets generally the most important information on Corporate Governance, organised systematically and so as to allow comparative analysis with information provided in previous years, as has been the Company's practice since 2003.

Without prejudice to the foregoing, the Company has also published an Annual Report on Corporate Governance for 2007, as required by the Securities Market Law, in the format established for the purpose by the National Securities Market Commission (CNMV).

The policy of Indra regarding Corporate Governance has been since 1999 to have a set of rules and practices with the goal not only of complying at all times with applicable regulations, but also of promptly adopting the latest recommendations and best practices in this field.

Applying this policy, and in accordance with the provisions of its own Regulations, the Board of Directors reviews each year the level of compliance with and the efficiency of the Company's Corporate Governance standards and rules. This has resulted in numerous amendments and adaptations to these standards and rules since they were first approved in 1999, in line with legislative changes and new recommendations on Corporate Governance. Full information on all these changes was provided to the corresponding Annual General Meetings of Shareholders.

Following publication by the CNMV of the Unified Code of Good Governance, proposals arising from the process of review of Corporate Governance rules were approved by the Annual General Meeting of Shareholders, amending section 2 of article 30 of the Articles of Association and article 12 of the Regulations of the Annual General Meeting of Shareholders, and providing a new full text (as a revised version), duly ordered and systematised, of the Board Regulations, which was approved by the Board at the end of 2007. The amendments made to the Board Regulations will be reported to the 2008 Annual General Meeting of Shareholders, in accordance with applicable laws.

The Corporate Governance system and norms that Indra has in place have consistently followed, broadly and in depth, all recommendations of codes of good governance specifically applicable to the Spanish market. Section F of the above-mentioned Annual Report on Corporate Governance, in the format required by the CNMV, lists the degree of compliance with each of the recommendations included in the aforementioned Unified Code.

This report contains detailed information on: the shareholding structure of the Company; the composition, regulation and competencies of its governing bodies; detailed remuneration of members of the Board of Directors and Senior Management; transactions with significant shareholders and Directors; policy and operations as regards own shares; shareholder and market disclosure policy and activities; and the Company's relations with its auditors.

2. Ownership structure of the company

2.1. Significant shareholders

The Company does not have a register showing names of shareholders, so it can only get to know the composition of its shareholding from information provided directly by shareholders to the Company or published in compliance with current regulations on significant shareholdings, and from information provided by Iberclear, which the Company obtains when it holds its Annual General Meetings of Shareholders.

A significant event in 2007 was the capital increase carried out in January, which was fully subscribed and paid up by Unión Fenosa as part of the process of integrating Soluziona's consultancy and IT activities into Indra. As a result, Unión Fenosa came to have an indirect stake of 11% in the capital of Indra.

From information sent to the CNMV public registries by shareholders themselves, we know that as at 31.12.07 the following each directly held 3% or more of the capital of Indra: Unión Fenosa (15%), Caja Madrid (14.83%); Casa Grande de Cartagena (5.68%), and Cajastur (5%).

As at the same date Barclays Bank Plc and Chase Nominees Ltd indirectly held 5.15% and of 5.02% respectively of the capital of Indra.

As of the date of publication of this Report, there have been no changes in these significant shareholdings in the capital of the Company.

As at 31.12.07, members of the Board of Directors held personally, directly or indirectly, a total of 268,878 shares in the Company, equivalent to 0.16% of the registered capital. At the closing price for Indra shares at the end of financial year 2007, this holding was equal to 0.2% of the registered capital.

2.2. Shareholder agreements

The Company is not aware of any pacts or agreements among shareholders of the Company aimed at consolidating stakes in the Company or concerted exercise of voting rights or in any other way affecting their interests as shareholders of the Company.

2.3. Limitations on shareholders' rights

There is no stipulation in the Company's Articles of Association, nor in the AGM or Board Regulations or any other rules established by the Company, limiting the acquisition of a significant share in the capital of the Company, the exercise of the corresponding voting rights or the appointment or removal from office of Directors by the Annual General Meeting of Shareholders, except for the requirement included in the Articles of Association regarding the holding of at least one hundred shares in order to be entitled to attend the General Meeting of Shareholders.

3. Governance and administration of the company

Governance and administration of the Company is carried out by the General Meeting of Shareholders, the Board of Directors and its Committees, and Senior Management.

3.1. General Meeting of Shareholders

The competences and the regulation of the operation of the General Meeting of Shareholders are contained in the Spanish Public Companies Act, the Articles of Association and the Board Regulations.

The Articles of Association are a faithful reflection of the legal regulations on General Meetings of Shareholders contained in the Spanish Public Companies Act, there being no majority or reinforced quorum requirements other than those stipulated in the Act.

The applicable legal and statutory requirements are included in the Regulations of the General Meeting of Shareholders, together with a number of principles and procedures established by the Company to facilitate informed and active participation by shareholders in the General Meetings, including related actions and facilities for shareholders that go well beyond those required by law. Thus, through these Regulations, the Company aims to provide shareholders with an effective instrument enabling them to become acquainted with all their rights and the way their exercise is regulated.

In accordance with the provisions of the Articles of Association and of the Regulations of the General Meeting of Shareholders, the Company will make adequate arrangements at the 2008 Annual General Meeting of Shareholders for shareholders to be able to exercise their voting and representation rights by electronic means and remote communication, as it has done since 2005.

3.2. Board of Directors

3.2.1. Regulation and competences

The composition, faculties, and functioning of the Board of Directors are regulated by law, by the Articles of Association, and specifically by the Board Regulations.

The rules regarding the Board of Directors, contained in the Articles of Association and in the Board Regulations, faithfully reflect those stipulated by law, there being no requirements for reinforced majorities or quorums other than those required by law for reaching any agreements.

The Board Regulations, which were completely revised and updated at the end of 2007, regulate the composition, action principles and operating rules of this body, including a comprehensive list of Directors' rights and duties, aimed at enabling the Board to perform its functions efficiently.

Those Regulations establish as a policy of the Board the delegation of the day to day running of the Company to the executive bodies, concentrating its activity on the general supervision and control function. For that purpose, the Regulations specifically state that the following responsibilities must be directly exercised by the Board, and thus may not be delegated:

- a) General strategies of the Company and any specific strategic plans, as well as annual objectives and budgets.
- b) General risk management policy and the definition of control and information systems appropriate to such policy.
- c) Policies regarding financing, own shares and shareholders' remuneration.
- d) The organisational structure of all the Company's various activities.

- e) Operations involving the acquisition and disposal of the Company's assets and corporate operations whenever they exceed the amount of 30 million euros.
- f) Related party transactions, in accordance with the provisions of the law and of the Board Regulations.
- g) The establishment of or acquisition of stakes in special purpose vehicles or entities resident in countries or territories considered as tax havens, as well as any other analogous transactions which could affect or impinge on the transparency of the group.
- h) Operations whose effect is equivalent to the liquidation of the Company.
- i) The transformation of the Company into a mere holding company by shifting its businesses and activities into subsidiaries.
- j) Disclosure and communication policy vis-à-vis shareholders, the markets, and the general public, and specifically:
 - i) Preparation and approval of the information released each year by the Company together with the Annual Accounts submitted for approval of the General Meeting of Shareholders and
 - ii) Approval of the financial information that the Company has to publish periodically in accordance with legislation currently in force.
- k) Proposals for Directors' remuneration and establishment of the resulting amounts in accordance with the Articles of Association and the relevant resolutions of the General Meeting of Shareholders.
- l) Appointment, terms of employment, including in particular compensation clauses, remuneration, dismissal, and control of senior managers' performance.
- m) General Corporate Responsibility policies.
- n) Policies regarding Corporate Governance and the internal operating rules of the Board and its Committees, as well as the evaluation of the quality and efficiency of its operation and actions.
- o) And all other responsibilities specifically contemplated in the Board Regulations.

Without prejudice to the foregoing, the Board will in any case report to the General Meeting of Shareholders any decisions within the scope of its aforementioned competences that might be of particular significance for the conduct of the Company's business, and will submit decisions for approval or ratification by the General Meeting of Shareholders if and when it considers this appropriate.

Also in accordance with the rules set out in the Board Regulations, the Board, based on reports by the Nomination, Remuneration and Corporate Governance Committee, analyses with particular care any situations involving a possible conflict of interest.

In the same way, the Board Regulations regulate in detail the treatment of transactions with related parties, which require authorisation by the Board of Directors, subject to a report from the Nomination, Remuneration and Corporate Governance Committee, except where:

- (i) they are recurring transactions carried out in the ordinary course of business of the Company and executed on market terms, in which case the Board authorises the corresponding generic line of operations;
- (ii) the related party transaction simultaneously meets the following three conditions:
 - a) that they are transactions in the ordinary course of business of the Company;
 - b) that they are executed on market terms; and
 - c) that the amount does not exceed 1% of the consolidated annual revenues of the Company, in the case of transactions with shareholders, or 30% of average annual remuneration per Director in all other cases.

Chapter 5 includes detailed information on related party transactions carried out by the Company during financial year 2007.

3.2.2. Composition

At the same time as the abovementioned capital increase carried out at the beginning of 2007 in the framework of the operation to integrate Soluziona, the Extraordinary General Meeting of Shareholders held for the purpose approved the appointment of two new Owner Directors representing shareholder Unión Fenosa.

The 2007 Ordinary General Meeting of Shareholders also approved the appointment of four new Directors, two of them Owner Directors and two independent Directors.

In view of its shareholder status, Casa Grande de Cartagena was appointed a Director of the Company, and representing the shareholder interest of CajAstur, Administradora Valtenas was also appointed a Director. As indicated in the foregoing section 2.1, these shareholders hold more than 5% of the capital of the Company.

Applying the policy of gradual and progressive renewal of independent Directors, as made public by the Board of Directors, the Board, based on a report by the Nomination, Remuneration and Corporate Governance Committee, proposed the following to the General Meeting of Shareholders, which approved it:

- The cessation, with the express consent of each, of independent Directors Mr. Manuel Azpilicueta and Mr. Juan Carlos Ureta;
- The appointment as independent Directors of Ms. Mónica de Oriol and Mr. Luis Lada to replace the two previously referred to;
- And the cessation, with his express consent, of executive Director Mr. Humberto Figarola, due to the termination in 2007 of his employment by the Company.

As a result, the General Meeting of Shareholders agreed to establish the number of Directors at 15.

Regarding the appointment of the two new independent Directors, both the Board and the Nomination, Remuneration and Corporate Governance Committee specifically analysed both the required professional competence and the particular conditions which candidates should meet in order to hold their positions with dedication and independence.

Following the usual practice of the Company regarding the appointment of new Directors, a training programme for new Directors was implemented, aimed at providing them with a sufficient knowledge of the business and activities of the Company, as well as its organisation and operation, and of the corporate governance rules.

Following these appointments, as at December 31st 2007 the Board consisted of 15 Directors, 13 of whom were outside Directors and two were executive Directors (the Chairman and the Managing Director). As of the date of this Report this composition has not changed.

Of the 13 outside Directors, six are Owner Directors, two of them being associated with shareholder CajaMadrid; another two, with shareholder Unión Fenosa; one with shareholder Casa Grande de Cartagena, and another one with the shareholder CajAstur. The remaining seven Directors are independent Directors, one of them being the Vice-chairman, in accordance with the Board Regulations.

Total Directors	15
External Directors	13
Independent	7
Owner	6
Executive Directors	2

The full list of Directors is as follows:

Name	Position	Type
Mr. Javier Monzón	Chairman	Executive
Mr. Matías Amat (1)	Vice-chairman	Significant shareholder (Caja Madrid)
Mr. Pedro López Jiménez	Vice-chairman	Significant shareholder (Unión Fenosa)
Mr. Manuel Soto	Vice-chairman	Independent
Mr. Regino Moranchel	Managing Director	Executive
Ms. Isabel Aguilera	Director	Independent
Mr. Francisco Constans	Director	Independent
Mr. Felipe Fernández (2)	Director	Significant shareholder (CajAstur)
Mr. Luis Lada	Director	Independent
Mr. Honorato López Isla	Director	Significant shareholder (Unión Fenosa)
Mr. Joaquín Moya-Angeler	Director	Independent
Ms. Mónica de Oriol	Director	Independent
Mr. Pedro Ramón y Cajal	Director	Independent
Mr. Estanislao Rodríguez-Ponga (3)	Director	Significant shareholder (Caja Madrid)
Mr. Eusebio Vidal-Ribas (4)	Director	Significant shareholder (Casa Grande C.)

(1) On behalf of *Mediación y Diagnósticos, S.A.*

(2) On behalf of *Administradora Valtenas, S.L.*

(3) On behalf of *Participaciones y Cartera de Inversión, S.L.*

(4) On behalf of *Casa Grande de Cartagena, S.L.*

Since the Chairman of the Board is also the chief executive of the Company, the Vice-chairman of the Board, elected from among the independent Directors, has faculties to coordinate these Directors, to call Board meetings and to place items on the agenda of the meetings, as well as to send information to the Directors. He also chairs the Board when it deals with the annual evaluation of its Chairman.

The six Owner Directors hold important positions in their respective organisations:

- Mr. Matías Amat, age 55, is an economist, with broad experience in the financial sector. He worked at Citibank for twelve years, both in Spain and in Latin America, where he was the General Manager of the bank in Mexico. He was Managing Director of S. G. Warburg in Spain for three years and Financial General Manager of Caja Madrid for ten years. He is currently General Manager, Business with Caja Madrid and a Director of NH Hoteles, S.A., Mapfre Caja Madrid Holding de Entidades Aseguradoras S.A., and Attijariwafa Bank of Morocco.
- Mr. Felipe Fernández, age 55, has a degree in Economic Science and Business Studies from the University of Bilbao. He began his career as a professor at the University of Oviedo, later occupying various positions of responsibility in the Government of the Principality of Asturias. He also held a number of different management positions in Hidrocantábrico, and was Chairman of Gas de Asturias. Since January 2004 he has been General Manager of Caja de Ahorros de Asturias and a Director of Infocaja, Ahorro Corporación and Hidrocantábrico Energía.
- Mr. Honorato López Isla, age 61, obtained a Civil Engineering Degree from the Escuela Técnica Superior de Madrid and a degree in Senior Management (PDG) from IESE Business School. With Unión Fenosa since 1972, he has been General Sub-manager of the Information Systems, Telecommunications and Technical Secretariat departments, Managing Director of Unión Fenosa Distribución, S.A., Chairman of Soluziona, and Chairman of R Cable y Telecomunicaciones Galicia S.A. He is currently Managing Director and first Vice-chairman of Unión Fenosa. Besides being a member of the Circle of Businessmen, he also belongs to the Latin American Business Observatory and is Chairman of the APD (Association for Management Progress) in the Northwest area.
- Mr. Pedro López Jiménez, age 65, is a Civil Engineer and a graduate of the IESE Business School Senior Company Management Programme. He has been Chairman of Endesa, General Manager for Harbours in the Sub-secretariat of the Ministry of Public Works and Urban Planning, and a Director of Unión Fenosa and Enher. He was also a Director of the National Industry Institute (INI), Director and General Manager of Empresarios Agrupados, and Construction Manager for Centrales Térmicas (power stations). He is a founding member of the CEOE and a member of its first executive Committee, and founder and first chairman of the FEIE (Business Federation of the Electric Industry). He is currently a Director and a member of the Executive Committee of ACS Actividades de Construcciones y Servicios, S.A., Vice-chairman of Dragados S.A. and Chairman of Unión Fenosa.

- Mr. Estanislao Rodríguez-Ponga, age 52, is an economist, and was a National Tax Inspector from 1982 until 1989. He has held various executive positions in companies, financial institutions and public entities, his long and varied experience in government having included the positions of Secretary of State for the Treasury and Chairman of the Spanish Government Lottery and Gaming Commission and of the National Tax Agency (AEAT). He is currently the Vice-chairman of Caja Madrid and sits on the Boards of a number of other companies. He is also a member of the Spanish General Council of Colleges of Economists.
- Mr. Eusebio Vidal-Ribas, age 54, has a degree in Economic Science from the University of Barcelona, and several professional qualifications from US trading organisations. He began his career with Merrill Lynch, later occupying various management positions in companies in the financial sector such as Benito y Monjardin, Banco Urquijo, and Metlife. He is currently a Director and General Manager of Casa Grande de Cartagena S.L., which he joined in 2003 as Investment Manager.

The seven independent Directors are highly reputed professionals with wide business experience, with no ties to significant shareholders or to the Company's management team. Their professional profiles are as follows:

- Ms. Isabel Aguilera Navarro, age 47, is an architect, with an MBA from the Instituto de Empresa and a General Management Programme diploma from the IESE Business School. She has pursued her career in various information technology companies such as Olivetti, Compaq, Hewlett Packard, Airtel (Vodafone), Dell, where she was Chairman and chief executive for Spain, Portugal and Italy, NH Hoteles, where she was General Manager, and Google Inc., where she was also General Manager for Spain and Portugal until December 2007. She is currently an independent Director of Laureate Universities Inc. in the USA.
- Mr. Francisco Constans Ros, age 72, is an economist and has held various important executive positions in financial companies and institutions, and a long career with Grupo Planeta, where he was Managing Director from 1983 to 2002. He is currently on the boards of several companies.
- Mr. Luis Lada Díaz, age 58, is a telecommunications engineer with a long career in the Telefónica Group, where he has been Chairman of Telefónica Móviles and Telefónica de España. He has also been a Director and leading member of numerous companies and forums relating to the IT sector. He is Advisor to the Chairman and the Executive Committee of Telefónica, a Director of Telefónica Latinoamérica, Telefónica O2 Czech Republic, and of other companies.
- Mr. Joaquín Moya-Angeler Cabrera, age 58, who has a degree in mathematics and an MBA from Massachusetts Institute of Technology (MIT), spent a large part of his professional career with IBM, which he joined in 1977, taking charge of various activities, both operational and supervisory, in for Spain, Europe and Saudi Arabia, being Chairman of IBM Spain from 1991 to 1994. From 1994 to 1997, he was Chairman of the Leche Pascual Group, and from 1999 to 2002 Chairman of Meta4. Currently, he is Chairman or Director of and investor in various European and American companies.
- Ms. Mónica de Oriol de Icaza, age 46, has a doctorate in economic sciences and business studies from the Complutense University of Madrid, and a London School of Economics degree. For many years she has successfully combined her business career with her teaching activities as a professor at the Complutense University of Madrid, in the University Studies Centre (CEU) and at Saint Louis University in the US. She is the founder (1989), Chairman and main shareholder of Grupo Seguriber.
- Mr. Pedro Ramón y Cajal Agüeras, age 55, has a degree in Law and is a public prosecutor currently on leave. He has wide experience in the practice of administrative and mercantile law. He was General Sub-manager for Resources in the Ministry of the Treasury. Since 1994, he has been a partner in the law firm Ramón y Cajal Abogados. He also currently sits on the boards of various companies.
- Mr. Manuel Soto Serrano, age 68, is an economist, and was the Chairman of the World Council of Partners of Arthur Andersen, and one of its international managing partners. He is currently Vice-chairman of Banco Santander and a Director of Corporación Financiera Alba.

In order to ensure that the Secretariat and Committees of the Board of Directors perform independently and adequately, it has been the Company's policy to appoint as Secretary a reputable lawyer who is not employed by the Company and with no connections other than with the Board of Directors itself. During 2007, Advocate Daniel García-Pita Pemán continued to perform the role of Secretary of the Board.

3.2.3. Annual check on Directors' continuing status

In accordance with the provisions of the Board Regulations, in the last two financial years the Nomination, Remuneration and Corporate Governance Committee carried out a review of the current status of each of the Directors, concluding that all Directors - and in particular those designated as independent - had maintained their status unchanged during 2006 and 2007, and continued to maintain it as at the date of this Report.

3.2.4. Directors' years of service and criteria for renewal of the Board

Directors' years of service are as shown in the following table:

	Years of service	Yr. last appointed
Independent Directors (1):		
Ms. Isabel Aguilera	3	2005
Mr. Francisco Constans	9	2005
Mr. Luis Lada	1	2007
Mr. Joaquín Moya-Angeler	9	2005
Ms. Mónica de Oriol	1	2007
Mr. Pedro Ramón y Cajal	9	2005
Mr. Manuel Soto	9	2005
Shareholder Directors:		
Mr. Matías Amat (2)	1	2005
Mr. Estanislao Rodríguez-Ponga (3)	1.5	2006
Mr. Pedro López Jiménez (4)	1.5	2007
Mr. Honorato López Isla (5)	1.5	2007
Mr. Eusebio Vidal-Ribas (6)	1	2007
Mr. Felipe Fernández (7)	1	2007
Executive Directors (8):		
Mr. Javier Monzón	15.5	2005
Mr. Regino Moranchel	7	2005

(1) The Articles of Association set the term of tenure for Directors at three years. The independent Directors appointed by the General Meeting of Shareholders in 1999 on the occasion of the Company's IPO were re-elected in 2002 and again in 2005 by the AGM, in accordance with proposals by the Board based on favourable reports of the Nomination, Remuneration and Corporate Governance Committee, and are now in their third term of office.

(2) & (3) On behalf of Mediación y Diagnósticos, S.A. and Participaciones y Cartera de Inversión, S.L. respectively, both of which are subsidiaries of Caja Madrid, which has had two appointees on the Board since 1999. Years of service shown are those applying to the natural person.

(4) & (5) On behalf of Unión Fenosa.

(6) On behalf of Casa Grande de Cartagena, S.L.

(7) On behalf of Administradora Valtenas, S.L.

(8) Their re-election in 2002 and 2005 was approved by the General Meeting of Shareholders, as proposed by the Board based on a favourable report by the Nomination, Remuneration and Corporate Governance Committee.

The nomination and re-election of Directors in 2005 and 2007 took place by means of individual ballot, and the General Meeting of Shareholders approved the appointment of each of them with over 98% of votes in favour.

In accordance with the principle established in article 22 of the Board Regulations regarding periodical renewal of the Board's composition, the Board of Directors agreed at the beginning of 2005 to apply the following principles, based on recommendations of the Nomination, Remuneration and Corporate Governance Committee: that independent Directors should not serve more than four consecutive statutory three-year terms, save for justified exceptions; and that the renewal process should take place in a gradual and progressive way.

The application of these principles began at the Annual General Meeting of Shareholders of 2005, where the appointment of Ms. Isabel Aguilera to fill the position of former independent Director Mr. Moya Francés was agreed, and continued in 2007 with the appointment of Ms. Mónica de Oriol and Mr. Luis Lada to replace Mr. Manuel Azpilicueta and Mr. Juan Carlos Ureta.

In addition, at the beginning of his current term of office, Mr. Francisco Constans stated his wish not to be reappointed at the end of it, and the Board consequently proposes to the 2008 AGM the appointment of a new independent Director to replace him. Furthermore, the other three independent Directors appointed in 1999, whose re-election is proposed to this Annual General Meeting of Shareholders, will resign during the course of the statutory term that begins after the 2008 AGM.

3.2.5 Gender diversity policy

Since before 2005, when appointing new Directors, particularly independent Directors, the Board has paid special attention to bringing about greater gender diversity in the Company's governing bodies. In this regard, the Board Regulations, in articles 9.4 and 20.4, establish that the Board and the Nomination, Remuneration and Corporate Governance Committee shall take special care to see that in selecting people to perform the role of Director, principles and policies applied are geared towards ensuring appropriate gender diversity among Board members.

The application of these principles began in 2005 with the aforementioned appointment of Ms. Isabel Aguilera as an independent Director, and continued in 2007 with the appointment, also as an independent Director, of Ms. Mónica de Oriol. The candidate proposed to the 2008 Annual General Meeting of Shareholders for appointment as a new Director, is also a woman.

If this appointment is approved, three (75%) of the four new appointments of independent Directors that have taken place since 2005 (and in fact since the Company's IPO in 1999) will have been of women. These three female Directors would represent 20% of the total number of Directors, 23% of outside Directors (independent plus shareholder), and 43% of independent Directors, which is the category in which the Board is best able to bring gender diversity policies to bear.

It should be borne in mind that, in the case of the executive Directors, the Chairman and Managing Director have remained unchanged throughout this period, and that both are men. As far as Owner Directors are concerned, the Board and the Nomination, Remuneration and Corporate Governance Committee can only recommend to shareholders that they consider designating women for the post of Director of Indra to represent their shareholder's interests, and even this depends on there being women at the top level of their respective organisations, since it is in the Company's interest that Owner Directors be at that level. It is in the area of independent Directors that the Board and the Nomination, Remuneration and Corporate Governance Committee are better able to act, since they can consider a far wider selection of potential female candidates to fulfil the role of Director.

In relation to this section and the preceding one, attached hereto as an Appendix is the supporting information that the Board will make public regarding the proposal for appointment and re-election of Directors submitted to the 2008 Annual General Meeting of Shareholders.

3.2.6. Committees of the Board of Directors

In accordance with the provisions of the Board Regulations, the Board has established, with a view to its working more effectively, an Executive Committee, an Audit and Compliance Committee, and a Nomination, Remuneration and Corporate Governance Committee, whose regulations and competences, composition and activities are detailed in the following sections.

In each meeting of the Board of Directors, the Committee Chairmen inform the Board of the issues that have been dealt with and the decisions taken by their respective Committees.

Applying the principle established in article 17.2 of the Board Regulations, since 1999 the Board has endeavoured to achieve a reasonable rotation of independent Directors on its various Committees.

Thus, following the appointment of new Directors approved by the General Meeting of Shareholders of 2007, as mentioned earlier, the Board of Directors, in accordance with a proposal made by the Nomination, Remuneration and Corporate Governance Committee, agreed a new composition of its Committees. Following these changes, of the four independent Directors who have been in office since 1999, two have belonged at one time or another to all three Board Committees and the other two have sat on the Executive Committee and the Nomination, Remuneration and Corporate Governance Committee.

3.2.7. Activity during the year and evaluation of its operation

In order to perform such of its functions as can not be delegated, and to monitor the work of the Committees, the Board held twelve meetings in the course of the financial year 2007, applying the principles established in this regard following the evaluation of the operation of the Board carried out in 2005.

In each of the meetings, the Board monitors the Company's business and financial evolution, that of transactions with own shares and, and of matters dealt with in the Board Committees and their actions. In three of its meetings in the course of the year 2007, the Board specifically dealt with the main issues relating to the future development and growth strategy, analysing the market and sector environment.

For all issues to be dealt with, ample information is made available to Directors sufficiently in advance of the meeting. Total time devoted by Directors was in the order of 1,200 hours for the year, rising to 1,760 hours if time spent on Committees is included. Attendance rates for Board and Committee meetings overall exceed 85%, with the following breakdown of attendance at meetings of each body: Board 88.9%; Executive Committee 88.6%; Audit and Compliance Committee 72.5%; and Nomination, Remuneration and Corporate Governance Committee 77.2%.

In all cases where a Director has not been able to attend personally, that Director has delegated his or her representation in another Director having the same status, indicating how to vote on the agenda items.

In general, Directors keep the Nomination, Remuneration and Corporate Governance Committee regularly informed of their other professional obligations, so that the Committee can assess whether such obligations are compatible with the dedication required of Directors.

In accordance with the provisions of the Board Regulations, the Board of Directors carries out an annual assessment of its own operation and of the quality of its work and that of its Committees. For these purposes, each of these bodies carries out a self-assessment, and produces a report on its activities and actions during the financial year, which is submitted to the Board.

To carry out the assessment for 2007, the Board of Directors did not consider it necessary to resort once more to external advice, as had been the case in 2005, being of the opinion that the participation of external consultants in this process is efficient, in a company with the experience and history of Indra in this area, if carried out periodically (every two or three years or whenever changes in circumstances render it advisable). The evaluation was carried out using a formal process to assess multiple aspects relating to the composition and operation of the Board and its Committees and to the effectiveness of its actions and the contribution of its members, under the coordination and supervision of the Chairman of the Board and of the Chairmen of the Audit & Compliance Committee and the Nomination, Remuneration and Corporate Governance Committee.

The evaluation carried out took into account 72 variables, structured in six areas: Structure and composition of the Board; Committees of the Board; Operation of the Board; Executive Committee, Audit and Compliance Committee; and Nomination, Remuneration and Corporate Governance Committee, which were individually assessed by each Director. Directors' opinions were treated as confidential. An equally confidential report was also prepared, with the different assessments and comments of Directors. This report and its conclusions were presented by the Chairman of the Nomination, Remuneration and Corporate Governance Committee to the Board of Directors in its meeting of March 13th 2008.

The Board of Directors carried out an in-depth analysis of the findings of this report, and concluded with a positive assessment of Directors' dedication, attendance and availability, of the workings of the Board and its Committees and of the quality of its actions during 2007, while also recommending specific actions in areas identified as leaving room for improvement.

Also in accordance with the provisions of the Board Regulations, the Board carried out an evaluation of the Chairman in his capacity as such. This evaluation is separate from and independent of the assessment also made of him in his capacity as chief executive. The Chairman did not attend these meetings, which were chaired by a Vice-chairman designated from among the independent Directors.

For the evaluation of the Chairman of the Board for the year 2007, chaired by a Vice-chairman designated from among the independent Directors, the Nomination, Remuneration and Corporate Governance Committee and the Board took particular account of aspects relating to the functions of the Chairman contained in the questionnaire for the Board evaluation referred to above, especially the following:

- (i) performance of the role of Chairman of the Board in a sufficiently differentiated manner from that of chief executive;
- (ii) leadership enabling the Board to perform its functions and competences effectively, ensuring that matters contemplated in the Board Regulations and such other important matters as may be appropriate, are submitted for his consideration with proper supporting information;
- (iii) promotion of active participation by Directors, analysis and debate to reach an adequate understanding of the issues dealt with and the adoption of decisions on well-founded criteria;
- (iv) promotion of investor and shareholder relations and disclosure and transparency policies.

Based on the evaluation carried out, the Board concluded with a very positive assessment of the performance of the Chairman of the Board, finding that he had complied at all times with the provisions of the Board Regulations, and pointing in particular to his efforts in maintaining open and transparent communication with markets, investors and shareholders, ensuring that Board meetings were held dynamically, with ample information, encouraging debate and looking at the most important issues in real depth, ensuring that conclusions were reached and decisions taken. They also praised his move to have the Board pay increasing attention to strategic matters, which should continue in the current financial year along with improving acquaintance with the management team.

3.3. Executive Committee

3.3.1. Regulation and competences

The composition, faculties, and operation of the Executive Committee have been regulated, since its establishment in 1999, by the Board Regulations, according to which all faculties of the Board that are capable of being delegated, except those indicated in the foregoing section 3.2.1 of this document, have been delegated to this Committee.

Its main function is to ensure the continuous monitoring of the Company's business and operations, for which purpose it generally holds its ordinary meetings once a month.

3.3.2. Composición

In accordance with the Board Regulations, the composition of the Executive Committee should reasonably reflect that of the Board. In 2007 it comprised eight members, six of them outside Directors (four of whom were independent Directors) and two executive Directors. The list of names of the members of the Committee following the appointment of new Directors agreed by the 2007 Annual General Meeting of Shareholders is as follows:

Name	Position	Type
Mr. Javier Monzón	Chairman	Executive
Ms. Isabel Aguilera	Member	Independent
Mr. Matías Amat	Member	Shareholder (Caja Madrid)
Mr. Francisco Constans	Member	Independent
Mr. Honorato López Isla	Member	Shareholder (Unión Fenosa)
Ms. Mónica de Oriol	Member	Independent
Mr. Regino Moranchel	Member	Executive
Mr. Pedro Ramón y Cajal	Member	Independent

3.3.3. Activity during the financial year

In performing its functions, the Executive Committee met eleven times in the course of 2007. All documentation prepared for each meeting, together with the corresponding minutes, are placed at Directors' disposal before each Board meeting. In the course of 2007 the Committee dealt with 323 operational matters, with an aggregate value of €1,602m.

3.4. Audit and Compliance Committee

3.4.1. Regulation and competences

The composition, faculties, and operation of the Audit and Compliance Committee, which was created in 1999, are regulated by the Articles of Association and by the Board Regulations, and comply with the express requirements of the law.

Its main functions are:

- a. to supervise the preparation process and integrity of financial information relating to the company and, where applicable, the group, reviewing compliance with regulatory requirements, the appropriate delimitation of consolidation criteria and the correct application of accounting principles.
- b. periodically to review internal control and risk management systems so as to ensure that the main risks are properly identified, managed and reported.
- c. to maintain a watching brief on the independence and effectiveness of the internal audit function; to propose the selection, appointment, re-election, and dismissal of the person in charge of the internal audit service; to propose the budget for this service; to receive periodic information on its activities; and to verify that senior management takes account of the conclusions and recommendations of its reports.
- d. to establish and supervise a mechanism which allows employees confidentially, and if necessary anonymously, to report any potentially significant irregularities, particularly financial and accounting ones, that come to their notice in the Company.
- e. to submit to the Board proposals for the selection, appointment, re-election or replacement of the external auditor, and the relevant contractual terms.
- f. to receive regular information from the external auditor on the audit plan and its results, and to ensure that senior management takes account of the auditor's recommendations.
- g. to ensure the independence of the external auditor.
- h. as regards groups, to help the group auditor assume responsibility for the audits of the companies which make up the group.
- i. to inform the General Meeting of Shareholders of matters within its competence.

3.4.2. Composition

In accordance with the Articles of Association and the Board Regulations, the Audit and Compliance Committee must comprise exclusively outside Directors. It currently has five members, three of whom are independent Directors. As required by the Board Regulations, its Chairman is one of the independent Directors, and his maximum term of office is four years, although he may be re-elected after one year has elapsed since the end of his previous term. In application of this rule, in March 2007 the Committee appointed a new Chairman from among its members. In electing the Chairman, particular account was taken of his knowledge and experience of matters that are the specific competence of the Committee, backed up by substantial professional experience in financial and supervisory management of a large business group. The list of names of members of the Committee following the appointment of new Directors agreed by the 2007 Annual General Meeting of Shareholders is as follows:

Name	Position	Type
Mr. Francisco Constans	Chairman	Independent
Mr. Manuel Soto	Member	Independent
Mr. Honorato López Isla	Member	Shareholder (Unión Fenosa)
Mr. Estanislao Rodríguez-Ponga	Member	Shareholder (Caja Madrid)
Ms. Mónica de Oriol	Member	Independent

3.4.3. Activity during the financial year

In performance of its functions, the Committee met nine times in the course of 2007, preparing an Action Plan for the year, as well as an Annual Report of its activities, which it submitted to the Board of Directors. The Annual Report of its activities for the year 2007 will, as in previous years, be made available to shareholders, investors, and the general public through the Company's website and its Shareholders' Office. All documentation prepared for each meeting, together with the corresponding minutes, are placed at Directors' disposal before each Board meeting.

3.5. Nomination, Remuneration and Corporate Governance Committee

3.5.1. Regulation and competences

The composition, faculties, and operation of the Nomination, Remuneration and Corporate Governance Committee have been regulated, since its establishment in 1999, by the Board Regulations.

Its main functions are:

- a) To advise on the composition of the Board of Directors, the professional profiles required for the Board, and criteria for selecting its members, taking care to see that the selection procedures incorporate criteria that favour gender diversity in the composition of the Board.
- b) To evaluate whether the knowledge, abilities, and experience of individuals proposed as members of the Board and of the various Committees meet the required profiles, and whether requirements for the specific type of Director in question are met.
- c) To submit to the Board reports on succession plans for the posts of Chairman and chief executive, and to supervise succession plans for senior managers.
- d) To advise the Board on proposals for appointment and dismissal of senior managers, and, subject to prior approval by the Board, on their terms of remuneration and terms and conditions of their employment contracts with the Company, including compensation clauses in the event of termination of employment.
- e) To submit to the Board, prior to re-election of Directors, a report on the performance to date of the Directors involved.
- f) To verify each year that the status of each Director remains unchanged since the date of his appointment, and to include this in the Annual Report on Corporate Governance.
- g) To present proposals to the Board, within limits established by the Articles of Association and by resolutions of the General Meeting of Shareholders, regarding the system, components, and amounts of Directors' remuneration.
- h) To present to the Board a report on the annual assessment of the Chairman of the Board and the performance of senior managers.
- i) To propose, for approval by the Board, the annual report on remuneration policy for submission by the Board to the General Meeting of Shareholders, in accordance with the stipulations of article 29 of the Board Regulations, as well as information on remuneration published by the Company.

- j) To advise the Board in advance on all transactions with related parties - Directors, significant shareholders, shareholders represented on the Board, senior managers, or persons related to any of the foregoing - which are submitted for the Board's approval.
- k) To evaluate annually the efficiency of, and the degree of compliance with the Company's rules and procedures on Corporate Governance, proposing such amendments thereto as it may deem appropriate.

3.5.2. Composition

In accordance with the stipulations of the Board Regulations, the Nomination, Remuneration and Corporate Governance Committee consists exclusively of outside Directors, who are five in number, independent Directors constituting the majority. Its Chairman is also an independent Director. The list of names of its members following the appointment of new Directors agreed by the 2007 Ordinary General Meeting of Shareholders is as follows:

Name	Position	Type
Mr. Joaquín Moya-Angeler	Chairman	Independent
Mr. Matías Amat	Member	Shareholder (Caja Madrid)
Mr. Luis Lada Lada	Member	Independent
Mr. Pedro López Jiménez	Member	Shareholder (Unión Fenosa)
Mr. Manuel Soto	Member	Independent

3.5.3. Activity during the year

In order to carry out its functions, the Nomination, Remuneration and Corporate Governance Committee met nine times in the course of 2007, preparing an Action Plan for the year 2007, as well as an Annual Report on its activities, which it presented to the Board of Directors. All documentation prepared for each meeting, together with the corresponding minutes, are placed at Directors' disposal before each Board meeting.

3.6. Senior Management

The Company's Senior Management holds the highest responsibility regarding the day-to-day management of the Company and of its group of companies. All management units, whether operational or support, depend on and report to Senior Management.

In January 2007, as was disclosed by means of a significant event notice, following the integration operations of Azertia and Soluziona, the Board agreed, based on a favourable report from the Nomination, Remuneration and Corporate Governance Committee, to appoint five new General Managers. At the end of year 2007, the Executive Vice-chairman ceased to work for the Company.

At the end of 2007, Senior Management thus comprised thirteen members, and its composition remains unchanged as at the date of this report. The list of names is as follows:

Name	Position
Mr. Javier Monzón	Chairman
Mr. Regino Moranchel	Managing Director
Mr. Javier de Andrés	General Manager, Corporate Control
Mr. Juan Carlos Baena	General Manager, Finance and Corporate Development
Ms. Emma Fernández	General Manager, Talent, Innovation and Strategy
Mr. Rafael Gallego	General Manager, Operations
Mr. Ángel Lucio	General Manager, Logistics Services and BPO
Mr. Cristóbal Morales	General Manager, International
Mr. José María Otero	General Manager and Deputy Managing Director
Mr. Javier Piera	General Manager, Operations
Mr. Santiago Roura	General Manager, Operations
Mr. Joaquín Uguet	General Manager, Operations
Mr. Josep María Vilà	General Manager and Deputy Managing Director

4. Remuneration of Directors and Senior Managers

4.1. Directors

In accordance with the provisions of article 127 of the Articles of Association, Directors' remuneration consists of a fixed allowance, the maximum amount of which is determined by the Annual General Meeting of Shareholders, and a share in the profits of the Company. It may also consist of the allocation of shares or share options, subject to prior agreement of the Annual General Meeting of Shareholders.

The Board of Directors is empowered by the Articles of Association to distribute among its members the overall compensation established by the General Meeting of Shareholders.

In 2005, with outside advice from Spencer Stuart, a firm of independent experts, the Board prepared a proposal for submission to the 2005 Annual General Meeting of Shareholders, which agreed to keep the Board's overall fixed allowance for each of the financial years 2005, 2006 and 2007 at a maximum amount of 600,000 € (as it had been since 2002), and to limit the share in profits, fixed by the Articles of Association at 1% of net consolidated profits, to a maximum of 1.4 times the amount of the fixed allowance, establishing that 50% of its gross amount be received by the Directors by way of allocation of shares in the controlling Company. This proposal, approved by the Annual General Meeting of Shareholders, was based on a Board comprising twelve members. These criteria implied an average amount per Director of 50,000 € p.a. by way of fixed allowance, and 70,000 € p.a. by way of profit sharing. In preparing its proposal, the Board sought to set remuneration at an appropriate level, that would provide an incentive and reflect the dedication required and the responsibility vested in the position, whilst at the same time not being so high as to risk compromising the independence of independent Directors.

In 2007, the Annual General Meeting of Shareholders resolved to increase the number of Directors to 15, agreeing also to adjust the total amount of the Board's remuneration to the new number of Directors, and thus increasing the maximum amount of the annual fixed allowance to 750,000 € and maintaining the limit of 1.4 times this amount, i.e. 1,050,000 €, for the maximum amount of profit sharing. However, since in the first half of financial year 2007 there were only fourteen Directors, the AGM exceptionally established the maximum amount of the fixed allowance for that year at 725,000 € and the limit for profit sharing at 1.4 times that amount, or 1,015,000 €.

As agreed by the Board of Directors, which is empowered by the Articles of Association to distribute the overall compensation fixed by the AGM among its members, distribution among Directors since 2005 has been as follows.

- (i) Fixed allowance of 27,000 € for membership of the Board of Directors, 15,000 € for belonging to the Executive Committee, 20,000 € for being a member of the Audit and Compliance Committee and 15,000 € for being on the Nomination, Remuneration and Corporate Governance Committee, with the Chairmen of each Committee - except in the case of the Executive Committee - receiving an amount equal to 1.5 times the amounts indicated.
- (ii) Profit sharing is distributed equitably among Board members, in proportion to effective time in the position during the financial year.

The Board has agreed year by year that, in the event of non-achievement of the growth and profitability objectives announced publicly in each financial year, it would reconsider the amount of profit sharing, and bring any resulting proposals before the AGM. This condition has not been applicable in any of the financial years since this statutory remuneration was first fixed in 1999, the Company having fulfilled or exceeded its publicly announced objectives in each financial year.

Since 2005, when it was established by the AGM, the aforementioned limit of 1.4 times the fixed allowance for profit sharing has been applicable; and according to the annual accounts, such is also the case for the financial year 2007.

This remuneration is compatible with and independent of salaries received by executive Directors deriving from their employment with the Company.

In 2007 by way of fixed allocation, members of the Board received, altogether, a total of 725,000 € distributed in accordance with the abovementioned criteria.

Profit sharing for the year 2007 amounted to an overall total of 1,015,000 €, according to the Annual Accounts submitted to the General Meeting of Shareholders for approval and after applying the aforementioned limit established by the General Meeting of Shareholders. Of this gross amount, 50% will be received in the form of shares in the Company, the number of which will be determined depending on their market price on the payment date of the dividend for 2007, and the rest, after withholding tax on the full amount of the share in profits, in cash. The Directors have undertaken to retain ownership of such shares as they may receive as payment for share in profits throughout the whole time that they remain in office.

During year 2007, as in 2003, 2004, 2005 and 2006, no share options have been granted to Directors.

In accordance with the foregoing, for each of the headings indicated, the individual breakdown of total remuneration accruing to members of the Board of Directors during the 2007 financial year, in their capacity as Directors of the Company, is as shown in the following table:

Directors' Remuneration (€) 2007							
Director	Fixed allowance			Nomination, Remuneration and Corporate Governance Committee	Fixed allowance	Profits sharing (50% in shares)	Total
	Board	Executive Committee	Audit and Compliance Committee				
Adm. Valtenas (1) (2)	13,500	--	--	--	13,500	35,000	48,500
I. Aguilera	27,000	15,000	--	--	42,000	70,000	112,000
M. Azpilicueta (3)	13,500	7,500	--	7,500	28,500	35,000	63,500
Casa Grande de Cartagena (2)	13,500	--	--	--	13,500	35,000	48,500
F. Constans	27,000	15,000	28,333	--	70,333	70,000	140,333
H. Figarola (3)	13,500	--	--	--	13,500	35,000	48,500
Mediacion y Diagnósticos SA	27,000	15,000	--	15,000	57,000	70,000	127,000
L. Lada (2)	13,500	--	--	7,500	21,000	35,000	56,000
H. López Isla	27,000	7,500	20,000	--	54,500	70,000	124,500
P. López Jiménez	27,000	7,500	--	15,000	49,500	70,000	119,500
J. Monzón	40,500	15,000	--	--	55,500	70,000	125,500
R. Moranchel	27,000	15,000	--	--	42,000	70,000	112,000
J. Moya-Angeler	27,000	--	--	22,500	49,500	70,000	119,500
M. Oriol (2)	13,500	7,500	10,000	--	31,000	35,000	66,000
Part. y Cartera de Inversion SL	27,000	--	20,000	--	47,000	70,000	117,000
P. Ramón y Cajal	27,000	15,000	--	--	42,000	70,000	112,000
M. Soto	27,000	--	21,667	15,000	63,667	70,000	133,667
J.C. Ureta (3)	13,500	--	10,000	--	23,500	35,000	58,500
Total	405,000	120,000	110,000	82,500	717,500	1,015,000	1,732,500
Average remuneration per Counsellor (14.5 Directors)					49,500	70,000	119,500

(1) Representing CajAstur. (2) Director since July 2007. (3) Director until June 2007

(*) 50% of the indicated amount will be paid out in shares. In 2006, the payment in shares of 50% of the amount corresponding to profit sharing meant the allocation to Directors of 1,892 shares of the Company per Director.

Total remuneration as indicated, accrued to members of the Board of Directors as a whole represents 0.77% of the net consolidated operating result, and 0.82% of pre-tax consolidated results of the Company for the financial year 2007.

Members of the Board of Directors, in their capacity as Directors, did not exercise any options on shares of the Company during 2007, nor were they holders of any such options as at 31.12.07.

The Board of Directors is submitting a remuneration proposal for the Board for years 2008 to 2010 for the approval of the Ordinary General Meeting of Shareholders, detailed supporting information on which was made available to shareholders at the time the Meeting was called.

4.2. Senior managers

Remuneration of members of the Company's Senior Management is determined, individually for each, by the Board of Directors based on recommendations of the Nomination, Remuneration and Corporate Governance Committee.

In 2005 the Board agreed to a proposal by this Committee for a review of senior managers' terms of employment and remuneration to be carried out, with outside advice from Spencer Stuart, a firm of independent experts. The purpose of this review, which is carried out periodically, was to ensure that categories and amounts of remuneration, as well as other terms of employment for senior managers, are at all times consistent with market practices and provide motivation for senior managers to remain with the Company, and an incentive for them to work appropriately and competitively in line with the Company's situation and objectives.

On the recommendation of the Nomination, Remuneration and Corporate Governance Committee, the Board approved the revised remuneration for members of Senior Management for a period of three years, comprising financial years 2005 to 2007 inclusive, as well as

certain terms of employment that are referred to later. This remuneration continues to comprise similar components to the previous ones, some annual and others of a longer term nature, as explained below.

The annual remuneration consists of a fixed element, payable in cash; a variable element, also payable in cash, which is geared to the degree of achievement of annual objectives established and to a performance evaluation; and an element of remuneration in kind. As indicated previously, the Board's view was that the fixed allowance should be left unchanged for the three years 2005, 2006 and 2007.

Medium term remuneration is entirely variable, being conditional upon senior managers' remaining with the Company for certain agreed minimum periods, and may consist of cash incentives linked to ongoing achievement of objectives and performance evaluations over these periods and/or in the granting of share options.

In determining the terms and amounts of each of the different components, the following criteria were applied: that variable remuneration should represent a substantial portion of total remuneration; that medium-term remuneration should have considerable weight; and that remuneration linked to share price should be significant but not excessive.

During the financial year 2007 the Nomination, Remuneration and Corporate Governance Committee considered it necessary to analyse whether, following the acquisition of Azertia and Soluziona, and given their considerable importance in the overall size and complexity of the Company's activities, Senior Management was of an adequate size and appropriately remunerated. As regards the former, it proposed to the Board that five new general managers be appointed, and made further proposals as to their terms of remuneration and the general application to them of the terms of employment currently in force for senior managers, who would now number fourteen as against nine previously. On the latter issue, with advice from Egon Zehnder, a firm of independent experts, it reviewed senior managers' terms of remuneration to check that they were in line with market levels and with the criteria referred to above. This review revealed some discrepancies in amounts of remuneration, some of them significant. However, the Committee, mindful of the upcoming 2008 general review of the remuneration framework for senior managers, proposed to the Board that the remuneration categories and amounts established in 2005 be left unchanged for the time being, and that this circumstance be taken into account in determining the amounts of variable remuneration for the financial year 2007. The Board of Directors approved all the abovementioned proposals made by the Nomination, Remuneration and Corporate Governance Committee.

In June 2007, the Executive Vice-chairman, Mr. Humberto Figarola, ceased to belong to the Board of Directors, remaining as a senior manager until the end of the financial year, at which time he also ceased to be an employee of the Company, resulting in the application of special conditions provided for and previously agreed with him, which in this case involve amounts that are less than those established in general for cases of termination of employment of senior managers, which the Company has announced publicly and at AGMs. Thus, as at December 31st 2007, the number of senior managers in the Company stood at thirteen.

For the year 2007, in accordance with the previously stated criteria, the joint total accrued annual remuneration of the fourteen senior managers and its breakdown per each of the categories indicated concepts was as follows:

Annual Remuneration	€
Fixed remuneration in cash	4,446
Variable remuneration in cash	5,048
Remuneration in kind	241
TOTAL	9,735

Variable remuneration for 2007 includes extraordinary items relating to favourable results on the Azertia and Soluziona acquisition deals and their subsequent integration, account also being taken in 2007 of the previously mentioned discrepancies in amounts of remuneration. Of the amount indicated for 2007 corresponding to Senior Managers, the Board of Directors agreed, as recommended by the Nomination, Remuneration and Corporate Governance Committee, that on this occasion the net amount after withholding tax on the amount of 1,818,000 € would be paid by allocating shares in the Company at market price (19.62 € per share), giving 56,122 shares. In this respect they also took into consideration the Committee's earlier recommendation that Senior Managers maintain a stable stake in the capital of the Company at least equivalent to their annual fixed remuneration.

The abovementioned amounts of total annual remuneration for all members of Senior Management represent 2.01% of the Company's Net Consolidated Operating Result and 2.12% of the pre-tax Consolidated Result for 2007.

Medium-term remuneration in force during the 2007 financial year was the same as that established in 2005 for the previously mentioned three-year period 2005 - 2007 for the nine senior managers that there then were, plus that corresponding to the five new senior managers appointed in this financial year, and consists of:

- (i) A variable remuneration element payable in cash, geared to achievement of objectives established for the period 2005 to 2007, for a maximum combined amount of 1.33 times the annual fixed remuneration, which effectively accrued at the end of the 2007 financial year, in accordance with the evaluation carried out by the Board of Directors based on a report by the Nomination, Remuneration and Corporate Governance Committee. The controlling Company made provision for these purposes in each of the financial years 2005 and 2006, in the amount of 1,804,369 €, with 2,292,362 € being imputed to the 2007 financial year.
- (ii) 1,020,000 options on the same number of shares in the controlling Company, awarded in June 2005 to a total of 93 beneficiaries as part of the 2005 ESOP, with an exercise price of 16.83 € (market price at the time of grant) and an exercise period from April 2008 to June 2009.

During financial years 2007 and 2006 no options on shares were awarded to senior managers.

During financial years 2007 and 2006 senior managers exercised 39,916 and 423,500 options respectively, in both cases on the identical number of shares of the controlling Company, these options having been awarded to them as part of the 2002 ESOP, with a total of 108 beneficiaries. These options had an average exercise price of €6.93 (market price at the time of grant).

The Nomination, Remuneration and Corporate Governance Committee has recommended Senior Managers to buy shares in the Company for their own account, so as to reach and maintain a stable stake in the capital of the Company at least equivalent to their fixed annual remuneration. At the end of the 2007 financial year, the thirteen members, as they then were, of Senior Management owned 251,842 shares, with a market value at that date equivalent to 1.11 times their combined annual fixed remuneration.

Remuneration that, as per the above, corresponds to members of Senior Management who are also members of the Board of Directors, accrues by virtue of their employment by the Company, being independent, as stipulated in the Articles of Association, of the remuneration that they receive in their capacity as Directors.

4.3. Other benefits and compensations

Neither members of the Board of Directors nor senior managers received during 2007, nor as at year-end 2007 were they beneficiaries of, any other benefits, compensation or remuneration additional to those previously indicated, nor does the controlling Company or any of the companies in the Group have any contractual obligation with them with regard to pensions, or any loans or advances granted to them.

4.4. Compensation clauses and non- competition commitments

Based on the review carried out of terms of employment and remuneration of members of Senior Management, referred to in section 4.2 above, it was determined that certain of their terms of employment were in need of adjustment.

All senior managers have signed contracts with the Company, regulating the terms applicable to their employment. These contracts have been authorised by the Board of Directors based on a favourable report and proposal by the Nomination, Remuneration and Corporate Governance Committee, and have also been submitted to the 2007 Annual General Meeting of Shareholders and are reported in the Company's publicly available information. By virtue of the provisions of these contracts, senior managers have the right, in the event of termination of employment with the Company, except in the case of voluntary resignation or termination with due cause, to compensation equivalent to that established in article 56 of the Workers' Statute, that is, 45 days worth of their annual remuneration for each year of employment with the Company, with a limit of 3.5 times annual remuneration; and with a minimum amount of three times annual remuneration in the case of the Chairman and the Managing Director. Additionally, as has also been disclosed in public information and at the AGM, Executive Directors and General Managers of Operations (including the General Manager, International) have signed non-competition commitments, with a duration of two years from the end of their working relationship with the Company and with a compensatory amount of between 0.5 and 0.75 times their annual remuneration for each year of non-competition.

4.5. Other public information regarding remuneration

The Company also publishes information on the remuneration of the Board and of Senior Management in the 2007 Annual Report on Accounts, the Annual Report on Corporate Governance, prepared in the format required by the CNMV, and in the Annual Report on Remuneration Policy prepared by the Board of Directors in compliance with article 29 of the Board Regulations, which provides comparative information with the financial year 2006 and an explanation of the new remuneration structure established for the period 2008-2010 for the Board of Directors and Senior Management. All this information is also duly informed to the General Meeting of Shareholders each year.

5. Transactions with significant shareholders and with directors

The Board Regulations establish that transactions with related parties require authorisation by the Board of Directors, based on a report by the Nomination, Remuneration and Corporate Governance Committee assessing their compliance with the principle of equitable treatment of shareholders and that they are conducted on market terms in accordance with criteria set out in the Board Regulations and listed in section 3.2.1 above.

In the course of the year 2007, the Company carried out commercial and financial transactions and transactions involving the provision of professional services with shareholders Unión Fenosa and Caja Madrid and with companies related to them, as well as with companies linked to Directors Mr. Ramón y Cajal, Mr. Moya-Angeler, Ms. de Oriol, and Mr. Ureta.

All these transactions were authorised in accordance with the criteria set out in the Board Regulations and were carried out in the ordinary course of the operations of the Company and on market terms, not representing, either altogether or individually, a significant amount in relation to the Company's turnover or balance sheet totals.

The breakdown of these transactions by nature is as follows:

Nature of the transaction	Amount (€000s)		
	With Shareholders	With Directors	TOTAL
Sale of goods and services	81,817 (*)	--	81,817
Purchases of goods and services	4,103	1,158	5,261
Receipt of financial income	36	--	36
Cost of financial services	1,201 (*)	50	1,251
Cost of professional services	--	44	44
TOTAL	87,157~	1,252	88,409

(*) Of these amounts, €3,954,000 and €15,000 respectively correspond to Inversis, a company in whose capital Caja Madrid and Indra have a joint majority share.

The Company also publishes detailed information in this regard, in compliance with the regulatory rules on half-yearly information to be sent to the CNMV.

6. Own shares

In accordance with the stipulations of the Internal Rules of Conduct regarding matters relating to stockmarkets, the own shares policy followed by the Company pays special attention to ensuring that transactions with own shares do not affect the free price formation process in the market or favour particular shareholders of the Company.

Note 16 to the consolidated Annual Accounts contains a detailed explanation of the balances at the beginning and end of the year 2007, as well as the transactions with own shares during the year.

As regards the volume of ordinary transactions, carried out with a view to providing liquidity to the share and reducing fluctuations in its quoted price, transactions were carried out during year 2007 with the following volumes and prices: purchase of 5,960,708 shares at an average price of 18.46 € and sale of 5,758,911 shares at an average price of 18.76 €. Total purchases and sales carried out represent, respectively, 2.26% and 2.19% of the total volume traded during the year.

Regarding extraordinary transactions, in 2007, 34,881 shares at an average price of 18.57 € were transferred from own shares for ordinary transactions and subsequently allocated at that same price to various managers and senior managers of the Company as remuneration in kind.

The total direct own shares balance at the end of the year 2007 amounted to 243,613 shares (equivalent to 0.15% of the share capital), which corresponded entirely to the balance deriving on that date from ordinary transactions.

Additionally, the financial institution with which the Company signed the cover contract for the 2005 ESOP, publicly announced at the time, and authorised by the General Shareholders' Agreement, maintains in its portfolio 2,281,000 shares (equivalent to 1.39% of the capital), which are considered as indirect own shares.

7. Market Disclosure and Shareholder Communication Policy

The policy of the Company is regularly to provide comprehensive information to its shareholders, to its investors, and to the market in general, applying at all times the principles of transparency and equitable treatment.

The Company has maintained numerous contacts with shareholders and interested investors, both through the Shareholder Office and through individual and collective meetings with analysts and institutional investors. During the year 2007, 27 firms issued financial analysis reports on the Company and it has held meetings with 337 institutional investors.

The Company includes on its website (www.indracompany.com) a specific section called "Information for Shareholders and Investors", through which it is possible to access directly all the financial information and information on Corporate Governance provided by the Company, contents of which exceeds legal requirements and also enables direct communication with the Company.

8. Relations with the external auditor

El auditor externo de la Sociedad es KPMG Auditores, designado con carácter anual por la Junta General de Accionistas a propuesta del Consejo. The Company's external auditor is KPMG Auditores, appointed annually by the General Meeting of Shareholders based on a proposal by the Board of Directors following a report from the Nomination, Remuneration and Corporate Governance Committee.

In accordance with the stipulations of articles 19 and 42 of the Board Regulations, the Company's relations with its external auditors are channelled through the Audit and Compliance Committee, which supervises their work and keeps watch on their independence, applying the criteria set out in the Board Regulations regarding the significance of the fees for the auditor firm and the rotation of the team in charge of audit work. This Committee is also responsible for authorising, should it be necessary, the Company's contracting of other services with the auditor firm.

During the year 2007, total remuneration paid to the auditors amounted to 998,000 € of which 969,000 € related to audit services regarding the Annual Accounts of Indra and 29,000 € to other services, contracting of which was authorised on the basis of a prior favourable report from the Audit and Compliance Committee.

Board of Directors,

April 24th 2008

APPENDIX

INFORMATION PROVIDED TO SHAREHOLDERS IN RELATION TO THE PROPOSAL FOR APPOINTMENT AND RE-ELECTION OF DIRECTORS, SUBMITTED TO THE 2008 ORDINARY GENERAL MEETING OF SHAREHOLDERS

In the current financial year 2008 the term of office of the nine current Directors appointed or re-elected in 2005 comes to an end. (Five independent, two shareholder and two executive Directors.)

In accordance with the principle established in article 22 of the Board Regulations regarding periodical renewal of the Board's composition, the Board of Directors agreed at the beginning of 2005 to apply the following principles, based on recommendations of the Nomination, Remuneration and Corporate Governance Committee: that independent Directors should not serve more than four consecutive statutory three-year terms, save for justified exceptions; and that the renewal process should take place in a gradual and progressive way. It should be borne in mind that at that time all seven independent Directors were male and had been appointed in 1999.

The Board also agreed that in implementing this process steps should be taken to appoint female Directors so as to have a reasonable number of them upon conclusion of the process. In this regard, the Board Regulations establish that the Board and the Nomination, Remuneration and Corporate Governance Committee shall take special care to see that in selecting people to perform the role of Director, principles and policies applied are geared towards ensuring gender diversity among Board members.

These criteria started to be applied on the occasion of the 2005 Annual General Meeting of Shareholders, which approved the appointment of Ms. Isabel Aguilera to fill the position vacated by independent Director Mr. Moya Francés, and continued in 2007, in which year Ms. Mónica de Oriol and Mr. Luis Lada were appointed independent Directors to replace Messrs. Manuel Azpilicueta and Juan Carlos Ureta.

Applying these criteria of gradual renewal, at the beginning of his current term of office, Mr. Francisco Constans stated his wish not to be reappointed at the end of it, to which the Board agreed. The three remaining independent Directors appointed in 1999, whose re-election is proposed to this General Meeting of Shareholders, will also resign their posts progressively over the course of the statutory term now commencing.

To fill the vacancy left by Mr. Constans, to whom the Board expresses its sincere appreciation for his work and efforts during his time in office, the Board has adopted, and submits to the General Meeting of Shareholders, the proposal of the Nomination, Remuneration and Corporate Governance Committee to appoint as an independent Director Ms. Rosa Sugrañes, whose personal and professional profile is considered ideal for the performance of the role.

Both the Board and the Nomination, Remuneration and Corporate Governance Committee are of the opinion that the candidate proposed as independent Director, as well as having the necessary professional competence, also meets all the conditions necessary for performing this role with dedication and independently. The professional profile of the proposed new Director is attached hereto.

If this appointment is approved, three (75%) of the four new appointments of independent Directors that have taken place since 2005 (and in fact since the Company's IPO in 1999) will have been of women. These three female Directors would represent 20% of the total number of Directors, 23% of outside Directors (independent plus shareholder), and 43% of independent Directors, which is the category in which the Board is best able to bring gender diversity policies to bear.

It should be borne in mind that (i) in the case of the executive Directors, the Chairman and Managing Director have remained unchanged throughout this period, and that both are men; (ii) as far as owner Directors are concerned, the Board and the Nomination, Remuneration and Corporate Governance Committee can only recommend to shareholders that they consider designating women for the post of Director of Indra to represent their shareholder's interests, and even this depends on there being women at the top level of their respective organisations, since it is in the Company's interest that owner Directors be at that level; and (iii) it is in the area of independent Directors that the Board and the Nomination, Remuneration and Corporate Governance Committee are better able to act, since they can consider a far wider selection of potential female candidates to fulfil the role of Director.

As regards the remaining Directors whose term of office expires, the Board has adopted the proposal of the Nomination, Remuneration and Corporate Governance Committee to submit to the General Meeting of Shareholders, that they be re-elected to a further term of office, without prejudice to the continuation during this new term of the gradual and progressive renewal of independent Directors as already mentioned. The personal and professional profiles of the Directors proposed for re-election are in the public domain and are available via the Company's website (www.indracompany.com), appearing also in the information on corporate governance published by the Company.

Also, in accordance with the provisions of the Board Regulations, the Nomination, Remuneration and Corporate Governance Committee checked that the status of each of the Directors remains the same as at the time of appointment, reporting accordingly to the Board, which confirmed said circumstance, as reported in the Annual Report on Corporate Governance.

In this respect It should be pointed out that, as regards Directors whose re-election is proposed, in accordance with the provisions of the Board Regulations, the Board considers the types of re-election proposed to be justified: (i) as regards executive Directors, their employment

with the Company continues in force; (ii) as regards owner Directors, it has been confirmed that Caja Madrid, whose shareholder interest they represent, currently holds a stake in the Company's capital that is equal to or larger than that which gave rise to the original appointment of these Directors; and (iii) as regards the independent Directors, checks have been carried out to confirm that there are no personal or professional circumstances affecting their independent status, related party transactions carried out by each having been specifically reviewed in this regard, and the Board considers that the independent Directors proposed for re-election meet ideal requirements as regards personal and professional profile and the conditions necessary to fulfil their role with dedication and independently.

Additionally, as laid down in the Board Regulations, the Nomination, Remuneration and Corporate Governance Committee has presented to the Board a Report on past performance of Directors proposed for re-election, concluding that it is in all cases satisfactory. (In the case of Directors that are juristic persons, this report refers to the natural persons representing them.)

With the proposed appointment and re-elections, the Board of Directors will continue to have a very large majority of outside Directors (thirteen, compared with two executive Directors) and, of these, a majority of independent Directors, of whom there are seven, and an appropriate and plural representation of the Company's major shareholders, with six owner Directors.

In keeping with the practice already adopted by the Company in this respect, and in line with best practices in corporate governance, the proposals for appointment and re-election of Directors will be voted on individually and separately for each individual, both as regards voting in person at the General Meeting of Shareholders and as regards voting via the remote means of communication facilitated for the purpose by the Company. In the event that attendance cards issued by depository institutions do not cater for the possibility of voting individually on the appointment of each Director, shareholders may signal their separate and individual votes for each on the attendance card itself, or in a document attached thereto, and deliver it to the Company, duly identified and signed.

Activity report 2007

Audit and Compliance Committee

Introduction

Composition

Responsibilities and competences

Activities during the 2007 financial year

General

Drafting and rendering of accounts

1. Revision of the Company's annual accounts
2. Review of the periodic information to be provided to the markets and monitoring bodies
3. Annual Report regarding membership in the New Market

External audit

1. Proposal for the designation of account auditors
2. Auditors' Fees
3. Monitoring of the development process of annual accounts auditing
4. Assessment of the monitoring of recommendations derived from the auditing of accounts

Internal audit

Regulations and internal control systems

1. Project Management
 - 1.1 Project Management Methodology
 - 1.2. Quality Area
2. Insurance and Risks Management
3. Consolidation and monthly closure processes. Accounting Handbook.
4. Administration and Taxation
5. General Services and Purchases
6. Treasury
7. Human resources
8. Internal systems
9. Management Control
10. General Secretariat
11. Management of Industrial and Intellectual Property Rights

Assessment of efficiency and compliance with the governance rules of the company

Actuation lines foreseen for 2008

Letter of the Chairman of the Audit and Compliance Committee

Dear shareholders:

One more year and as Indra has been doing since 2003, with occasion of the Ordinary General Shareholders Meeting, I am pleased to present you The Annual Activity Report of the Audit and Compliance Committee corresponding to the 2007 financial year. Indra makes public this Report voluntarily in accordance with its commitment to transparency and good corporate governance as well as the belief that better knowledge of social management will allow the shareholder to make decisions over his/her investment.

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

The financial year 2007 has been a very important one for Indra mainly due to the effective integration in Indra of the business and activities from Azertia and Soluziona business and activities. In a year of this importance, it is worth mentioning the special dedication of the Committee to the supervision of the elaboration of the financial statements and to adapt the financial reporting system and internal controls of the Company no negative effect to the company's standards was derived from the integration process.

It is also worth mentioning that, during the current financial year, the Committee has approved a new complete Internal Audit Plan comprehensive the period 2008-1012, much more ambitious than the one in force during the period 2005-2007 to which replaces.

Finally, we should point out that the Regulations for the Board of Directors has incorporated changes into the Committee functions, according to which, 2007 has been the last year on which the Committee has evaluated the efficiency and accomplishment of the Corporate Governance Rules, being now the responsibility of the Appointments and Remuneration Committee.

The Activity Report corresponding to the 2007 financial year, which was performed by Indra's Audit and Compliance Committee, was drawn during its session on 12th March 2008 and submitted to the Board of Directors during its meeting of 13th March 2007.

This Activity Report, which has also been published through the Company's website (www.indracompany.com), is available to Indra's shareholders at the same time as the call for the Ordinary General Shareholders Meeting of 2008.

Francisco Constans Ros
Chairman of the Audit and Compliance Committee

Introduction

Indra has, since the beginning of 1999 -when its shares were submitted for negotiation in the computerised trading system- employed a corporate governance system which has always adapted to both the regulations in force and all the best practices, both national and international.

Within the framework of this corporate governance system, Indra has had, since 1999, an Audit and Compliance Committee. Its competences, composition, and operation rules have since been included in the regulations for the board of directors, and have generally complied with and even exceeded what the Legislation currently foresees. This Committee has performed, since that date, intense activity in the areas inherent to its competence, as has been shown in the annual public report regarding the Company's Corporate Governance.

As a result of the publication of Law 44/2002, of the 22nd of November, on Financial System Reform Measures ('Financial Law'), which established the compulsory character by which all listed companies constitute auditing committees and regulate them through bylaws, the Company took the appropriate steps to adapt its Auditing and Compliance Committee to the new legal framework.

The outcome of this process was that the regulation of the Committee was given the character of a bylaw at Indra's ordinary Shareholders' Meeting, which was held on the 28th of June, 2003.

Likewise, in application of the best transparency principles in terms of corporate governance, since financial year 2003, the Annual Report of Activities of the Audit and Compliance Committee has been made available to the shareholders, simultaneously to the calling of the Ordinary Shareholders' Meeting, and it can be consulted either on the corporate web page or by requesting a free copy at the Shareholders' Office.

On the 20th of December, 2007, Indra's Board of Directors adopted a new text on its Regulations for the Board of Directors, in which, among other relevant issues within its bylaws and competences, the scope for the Audit and Compliance Committee competences was amended, as it will be explained below.

This Activities Report for the Audit and Compliance Committee, which corresponds to financial year 2007, was adopted in the session held by this Committee on the 12th of March, 2008, and was presented to the Board of Directors in its session on 13th, 2008. It will be made available to the Company's shareholders due to the calling of the Shareholders' Meeting tentatively foreseen to be held on [23] June, 2008 (for the first calling) or [24] June (for the second calling).

Composition

The Committee is an internal body within the Board of Directors, and therefore, all of its members are directors. In accordance with the Regulations for the Board and the Corporate Bylaws, all of the members of the Committee must be non executive directors.

The number of Committee members, which is to be determined by the Board, will not be lower than three or higher than five. The present composition of the Committee is as follows:

President	Members
Mr. Francisco Constans (Independent director)	Mr. Honorato López Isla (Controlling director proposed by Unión Fenosa)
	Mr. Estanislao Rodríguez-Ponga (Controlling director proposed by Caja Madrid)
	Ms. Mónica de Oriol (Independent director)
	Mr. Manuel Soto (Independent director and Vice-president of the Board of Directors)

In accordance with the provisions of the Regulations for the Board, the Secretary of the Board of Directors, or failing such, the Vice-Secretary of such, will act as the Secretary of the Committee.

In January 2007, Mr. Honorato López Isla, the controlling director appointed after the proposal of the shareholder, Unión Fenosa, S.A., was entered as a new member, with a subsequent increase in the number of Committee members (from 4 to 5 directors).

In February 2007, the Committee elected Mr. Francisco Constans as the new President, replacing Mr. Manuel Soto, whose term of four years in office had expired, since such is the maximum timeframe permitted by the regulations in force, as well as what is stated in the Corporate Bylaws and Regulations for the Company's Board.

During the Ordinary Shareholders' Meeting held on the 21st of June, 2007, Mr. Juan Carlos Ureta resigned from his director's position, thus not being a member of the Audit and Compliance Committee anymore.

During the same Meeting, Ms. Mónica de Oriol was appointed director, and in the Board meeting held on the same day, after the Shareholders' Meeting, she was also appointed as a member of the Auditing and Compliance Committee, all of this after a favourable report from the Appointments and Remuneration Committee.

Responsibilities and competences

The responsibilities and competences of the Audit and Compliance Committee are stated in Article 30 of the Corporate Bylaws.

- a) To inform the shareholders, during the Shareholders' Meeting, of the issues posed any shareholder regarding the Committee's competence.
- b) To submit to the Board of Directors any proposal for the appointment of an external account auditor, as well as the conditions of their contract, the scope of their professional term of office and, if applicable, their revocation or non-renewal status.
- c) To maintain a direct relationship with all external auditors and to assess the development and results of their works, paying special attention to those issues which may endanger the independency of the auditors or any other works that may be related to the process of developing the accounts audit, to include any and all communications foreseen in the account audit legislation and technical audit rules.
- d) To monitor the functioning of the Company's internal audit.
- e) To know and check the suitability and integrity of the financial information process and the internal control system.

Apart from the duties assigned to him by the Corporate Bylaws, the Regulations of the Board, under Article 19, assigns it the following duties:

- a) To monitor the elaboration process and integrity of the Company's financial information and, if applicable, regarding the consolidated group, review compliance with the regulations' requirements, ensuring the adequate delimitation of the consolidation perimeter and the correct application of accounting criteria.
- b) To serve as a channel for communications between the Board and all external auditors, from which he will regularly receive information about the auditing plan and the results of the execution of such. He will also assess the response of the management team to the recommendations of the external auditors, and will mediate in the event of a discrepancy between such, as regards the applicable criteria and principles, during the elaboration of the financial statements. The Committee thus accepts that the group's head company's auditors will assume responsibility for the audits of all of the companies which integrate it.
- c) To inform the Board, before it adopts the relevant decisions, of the creation or acquisition of special purpose companies or companies domiciled in tax havens, as well as any other transaction or operation that could undermine the Company's transparency.
- d) To review the prospectuses for admission to securities negotiation.
- e) To inform the Board, before it adopts the relevant decisions, of any financial information that, due to its condition of listed company it must periodically make public. The Committee will ensure that all quarterly and bi-annual financial statements are formulated with the same accounting criteria as the annual statements.
- f) To establish measures to preserve the independence of external auditors, and to that end:
 - i) To communicate to the Board the relevant fact of the auditor change, attaching a statement about the existence of disagreements with the outgoing auditor and, if relevant, communicate its contents;
 - ii) to ensure that both the Company and the auditors respect the rules in force regarding the provision of services other than auditing services, in accordance with what is laid down in Article 42 of the Regulations of the Board and
 - iii) in the event of the rejection of external auditor, to examine the circumstances that motivated such.
- g) to monitor compliance with the auditing contract, doing his best to ensure that the opinion on the annual accounts and the main contents of the audit report are drafted clearly and accurately.
- h) to periodically review the Company's internal control and risk management systems.

- i) To monitor the independence and efficiency of the internal audit function; to propose the selection, appointment, re-election, and resignation of the person responsible for the internal audit service; to propose the budget for such service; to receive periodic information about its activities and verify that Senior Executives take into account the conclusions and recommendations of his/her reports.
- j) To establish and oversee the functioning of a procedure which allows employees to communicate to the Committee, in a confidential way, any irregularities of potential relevance, especially financial and accounting irregularities, that they might observe in the Company's operation.
- k) To consider suggestions made by shareholders, directors, and the Company's Senior Executives regarding issues of competence.

As it was mentioned earlier, the new text on the Regulations for the Board of Directors, among other relevant novelties, has reviewed the competences of the Audit and Compliance Committee, establishing that the following functions -- (i) to periodically analyse the degree of adaptation of the rules, procedures, and practices of the Company, in terms of Corporate Governance, to the rules, recommendations, and best practices, both national and international, in this area; (ii) to annually assess the Company's efficiency and compliance to its Corporate Governance rules and procedures and (iii) propose to the Board the amendments deemed fit for the Company's Corporate Governance rules, giving reasons for these changes, functions which so far have been carried out by the Audit and Compliance Committee will now be the responsibility of the Appointments and Remuneration Committee.

As it can be inferred from the reading of the chapter on the Activities performed by the Committee during financial year 2007, each and every responsibility and competence that the Bylaws and Regulations for the Board allocate to the Committee have been performed, to include dealing with additional issues that were considered convenient for the exercise of its duties, all to the benefit of the Company.

Activities during the 2007 financial year

General

During the 2007 financial year, the Committee exceeded the minimum number of four sessions provided by the Corporate Bylaws, holding a total of nine sessions. This implies that, according to the time necessary to prepare the sessions and the average length of such, all of the members of the Committee have dedicated, during the 2007 financial year, nearly 250 hours to the revision of the issues of its competence.

The Committee's sessions are called with a week's previous notice, and along with the calling, documentation and information on the issues to be dealt with during such sessions are sent, so that they can be analysed with sufficient time by the members of the Committee.

The Committee, apart from submitting to the Board of Directors any proposals regarding the issues of its competence, in a timely manner, communicates, during every Board session, all of the issues dealt with during all of the Committee meetings held during the period that elapsed between sessions of the Board. During 2007 the Chairman of the Committee intervened in 8 of the 12 sessions held by the Board of Administration to communicate the development of Committee activities throughout the financial year.

On the other hand, the Committee drafted, as it does every financial year, an Annual Report of Activities corresponding to the 2006 financial year, which was approved by the Committee itself in its session on the 20th of March, 2007. This Report was made available to the shareholders upon the calling of the Ordinary Shareholders' Meeting held on the 21st of June, 2007.

During the Company's Ordinary Shareholders' Meeting, the Chairman of the Committee intervened at the beginning of such to inform the shareholders about the main tasks performed by the Committee during 2006, specially highlighting the following issues: communication of the annual accounts and the Company's financial information regarding Markets, internal control and financial information systems; communication of the internal audit; the auditing of the annual accounts; and the Company's governance and compliance with the regulations in force. Likewise, it presented the shareholders with the proposal for the appointment of accounts auditors for the 2007 financial year.

For the adequate planning and organisation of its works, the Committee drafted, at the beginning of the financial year, as it does every year, an Actuation Plan for the 2007 financial year, in which the number of ordinary sessions to be held during such (eight) and the contents for each session were provided. At the closure of the financial year, the Committee had held more sessions and dealt with more issues and matters than of the initially foreseen in such Plan.

Regarding the Committee's task, it is necessary to point out that 2007 was a financial year of great relevance for the Company, especially due to the following events:

The acquisition, during the month of January, of the companies Soluziona Consultoría y Tecnología, S.A., Soluziona Seguridad, S.A., and Soluziona Internacional Servicios Profesionales, S.L. and their subsidiaries. The shares of these companies were provided to Indra through Unión Fenosa, S.A. as non-monetary contribution in consideration for the subscription of 18,068,171 new ordinary shares, which were issued by the Company through a capital increase, in accordance with what was approved by the Extraordinary Shareholders' Meeting held on the 22nd of December, 2006.

Likewise, it is worth highlighting Indra's acquisition, in February 2007, of 50% of BMB Gestión Documental, S.L., a company dedicated to the Outsourcing of processes (BPO) in the financial sector; as a consequence of such, Indra became acquired 100% of the mentioned company's capital.

After these relevant acquisitions, which add up to the acquisition of Azertia, which took place in September 2006, the important operations of company reorganisation, as performed by the Company, must be highlighted. These operations were aimed at integrating the newly acquired business, and were instrumented through the merger by Indra's absorption of the Azertia subgroup, the Soluziona subgroup, and the BMB subgroup, as well as the subsequent contribution of the strategic branches of consultancy activities, the BPO, and software factories to the subsidiaries of Indra, which are dedicated to these businesses.

In accordance with the said Actuation Plan for the 2007 financial year the Committee dealt with the following issues and matters:

Drafting and rendering of accounts

1. Revision of the Company's annual accounts

The Committee reviewed, in its March session, the Management Report and Consolidated and Individual Annual Accounts for the 2006 financial year, before they were formulated by the Board of Directors, rendering a favourable opinion regarding such.

In compliance with the mission it allocated, regarding the monitoring of the drafting process and the integrity of the financial information of the Company and the consolidated group, as well as reviewing compliance with the regulations requirements, the adequate delimitation of the consolidation perimeter, and the correct application of the accounting criteria, the Committee, as a result of submission, by the Company's General Finance and Corporate Development Director, of the proposals for quarterly and bi-annual reports to be submitted to the CNMV, has been reviewing the criteria for application of the accounting principles and submission of financial information, offering recommendations about the sharing, accounting, and submission of some concepts.

It is worth highlighting the significant increase of the consolidation perimeter, with the incorporation of the BMB and Soluziona groups, being 106 the total number of companies that, at the close of the 2007 financial year, formed the consolidation group. Review of the periodic information to be provided to the markets and monitoring bodies

Prior to its approval by the Board, the Committee reviewed the quarterly and bi-annual financial statements corresponding financial year 2007 to be submitted to the CNMV, ensuring that its drawing was made with the same accounting criteria as the annual statements.

In order to be able to comply, in time and form, with the obligation of the Company to provide the CNMV with its quarterly and bi-annual financial information, the Committee called the General Finance and Corporate Development Director to the sessions held during the months of February, May, July, and November.

In order to facilitate the monitoring of the integration of the mentioned businesses in the periodic information provided to the markets and the CNMV, the Company added the proforma data from the 2006 financial year, corresponding to the integrated companies, to the communicated information, allowing a comparison of magnitudes. Likewise, the Company has communicated, in a timely manner, the repercussions of the integration expenses derived from this process.

2. Annual Report regarding membership in the New Market

In its May session, the Committee reviewed the annual report on the "Development and prospects of the business and the investment and financing plans foreseen for its future development and expansion", whose submission to the CNMV is compulsory by all of the companies belonging to the New Market index. The Committee favourably informed the Board of Directors about the formulation and submission of this report to the CNMV.

It is worth pointing out that 2007 is the last financial year during which the Company will issue this report, since the Company has incorporated itself into the general contracting segment after requesting its exclusion from listing in this index; which will be granted in coming days, as Spanish Stock Exchanges and Markets (SSE) has announced.

External audit

1. Proposal for the designation of account auditors

By exercising the responsibility allocated by the Corporate Bylaws for submitting to the Board of Directors the proposal for appointment of external account auditors, as well as the conditions of their contract, the scope of their professional term of office and, if applicable, their revocation or non-renewal of such term of office, the Committee debated the process of appointing the Company's account auditors for the 2007 financial year.

After a deep assessment of the qualitative and economic aspects of the external auditor's services, the members of the Committee subjected to deliberation the possible alternatives, and agreed to propose to the Board of Directors the re-election of KPMG Auditores, S.L. as auditor for the Company's accounts, for the revision of the annual accounts for the 2007 financial year. This proposal was, in turn, submitted by the Board of Directors to the Ordinary Shareholders' Meeting, where it was approved.

2. Auditors' Fees

Likewise, in compliance with its duty to assess those questions which could endanger the independence of the auditors, the Committee supervised the amounts corresponding to the fees paid to the external auditors during the 2007 financial year.

	Thousands of euros
Auditing of Annual Accounts	969
Due diligence and other auditing services	29
TOTAL	998

The Committee authorised the contracting of KPMG for services other than the auditing of annual accounts, and such is related to the due diligence report of a foreign company whose possible acquisition was being analysed by the Company.

It is worth highlighting the significant increase, during this financial year, of the external auditor fees, regarding the auditing of the annual accounts, due to the large number of companies which have been incorporated into Indra's consolidation perimeter.

3. Monitoring of the development process of annual accounts auditing

In order to monitor the process of annual accounts auditing, from its planning and development until its conclusions, while attempting to ensure that the opinion regarding the annual accounts and the main contents of the auditing report are drafted clearly and accurately, to include the assessment of the development and results of each auditing exercise and its tasks, the Committee examined and assessed, in depth, the reports drafted by the external auditors regarding:

- The final conclusions of the annual accounts for the 2006 financial year.
- The final auditing report for the annual accounts for the 2006 financial year, the auditor's opinion being issued without exceptions or reservations.
- The report with recommendations for improvement of the organisation, as well as information and control systems and processes, as derived from the auditing of the annual accounts for the 2006 financial year.
- The preliminary work and planning for the auditing of the annual accounts for the 2007 financial year.
- The preliminary report for the auditing of the annual accounts for the 2007 financial year.

For the proper assessment of the mentioned aspects, the KPMG partner responsible for the auditing appeared before the Committee on five occasions.

4. Assessment of the monitoring of recommendations derived from the auditing of accounts

The auditor's general conclusion is that the Company's information and control levels are effective, and the conclusion of his recommendations report is satisfactory. Notwithstanding the above, in the recommendations report corresponding to the 2006 financial year, some specific issues susceptible to improvement were detected, and such were mainly motivated by the incorporation, during September 2006, of the Azertia subgroup to the consolidation perimeter of the Company, which required certain adjustments in order to homogenise the internal control and drafting of information criteria for the various integrated companies, which were presented by the auditor before the Committee.

The Committee coordinated communications to the people responsible for each affected area of the recommendations issued by the auditor and monitored the adoption, by such responsible people, of the proposed recommendations.

Likewise, during the 2007 financial year, in accordance with its responsibility to assess the responses of the management team to the recommendations issued by the auditor within the framework of his report, regarding internal control recommendations and comments, the Committee verified that, as the auditor himself was able to verify through the performance of audit works for the 2007 financial year, throughout 2006, the organisation had adopted nearly all of the recommendations issued by the auditor in his report corresponding to the auditing of the previous financial year.

Internal audit

The Committee is responsible for monitoring the operation of the Internal Company Audit and for revising the designation and replacing of its responsible personnel. Within the framework of this duty, during the financial year, the Committee monitored the actuations of the Internal Audit Management system, as well as the definition of its procedures and aims, the organisation and provision of its human resources, and the training of such.

Within the framework of this monitoring task, during the financial year, the Committee has revised the following proposals for the Internal Audit Management system:

- Submission of the Annual Report for the Internal Audit corresponding to the 2006 financial year.
- The Annual Plan for the Internal Audit corresponding to the 2007 financial year.
- The Integral Plan for Internal Audit 2008 - 2012.

Among the Committee's duties are also the quarterly assessment of the actuations performed and the reports issued by the Internal Audit as a result of the reviewing of the various organisational areas and the control and management processes of the Company; (some examples of the areas and processes revised in 2007 are: management of the customers' guarantees and claims; warehouse management; returns to providers; management and control of bank expenses; negotiation and communication with banks; management of cash; management of treasury stock; relationships with analysts and investors; management of consumptions; registration of projects; billing; subcontracting; supplier guarantees; the materials master file; registration and cancellation of suppliers; the supplier portal; training management; the adequacy to the Spanish Health and Safety at Work Act; the management of guarantees provided by the Company; the management of invoices from suppliers without previous orders; the cash flow budget; updating of the annual closure forecasts; compliance with the Internal Conduct Regulations on issues regarding Stock Market; judicial and extrajudicial claims; and the control of access to facilities).

The Integral Plan for Internal Audit 2008-2012, which was approved by the Committee during its November 2007 session, replaced a previous plan which had covered the period from 2005-2007. The new plan, like the previous one, is based on a process auditing model, as well as the identification of risks for these processes and the revision of controls over such. As new aspects regarding the previous plan, the new plan identifies: (i) the processes at the level of each management unit, not at a global level, as the previous plan did and (ii) value the risks of the processes in terms of residual risks, which are understood as those not appropriately controlled against an assessment of inherent risks (theoretical) from the previous plan.

The drafting of this Integral Plan has covered the following stages: (i) updating the processes map; (ii) assessment of the residual risks of the processes; (iii) identification of additional factors of adjustment and the priority of processes and risks for auditing purposes; (iv) obtention of the map of processes/assessed risks; (v) drafting of the annual planning proposals for each of the years during the period from 2008-2012.

Regulations and internal control systems

The Committee also has, among its responsibilities, to know and check the suitability and integrity of the economic information processes and internal control systems. Within the framework of these tasks, the Committee has met with the people responsible for the various corporate areas within the Company, in order to obtain information regarding the situation and operation of such areas, as well as to monitor the operation of all control and information processes. Within the framework of these meetings, the Committee, aside from being informed about the mentioned issues, performed active monitoring, issuing recommendations for the improvement of the internal control systems and processes developed by these areas.

The people responsible for the various areas, who have been summoned to sessions of the Committee during 2007, have been the following:

1. Project Management

1.1. Project Management Methodology

The Committee met during two of its sessions (July and December) with the General Director for Purchases and Corporate Control, the new Responsible person for the Indra method for project management (MIGP), who informed us about progress in the development and application of this methodology, which the Company has been implementing for several years and that has meant significant help in the project management area.

This methodology allows to manage projects by systematising the planning, as well as its monitoring in order to avoid and control possible deviation from costs and deadlines in the execution of projects, thus favouring not only internal management from an economic point of view but also the management of the quality of products and services supplied by the Company.

During the 2007 financial year, work on knowledge methodology training has been maintained for people responsible for projects obliged to apply it, having incorporated into these training programs personnel from the new companies integrated into the Group, especially Azertia and Soluziona.

Improvements have also been continuously introduced to the methodology, which has been updated by adapting it to the new version of the PM book of the Project Management Institute by which it is inspired.

Likewise, the process of continuously improving the computer tools for project management has been maintained, being the main innovation of the financial year, the introduction of a risk control module for projects and the identification of the IPRs generated in the project, in order to avoid information leaks. As a goal for 2008, it is contemplated that the entire lifecycle of a project (from the drafting of the offer until the assessment, after closure) can be supported in an integrated way by the corporate systems.

Apart from internal training programmes, the Company has been enhancing the obtention, by its professionals, of the PMP (Project Management Professional) certification, which is issued by the Project Management Institute, being Indra the Spanish company with the highest number of professionals who hold this certification.

On the other hand, it is worth highlighting the selection of Indra by the Project Management Institute, in 2007, as one of the 25 most exceptional organisations in global project management during the 2007 financial year.

1.2. Quality Area

The Committee met with the Innovation and Quality Director, who informed about the operation of the Company's Quality Management System, which is based on ISO 9000.

Likewise, the Quality and Innovation Director communicated the corporate strategy in environment field, which was initiated in 2004 within the framework of the Company's Corporate Social Responsibility, based on ISO 14001, certification awarded to the different facilities of the Company.

2. Insurance and Risks Management

The Committee met with the General Director for Corporate Control and Purchases and the Insurance and Risks Manager, who communicated, as they do every year, the progress in the Risk Map, the management of identified risks, the Company's Insurance policy, and the measures to mitigate non-insurable risks.

Among the outstanding novelties during the financial year, it is worth highlighting the inclusion of the new companies integrated into all corporate policies.

Likewise, the Committee was informed about the development of a new computer application to expedite the management and handling of insurance policies by Risk Management, thus favouring the communication of losses and other procedures by the internal users of these services.

3. Consolidation and monthly closure processes. Accounting Handbook.

The Committee reviewed, with the Administration Director, the process for monthly consolidation and closure without novelties and being not necessary to introduce changes in the Accounting Handbook during financial year 2007, awaiting the next publication of regulations which govern the new accounting plan.

On the other hand, compliance with the Accounting Handbook was revised during the financial year by the external auditor, without any material incidences having been identified.

Regarding the consolidation process, it is worth highlighting the significant increase in the consolidation perimeter during the 2007 financial year, due to the incorporation of the BMB and Soluziona subgroups.

4. Administration and Taxation

The Administration Director also explained before the Committee the most relevant actuations performed during 2007 in the Administration Area, highlighting the incorporation of the new companies that were integrated into the Company's Administrative Services Centre, which has increased its transactions considerably.

On the other hand, one of the main tasks of the Administration Area during the financial year was the task of coordinating the adaptation of the accounting system, which was necessary due to company operations that were carried out to reorganise the Spanish subsidiaries of the Company.

Regarding the area of Taxation, for which the Administration Director is also responsible, it was pointed out the intense participation in this Area on the preventive analysis of commercial offers, in order to optimise tax planning for the projects.

5. General Services and Purchases

During the first session, the Committee met with the General Director for Corporate Control and Purchases and with one of the General Directors of Company Operations, who informed the Committee that, within the framework of the Company re-organisation performed during the month of January 2007, the General Directorate for Corporate Control and Purchases assumed responsibility for project purchases.

Likewise, the Committee was informed that the general directorates for operations, especially Defence, will be responsible for a newly-created area dedicated to project logistics management, called SCM ("Supply Chain Management"), whose actuation is mainly focused on electronic of defence projects and transport and traffic, which are more intensive businesses in terms of purchases, with the aim of improving coordination between the Purchases department and commercial areas, as well as the timeframes for managing orders.

During the second session, the Committee met with the General Director for Corporate Control and Purchases and the new Purchases Director for the Company, who explained the main management magnitudes of the centralised purchases model of the Company during the 2006 and 2007 financial years. Likewise, they revealed the contracting model for suppliers, based on Framework Agreements, whose rates will be auctioned.

On the other hand, the new organisational model of the Purchases Directorate was presented. Such model is based on the specialisation of purchasers and its coordination with the personnel responsible for the SCM. As a result of this new organisation, it is expected that procurement times will be reduced, delivery timeframes will be guaranteed, the number of order requests will be reduced, and the management of stored stock will be optimised.

6. Treasury

The Committee met with the Treasury Director for a detailed revision of the actuations in his area of responsibility during the 2007 financial year. These actuations were especially focused on the process of incorporating Azertia, BMB, and Soluziona, which were specified in the centralisation of the treasuries of all the Spanish subsidiaries through their incorporation into the cash pool system already existing at Indra, as well as the integration of the treasuries of foreign subsidiaries through the unification of bank relationships.

As a consequence of these actuations, from the first moment it has been achieved the taking of control, centralisation of the treasuries of the integrated companies, and homogenisation of policies and procedures regarding the treasuries of all Spanish and foreign subsidiaries were carried out. Likewise, the treasury was streamlined, reducing the number of accounts and banks which allows obtaining significant synergies in the financial expenses and human resources allocated to the treasury function.

7. Human resources

The Committee summoned the Company's Human Resources Director, who communicated the main actuations of the human resources area during the 2007 financial year.

With special relevance in this area, the priority during the first semester of the financial year was the task of integrating personnel from Azertia, BMB, and Soluziona, which required, among other issues, a new definition of the organisation, the allocation of people to each management unit and corresponding personnel directly responsible for such, the establishment of resource management tools, the drafting of an integrated training plan, and the management of the work environment in an uncertain atmosphere.

The priority, during the second semester, was managing company operations for the reorganisation of Company businesses, which entailed a negotiation process for the harmonisation of the working conditions of various collectives affected by this process.

Another issue that was analysed was the measures for the contention of a non-desired rotation of a labour market with a high demand for certain profiles.

Likewise, the Human Resources Director informed the Committee about the initiation of a process to review the Company's professional Code of Conduct with a double aim of integrating the standards of conduct of the integrated companies and establishing a framework of conduct under the highest standards, in terms of Corporate Social Responsibility.

8. Internal systems

The Committee met with the Company's Internal Systems Director, who informed the Committee about the aims reached in 2007, among which, it is worth highlighting, like other areas, the actuations performed as a consequence of the corporate operations linked to reorganisation, both in terms of companies and in terms of the Company businesses, after the incorporation of Azertia, BMB, and Soluziona. These actuations were aimed at quickly installing and initiating, within the newly-integrated companies, all corporate management systems, in such a way that, from the first moment onward, all of Company management information was drafted and reported under the same systems and standards.

On the other hand, the Committee was informed about the advances introduced in Company management tools, such as the new functionalities in the project management tool (mainly destined to manage risks and to analyse closing processes) and purchase management tool (management without paper and e-Procurement).

Likewise, the Committee was informed about the drafting and initiation of a new Foreign Trade application for the management of exports and imports, as well as the development of a new system for the control of supply chain management requirements (SCM).

9. Management Control

The Committee reviewed, with the General Director for Corporate Control and Purchases, the situation of the Management Control area, highlighting, within the framework of the Company's risk management policy, the incorporation of a risk management module into the project management application which allows for a clear definition of the risks inherent to projects at the offer stage.

On the other hand, the Committee was informed about the edition of the first version of the Company's Procedure Handbook, which includes the Company's basic procedures, to be ultimately sent to all of the subsidiaries, especially to international subsidiaries and those of recent incorporation, for immediate application. An internal audit to ensure compliance is foreseen.

Parallel to this process, the modelling of processes for various organisational units was carried out, in order to configure the Company's risk map, gathering the various internal controls and processes that such carries with it.

10. General Secretariat

The General Secretary introduced to the Committee the organisation of the General Secretariat and the legal consultancy model. Likewise, the Committee reviewed with him the main actuations of the General Secretariat during the 2007 financial year, among which can be highlighted the management of the integration of the legal departments of Azertia and Soluziona, including that of the internal lawyers for foreign subsidiaries of these companies; the adaptation of the organisation of the General Secretariat to the new organisational model of the Company after the integration of Azertia, BMB, and Soluziona; the drafting of a succession plan; and the incorporation of a monitoring function for commercial offers.

11. Management of Industrial and Intellectual Property Rights

The Committee met with the Legal Business Consultancy Director, in order to know of first-hand, the main actuations performed during the management procedure for the intellectual and industrial property rights of the Company (IPRs), being informed about the drafting and publishing of a standardised procedure for treatment of IPRs through the enhancing of its detection, the coordination among the involved units, and the adoption of the best protection criterion. In order to complete this procedure, training activities in the subject were held.

Assessment of efficiency and compliance with the governance rules of the company

As it has been mentioned earlier, after the approval, during the last month of December, of a new wording for the Regulations of the Board of the Company, the assessment of efficiency and compliance with the Company's governance rules is now a competence of the Appointments, Remuneration, and Corporate Governance Committee.

During 2007, as the last financial year in which the Audit and Compliance Committee maintained this competence, within the framework of its obligation to review efficiency and compliance with the Company's governance rules, as well as the adequacy of such scheme to international recommendations and standards of corporate governance and changes in standards, the Committee reviewed the proposals made by the Vice-Secretary of the Board and the Company's General Secretary, in terms of:

- a) The amendment to the drafting of the first paragraph of section 2 of Article 30 of the Corporate Bylaws, replacing the designation of "Executive Committee" with "Delegate Committee".
- b) The amendment of Article 12 of the Regulations of the Shareholders' meeting, in order to add a last paragraph, with the aim of including the possibility of fractioning the vote of the Board, in accordance with the recommendation established in this sense by the Unified Code of Good Governance.
- c) The amendment of the Regulations of the Board of Directors, with the main aim of adapting its wording to the recommendations of the Unified Code of Good Governance.

After its analysis, the Committee gave its approval to the proposed changes, favourably informing the Board of Directors of such. The Board approved them, and with regard to the amendment of the Corporate Bylaws and the Regulations of the Shareholders' meeting, it submitted such proposal for approval during the Ordinary Shareholders' Meeting.

Regarding the assessment of compliance by the Company with its governance rules, the General Secretary communicated that, during the 2007 financial year, there were no non-compliances regarding such. Regarding the Internal Regulations for Conduct, no irregularities were detected, either regarding operations with Company securities or the treatment of privileged information, especially during the negotiation of operations for the acquisition of Azertia, Soluziona, and BMB.

On the other hand, the Committee reviewed and favourably informed the Board about the Annual Report on Corporate Governance corresponding to the 2006 financial year, of which, as in previous years, two versions were issued: on one hand, a conformity report with the model contained in Circular 1/2004 of the CNMV, developing the Transparency Law, and on the other hand, an additional and voluntary report, as a summary and complement to the previous one.

Actuation lines foreseen for 2008

In accordance with the Calendar session for 2008, which was approved by the Committee at the beginning of the present financial year, such has foreseen to hold eight ordinary sessions, in which, apart from the issues recurrently reviewed every year, special emphasis is intended in the monitoring of the Company's risk control, based on the Risk Map drafted by the Company itself. On the other hand, the Committee wants to reinforce the monitoring of the adoption, by the Company's management team, of the recommendations effected by the Internal Audit, which will fall within the framework of its revisions.

Company Bylaws

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

Article 2.

1. The Company has as corporate purpose:

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

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

c) The provision of outsourcing services related to any kind of activities or processes in connexion with any field or sector.

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

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

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

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

Article 5. The Company's capital amounts to 32,826,507.80 € (THIRTY TWO MILLION EIGHT HUNDRED AND TWENTY SIX THOUSAND FIVE HUNDRED AND SEVEN EUROS WITH EIGHTY CENTS), represented by 164,132,539 ordinary class shares, of par value 0.20 € (TWENTY CENTS OF EURO) each, numbered consecutively from 1 to 164,132,539, both inclusive, and represented by means of book entries.

The share capital is entirely subscribed and paid.

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

Article 6. A share confers on its rightful holder the status of shareholder and shall entitle the shareholder to a right to share in the Company's profits, rights of pre-emption and a right to vote at General Meetings, as provided for in Article 48 of the Spanish

Corporations Act, as well as any other rights therein acknowledged. The aforementioned rights shall be exercised in accordance with Articles 25 and 41 of Royal Decree 116/92 of 14 February, or by such provisions which may replace them.

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

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

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

Article 7. The shares are indivisible. Co-owners are obliged to designate one sole person to exercise the rights of a shareholder, and are jointly and severally liable to the Company for such obligations, pursuant to Article 66 of the Spanish Corporations Act. In addition, shares held in co-ownership shall be registered in the appropriate book register against the names of all the co-owners.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Article 20. The Minutes of the sessions of the Shareholders Meetings shall be compiled by the Secretary, and a list of those in attendance shall appear in the heading, pursuant to Article 111 of the Act, and shall contain a summary of the discussions, the literal text of the resolutions adopted and the results of the votes taken. The Minutes shall be transcribed in the corresponding Minutes Book especially reserved for Shareholders Meetings and must be approved by those in attendance at the end of the session, or within the period of the fifteen days following, by the Chairman and two shareholders who shall act as scrutineers, one representing the majority and the other the minority, and they shall be signed by the Chairman and Secretary of the Shareholders Meeting, as well as the two shareholders who acted as scrutineers, where appropriate.

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

Article 21. The Company Management is entrusted to the Board of Directors which shall act as a collegiate body. To be appointed a Manager or a Director, it is not necessary to be a shareholder. The Board of Directors shall be composed of a minimum of eight members and a maximum of sixteen, and the Shareholders Meeting shall decide the exact number.

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

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

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

Article 23. The Board of Directors shall meet in accordance with the regulations that the Board itself approves, pursuant to the power conferred on it by Article 141.1 of the Spanish Corporations Act, which is, at least, once a year. With the exception of those cases in which, pursuant to said power, an alternative is established, the calls shall be made by the Chairman at least two days prior to the date on which the

meeting shall be held. Providing that a meeting has been requested by one third of the members of the Board, the Chairman shall not delay the call for more than thirty days as from the date on which the request was made in writing.

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

With the exception of those cases wherein specific attendance requirements have been laid down in relation to quorums, the Board of Directors shall be deemed quorate when one-half plus one of the Directors are in attendance, whether in person or by proxy. Resolutions shall be adopted by a majority of votes of those Directors in attendance, whether in person or by proxy; in the case of a tie, the Chairman of the Board of Directors shall have a second or casting vote. However, when such resolutions refer to the appointment of Managing Directors or permanent delegation of authority of the Board, these resolutions shall require the favourable vote of two-thirds of the members of the Board of Directors.

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

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

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

Article 26. The Board of Directors is the management body of the Company and represents the Company, in litigation and otherwise, in all matters pertaining to its business activities, its trading activities, and its objects, and it is, therefore, entrusted with all the powers and authority which it may require in order to fulfil the objectives of the Company, to exercise the management of the Company at the highest level with the broadest powers possible, without prejudice to sovereignty reserved, by law and these Bylaws, for the Shareholders Meeting, whose resolutions the Board must comply with. By way of illustration and not limitation, and not requiring any further resolutions of the Shareholders Meeting, the Board of Directors has the power:

- a) To call Annual and Special Shareholders Meetings and perform all the resolutions approved by the same.
- b) To manage and organize the Company and such business activities and property which comprise its Assets, and to attend to the management of the same at all times.
- c) To appoint and dismiss all the Company personnel, setting their salaries and any other pertinent benefits.
- d) To submit those projects to the Shareholders Meeting, which it considers as useful to the Company.
- e) To introduce and expand the Company's business activities in relation to all or any of the objects stated in the second Article of these Bylaws.
- f) To accept credit and loans from banking and other institutions, including providing mortgage or pledge security and to act as guarantor or surety for third-party liabilities.
- g) To produce the annual Balance Sheet which is to be presented to the Shareholders Meeting, on the relevant report from shareholder-auditors, where appropriate, and to propose such part of the earnings as it may deem appropriate to be applied to discharge accounts and amortizations, pending obligations and all kinds of reserves. h) To make a proposal to the Shareholders Meeting regarding the dividends to be paid to the shareholders, according to the balance in said Balance Sheet.
- i) To distribute interim dividends from the earnings of the current financial year, after complying with the provisions in Articles 213 and 216 of the Spanish Corporations Act.
- j) To buy, sell, exchange, lease and in any other way enter into contracts in relation to all types of real and personal property, real rights and special properties, as well as over any service or installation work which may be necessary to the objectives of the company, to create, restructure and cancel mortgages and all types of real rights.
- k) To present offers and proposals at public tenders and auctions called by any Ministry or Official Bodies of the State, Province, Municipal Council, Regional Government Authorities and the Department of Social Security, as well as any other public or private bodies, both in Spain and abroad.
- l) To create deposits, sureties and all kinds of security with the State, Tax Authority and the General Depositary Office and any other public or private bodies, as well as to cancel them, receive any amounts and to make all kinds of payments.

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

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

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

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

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

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

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

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

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

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

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

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

Article 30.

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

2. The Board may thereby appoint from its directors a Delegate Committee with management and general representation powers, as well as other committees entrusted with competences in specific matters or issues.

In no case, it will be delegated the powers that cannot be delegated in accordance with the Law, and those established in the rules that the Board approves in light of its powers arising from article 141.1 of the Spanish Corporations Act.

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

The Audit and Compliance Committee will appoint a President among its members. The duration of its term in office will be of four years maximum, and may be re-elected once a period of one year after its cessation has elapsed. It will also designate a Secretary that will not necessarily be a member of the Committee. Without prejudice of other tasks that the Law, the General Meeting or the Board of Directors may assign it, the Audit and Compliance Committee will have the following basic functions:

- a) Inform the General Shareholders Meeting about the issues that the shareholders raise in matters falling within the scope of the Committee's competencies.
- b) Submit to the Board the proposals for the appointment of the external auditor and related contractual terms, the scope of the mandate and, in its case, the revocation or non-renovation.
- c) Liaise directly with the external auditors, evaluate the development and results of their works paying special attention to those issues that may risk the auditors' independence and any other issues related with the development process of the financial audit, as well as any other communications set forth in the legislation of the financial audit and in the technical audit rules.
- d) Supervise the performance of the Company's internal audit.
- e) Acknowledge and check the adaptation and integration of the financial information process and of the internal control systems.

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

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

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

Article 31. The financial year of the Company will coincide with the natural year.

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

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

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

Article 33. The profit from each financial year shall be the balance as shown in the Profit and Loss Account for the same period, and shall be distributed in the following way: a) A sufficient amount shall be set aside for the Company's tax liabilities.

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

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

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

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

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

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

Regulations for general shareholders' meetings

Chapter I. PRELIMINARY

Article 1. The relationship of the Company with its Shareholders.

Chapter II. CALLING OF THE MEETING

Article 2. Types of General Shareholders' Meetings

Article 3. Procedure and notice period

Article 4. Agenda

Article 5. The shareholders' right to information

Chapter III. ATTENDANCE AT THE MEETING

Article 6. Right to attend

Article 7. Accreditation as a shareholder

Article 8. Proxy

Chapter IV. HOLDING AND CONDUCT OF THE MEETING

Article 9. Place and quorum of attendance

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

Article 11. Participation of the shareholders at the Meeting

Article 12. Voting of the resolutions

Article 13. Conflicts of interest with shareholders

Chapter V. MINUTES OF THE MEETING

Article 14. Minutes of the Meeting

Chapter I. PRELIMINARY

Article 1. The relationship of the Company with its Shareholders.

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

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

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

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

Chapter II. CALLING OF THE MEETING

Article 2. Types of General Shareholders' Meetings

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

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

Article 3. Procedure and notice period

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

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

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

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

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

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

Article 4. Agenda

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

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

Article 5. The shareholders' right to information

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

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

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

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

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

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

Chapter III. ATTENDANCE AT THE MEETING

Article 6. Right to attend

All shareholders who can accredit ownership of at least 100 shares at least five days in advance of the date scheduled for the meeting may attend the General Shareholders' Meeting or, should said number of shares be in excess of 1/1000 of the Company's capital stock, such lesser number of shares that represents said 1/1000. Shareholders who hold a lesser number of shares may delegate the representation of said shares to a shareholder that is entitled to attend, or may pool their shares together with those of other shareholders in order to reach the required minimum. This pooling arrangement shall be undertaken specifically for each Meeting and shall be made in writing. Shareholders that pool their shares in this manner shall confer their representation on one of them.

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

Article 7. Accreditation as a shareholder

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

Article 8. Proxy

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

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

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

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

Chapter IV. HOLDING AND CONDUCT OF THE MEETING

Article 9. Place and quorum of attendance

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

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

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

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

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

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

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

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

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

Article 11. Participation of the shareholders at the Meeting

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

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

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

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

Article 12. Voting of the resolutions

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

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

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

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

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

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

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

Those who represent within the Shareholders' Meeting more than one shareholder may fragmentise the sense of their vote, in accordance with the instructions they may have received from the shareholders they represent.

Article 13. Conflicts of interest with shareholders

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

Chapter V. MINUTES OF THE MEETING

Article 14. Minutes of the Meeting

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

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

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

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

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

Regulations for the Board of Directors and its committees

Section I. General aspects of the Regulations

Section II. Mission of the Board

Section III. Composition of the Board

Section IV. Board Positions

Section V. Functioning of the Board

Section VI. Committees of the Board

Section VII. Appointment and removal of directors

Section VIII. Director information

Section IX. Remuneration of directors

Section X. Duties of directors

Section XI. Transactions with directors and shareholders

Section XII. Board relations

Section I. General Aspects

Article 1. Purpose.

1. The purpose of these Regulations is to regulate the business principles and operating standards of the Board of Directors of Indra Sistemas, S.A. (Indra) and its Committees, in accordance with the applicable legal provisions and its Bylaws, as well as by observing the best national and international practices of corporate governance.
2. The standards of conduct set forth in these Regulations for directors will also apply, to the applicable extent, to the Secretary and Vice Secretary of the Board, as well as to the company's Senior Management.
3. The company considers "Senior Management" as its executive directors and managing directors. The Board may assimilate this status to other directors outside such categories by virtue of the obligations set forth in these Regulations or in accordance with Corporate Governance recommendations.

Article 2. Construction.

1. These Regulations are to be construed in conformity with the applicable legal and statutory regulations and the principles and recommendations of Corporate Governance in force in the markets in which the company operates.
2. The Board is responsible for clarifying any content and resolving any queries that may arise as a result of the construction and application of these Regulations.

Article 3. Validity and modification.

1. These Regulations will enter into force on the date established by the approval agreement or by any subsequent modifications made by the Board.
2. These Regulations may be modified at the request of the Chairman of the Board, the Appointments, Remunerations and Corporate Governance Committee, or one third of the directors. In any case, proposed modifications must be accompanied by a justification thereof.
3. Any proposed modifications must be reported in advance by the Appointments, Remunerations and Corporate Governance Committee.
4. The text of the proposal, along with the aforementioned Committee report, must be attached to the invitation to the Board meeting to decide on the modification of these Regulations.

Article 4. Distribution.

1. All directors, senior management and any other persons subject to these Regulations are obligated to learn, assume, fulfil and ensure the fulfilment hereof. To this effect, the Secretary of the Board must provide all such persons with a copy of these Regulations.
2. The Board will adopt all the necessary measures to ensure shareholders, markets and general investors are aware of these Regulations. To this end, these Regulations will be communicated to the Shareholder's Meeting, published on the Company website, advertised through legal publicity channels and sent to the relevant registers and competent supervising authorities.

Section II. Mission of the Board

Article 5. Functions of the Board.

1. Besides the powers of the Shareholder's Meeting, the Board is the company's highest ranking administrative body.
2. The Board focuses its activities on the general function of supervision, monitoring that the executive bodies and the management team, responsible for the ordinary running of the company, act according to the approved strategies and following the set targets.
3. The Board may not delegate any powers of which it is not legally or statutorily authorised to have direct knowledge. Similarly, the Board may not delegate other powers necessary for the proper performance of its general supervision, such as the approval of:
 - a) General Company strategies and, where appropriate, specific strategic plans, including annual budgets and targets.
 - b) General risk management policy and the creation of control and information systems adapted thereto.
 - c) Financing, treasury shares and shareholder remuneration policy.

- d) The corporate structure of activities integrated into the Company.
- e) Operations involving the purchase and availability of Company assets and corporate transactions over 30 million euros.
- f) Related transactions, in conformity with the law and with the provisions set forth in these Regulations.
- g) The creation or acquisition of shares in special purpose entities or entities based in countries or regions considered as tax havens, including any other similar transactions that may reduce the transparency of the group.
- h) Operations tantamount to the liquidation of the Company.
- i) Transformation of the Company into a shareholder entity through the subsidiarisation of its business and activities.
- j) Company policy on information and communication with shareholders, markets and general public opinion, in particular:
 - i) the formulation and approval of information published annually by the Company, along with the annual accounts subject to approval by the Shareholder's Meeting
 - ii) the approval of financial information the Company has to publish periodically in accordance with the current legislation
- k) Directors' remuneration proposals and the determination of the resulting amounts in accordance with the Company's Bylaws and the relative Shareholder's Meeting resolutions.
- l) The appointment, terms and conditions of contract -particularly including indemnity clauses- remuneration, dismissal and control of Senior Management.
- m) General Corporate Responsibility policies.
- n) Policies regarding corporate responsibility and the rules governing the internal operations of the Board and its Committees, including any evaluation of the quality and efficiency of its functions and activities.
- o) Any others specifically set forth in these Regulations.

Without prejudice to the aforementioned, the Board will always consult the Shareholders' Meeting with regard to decisions concerning any such competences that may be particularly influential on the direction of the Company, and will subject such decisions to the approval or ratification of the Meeting if and when appropriate.

4. The Board will adopt suitable measures to ensure that:

- a) no person or group of persons holds any powers of decision not subject to checks and balances.
- b) no shareholder receives preferential treatment over the others.

Article 6. Creation of value for shareholders.

1. The criteria that must prevail at all times in the conduct of the Board of Directors are the development and growth of the company, as well as the creation of value for company shareholders following criteria of sustainability and long-term outlook.
2. The Board must encourage company management to pursue company development and growth following the indications in the previous paragraph, and that it is given the proper incentives to do so.

Article 7. Other interests.

1. The creation of value in the interest of shareholders would need to be developed by the Board in respect of the requirements imposed by Law, satisfying all contracts and commitments with customers, employees, suppliers, financial backers and other groups of interest to the Company in good faith, while ensuring business in general is conducted responsibly.
2. The Board must also ensure that the Company applies the adopted principles of Corporate Responsibility.

Section III. Composition of the Board

Article 8. Types of directors.

1. Directors may be executive or external.
2. Considered as executive directors are Chief Executive Officers and other directors who, under any title, carry out management roles within Indra or in companies under the control thereof.
3. Considered as external directors are all directors not in the executive category. Similarly, external directors may hold the roles of (i) controlling directors, (ii) independent directors or (iii) other external directors.
 - 3.1. Controlling directors are those who hold or who represent a share holding equal to or greater than the amount considered legally significant, or who have been appointed due to their status as shareholders, either directly or through a representative, although their share holding was insignificant.
 - 3.2. Independent directors are those who have been appointed based on their personal or professional status and who may perform certain functions without their independent status being affected by relations with the Company, its major shareholders or its executives.

To evaluate the aforementioned status of independence, the Board will follow the current recommendations and practices in regard to Corporate Governance, as well as any other relevant criteria.
 - 3.3. Other external directors are non-executive directors who, in conformity with the provisions of this article, cannot be considered as either significant shareholder or independent directors.
4. The nature of each director is explained by the Board before the Shareholders' Meeting, which must either finalise or ratify the appointment thereof. Similarly, on an annual basis and upon verification by the Appointments, Remunerations and Corporate Governance Committee, the Board will confirm or, if applicable, review the nature of each position, providing a record thereof in the Annual Report on Corporate Governance.
5. Similarly, the Annual Report on Corporate Governance should identify the reasons for which:
 - i) controlling directors were appointed to represent shareholders with a holding less than that considered legally significant
 - ii) no responses were given to formal requests put to the Board from shareholders with a holding equal to or greater than others who were appointed as controlling directors.

Article 9. Qualitative composition.

1. The Board, in exercising its rights of proposal to the Shareholder's Meeting and of co-option for the provisional cover of vacancies, will act under the principle that external directors represent a wide majority over executive directors.
2. Similarly, within the group of external directors, the Board should seek to appoint the representatives of shareholders with a significant stake in the company as controlling directors.
3. In order to establish a reasonable balance between controlling directors and independent directors, the Board must focus on the company shareholder structure, considering, in absolute and comparative terms, the importance of share holdings, as well as the degree of permanence and strategic company connections of the holders thereof.
4. The Board, along with the Appointments, Remunerations and Corporate Governance Committee, must especially seek to ensure that the criteria and policies used in the selection of persons to be appointed as director focus on the existence of a natural diversity among Board members.

Article 10. Quantitative composition.

1. The Board of Directors will be made up of a number of directors determined by the Shareholder's Meeting, within the maximum and minimum limits set by the company Bylaws.
2. The Board should propose to the Shareholder's Meeting the number of directors, according to the different company circumstances, considered most suitable to ensure shareholders receive due representation and the body is run effectively.

Section IV. Board Positions

Article 11. Chairman of the Board.

1. The Chairman of the Board will be elected among board members. If the Chairman should be given the status of Company Executive, the Board will delegate the necessary powers to ensure the role is effectively fulfilled.
2. The Chairman of the Board will manage the chairmanship and representation of the company's governing and administrative bodies in accordance with the provisions of the current legislation, the Bylaws and the present Regulations. Similarly, he/she may delegate all or part of his/her powers within the applicable legal and statutory limits.
3. The Chairman has the power to call forth the Board of Directors, draw up the agenda and direct discussions.
4. The Chairman must ensure that all directors receive adequate information on the matters to be discussed well in advance of Board meetings; he/she must encourage the active participation of the directors and direct Board meeting discussions, standing by his/her position and expression of opinion and keeping the Board running effectively at all times.
5. If voting should be tied, the Chairman will have the final vote.
6. The Board will be called once a year to appraise the work of the Chairman of the Board in his/her position as Chairman and, separately, should he/she hold such position, as chief executive. If the Chairman should fail to call the annual meeting, it will be called by the Vice Chairman, appointed from among the independent directors. In such case, the discussions at the aforementioned appraisal, the Board will not be chaired by the Chairman, but by the Vice Chairman.

Article 12. Vice Chairman of the Board.

1. The Board must appoint a Vice Chairman from among the independent directors, and may also appoint other Vice Chairmen.
2. Unless clearly expressed otherwise, in the absence of the Chairman, the role will be filled by the Vice Chairman to be named in each instance by the Board and, if an agreement cannot be reached, by the oldest director.
3. The Vice Chairman appointed from among the independent directors will be in charge of:
 - i) calling the Board or including new points on the agenda, in accordance with the provisions of articles 11.6 and 14.2 of these Regulations
 - ii) chairing the Board meeting described in article 11.6
 - iii) coordinating and bringing forward any concerns of the external directors and, in particular, of the independent directors.

Article 13. Secretary of the Board.

1. The functions of Secretary and lawyer/adviser of the Board must be performed by a person appointed by the Board. The role of Secretary of the Board must not necessarily be filled by a director. If such role should include counsellor/adviser, it must be appointed to a legal professional with proven status and experience. The appointment, remuneration and removal of the Secretary must be approved by the Board, based on a report from the Appointments, Remunerations and Corporate Governance Committee.
2. The Secretary will assist the Chairman in his/her duties to ensure the proper functioning of the Board, particularly focusing on providing legal advice to Board members, keeping minute books and any supplementary documentation thereto on file, and recording in said minute books the proceedings of the meetings and the resolutions adopted by each company body.
3. The Secretary of the Board must ensure the material and formal legality of all actions and resolutions of the Board and its Committees and guarantee that its procedures and rules of governance are respected.
4. He will exercise all the functions attributed to him by Commercial legislation and the company Bylaws in relation to the call, constitution, adoption, certification, formalisation and implementation of the Board and its Committees' resolutions.
5. The Secretary of the Board must ensure that the biannual financial report is signed by all directors and duly submitted to the Spanish National Securities Market Commission.
6. The Board may appoint a Vice Secretary to assist the Secretary of the Board in his/her duties or to replace him/her in the event of vacancy or absence. The appointment and removal of the Vice Secretary must be approved by the Board, based on a report from the Appointments, Remunerations and Corporate Governance Committee.

7. In the absence of the Vice Secretary, the duties of the Secretary of the Board will be carried out by a director with legal training; if there should be more than one, the duties will be carried out by the youngest.
8. Unless the Board should decide otherwise, the Vice Secretary will attend all Board meetings.

Section V. Functioning of the Board

Article 14. Meetings of the Board.

1. The Board will draw up an annual calendar of ordinary meetings and will issue a formal list of the matters to be discussed at each one.
2. Without prejudice to the previous paragraph, the Board will be called at the request of the Chairman as often as he should consider necessary for the proper functioning of the Company. The Chairman must call a Board meeting if formally requested to do so by a Vice Chairman or by one third of the directors. If the Chairman should be absent or fail to satisfy such request, the Board meeting may be called by any Vice Chairman.
3. Any director may propose matters to be discussed by the Board and urge their inclusion on the agenda at each meeting.
4. Ordinary meetings may be called by e-mail, post, fax, telegram or any other valid recordable means and must be authorised by the signatures of the Chairman, Secretary or Vice Secretary, the latter two cases by order of the Chairman. Except in the event of emergency or necessity, the meeting must be called at least three days before the date of the meeting.

The call must always be accompanied by the agenda and any other information relevant to the matters to be discussed. If it should be deemed inadvisable by the Chairman for reasons of confidentiality, such information will not be included and the directors must be given the chance to examine it on the company premises. Similarly, the directors may request that the Chairman, Secretary and Vice Secretary of the Board provide any additional information they consider necessary to carry out an adequate assessment of the matters to be discussed at the meeting.

5. Extraordinary Board meetings may be called by the Chairman or anyone replacing him/her, by any means, including by telephone. The notice period and other requirements specified in the previous paragraph will not apply, circumstances permitting.
6. Board meetings may be held without the physical presence of Board members by means of videoconference or other remote communication method, keeping a record of all procedures and voting in writing or other valid electronic means.
7. The Board will be called every year to appraise its functioning, the quality of its work and the performance of its members and each of its Committees, which, to that effect, will issue the Board with a report on their functioning during the year.

The appraisal will be organised and coordinated by the Chairman of the Board, together with the Chairmen of the Audit and Compliance Committee and the Appointments, Remunerations and Corporate Governance Committee .

Article 15. Meeting proceedings.

1. Except for cases in which a legal and statutory quorum has been set, the constitution of the Board will be valid with at least half plus one of its members present either in person or in representation. If the Board is made up of an odd number of directors, the quorum will be sufficient if attended by the number of directors immediately above half.

2. If a director is unable to attend a meeting, he/she must seek a representative, who should be empowered to vote unless this is deemed unnecessary by the director. Said representation may be conferred via email, letter, fax, telegram or any other valid and recordable method. Independent directors should seek representation from another director of the same status.

In any case, directors should only fail to attend when it is absolutely necessary. Information is given on attending meetings of the Board and its Committees in the Annual Report on Corporate Governance.

3. Except for cases of a legal and statutory voting quorum, resolutions must be adopted by absolute majority vote.

Article 16. Minutes and deliberations.

1. The matters discussed at meetings of the Board and its Committees must be duly recorded in a minute book which, once approved, must be signed by the Secretary of the meeting and approved by the Chairman or person acting as Chairman.
2. If the directors or Secretary should show reservation or doubt regarding any proposal or the running of the Company which is not resolved at the meeting of the Board, this should be recorded in the minutes, at the request of that person.

Section VI. Committees of the Board

Article 17. Committees of the Board.

1. Without prejudice to individual delegations of power, the Board will make up the following Committees:

- a) Delegated Committee.
- b) Audit and Compliance Committee.
- c) Appointments, Remunerations and Corporate Governance Committee.

The latter two will have powers of information, consultancy and proposal of the Board in matters specified for each one in the following articles.

2. Following a report from the Appointments, Remunerations and Corporate Governance Committee, the Board will appoint Committee members based on the knowledge, aptitude and experience of each director in matters relating to the functions to be carried out by each Committee.

Without prejudice to the aforementioned, the Board will seek to rotate directors between the different Committees.

3. For anything not set forth in these Regulations, the Committees will regulate their functioning and will appoint a Chairman from among their members. Committee secretary roles will be filled by the Secretary or Vice Secretary of the Board.

4. The Committees will be called to meet by their Chairman, at the request of the Chairman of the Board, the Vice Chairman of the Board or half plus one of the Committee members.

The Secretary is responsible for sending out invitations to meetings and any information relating to the issues to be discussed, in conformity with the provisions of article 14.4 regarding the Board.

5. The constitution of each Committee will be considered valid with the majority of its members present either in person or in representation. Resolutions must be adopted by majority vote; if voting should be tied, the chairman will have the deciding vote.

6. The Committees must keep the Board informed of the matters discussed and the resolutions adopted at the meetings. To this end, the chairman of each Committee must report on the proceedings of the first meeting of the Board after the corresponding Committee meeting. With the exception of the Delegated Committee, all decisions made by the Committees must take into consideration any proposed resolutions or reports for the Board.

7. The Committees must draw up an annual action plan and an ordinary meeting schedule, taking into account that other meetings of an extraordinary nature may be held. They must also draw up an activity report. The Board must be informed of all such documents.

8. The Committee meetings must be attended, and collaboration and any information in his/her possession provided by, any member of the Company management team or staff whose presence is requested by the chairman of the corresponding Committee or any member thereof, who may also request that said person attend without the presence of any other executive. Committees may also request the attendance at their meetings of external auditors responsible for the Company accounts.

9. In order to carry out their functions correctly, the Committees may request consultancy from external professionals, to which the provisions of article 27 of these Regulations will apply.

10. The functioning of the Committees of the Board will be governed by the provisions of articles 14 to 16 and all other stipulations in these Regulations related to the functioning of the Board, provided that they are compatible with the nature and function of the Committees and are of benefit to their proper functioning.

11. The Secretary of the Board must send a copy of the minutes from Committee meetings to all members of the Board.

Article 18. Delegated Committee.

1. The Delegated Committee will be composed of a number of directors determined in each case by the Board, with a minimum of four and a maximum of nine. The chairman of the Delegated Committee will be the Chairman of the Board or, if he should not be member, the Chief Executive Officer.

The qualitative composition of the Delegated Committee must reasonably reflect the composition of the Board with an established appointment of roles between the different categories of directors, meeting the criteria indicated in article 9 of these Regulations.

2. The appointment of members of the Delegated Committee and the permanent delegation of powers therein by the Board must receive the vote of at least two thirds of the Board members.

3. Said powers may include all powers of the Board except for those that are non-delegable according to the law, the Bylaws and these Regulations.

4. If made necessary by the importance of the case, at the judgement of the chairman or one third of the members of the Delegated Committee, resolutions adopted by the Committee in exercising its delegated powers will be subject to the ratification of the entire Board.

This will also apply for any matters the Board should send to the Delegated Committee for examination, who will hold the final decision in regard thereto.

In any case, the resolutions adopted by the Delegated Committee will be valid and binding without the need for further ratification by the entire Board.

Article 19. Audit and Compliance Committee.

1. The Audit and Compliance Committee must function according to that established by article 30 of the Company's Bylaws.

2. The Audit and Compliance Committee will be composed exclusively of external directors, the number of which is to be determined by the Board in accordance with the limits set forth in the Bylaws. The Chairman of the Committee must be an independent director, who must be replaced at least every four years and may be re-elected after a period of one year following the moment he left office.

The chairman must be appointed taking special account of his/her knowledge, aptitude and experience in the matters relating to the functions of the Committee.

3. In the absence of the chairman, meetings will be chaired by an independent director named by the Committee and, in his/her default, by any director named by the Committee.

4. In addition to the functions it is assigned under article 30 of the Bylaws, the Audit and Compliance Committee must:

a) Supervise the drafting and integrity of all financial information relating to the Company and, if applicable, to the consolidated group, looking for compliance with regulatory requirements, adequate demarcation of the consolidation perimeter and the correct application of accounting criteria.

b) Serve as a channel of communication between the Board and external auditors, from whom it will receive regular information on the audit plan and the results from the implementation thereof. It must also evaluate the management team's responses to external auditor findings and will arbitrate in the event of any discrepancies in relation to the principles and criteria applicable to the preparation of financial accounts. The Committee should encourage the auditors of the head company of the group to assume the responsibility of the auditors from all the companies therein.

c) Inform the Board, prior to its adoption of the corresponding decisions, of the creation or acquisition of holding companies or companies based in tax havens, and of any other transaction or operation that may reduce the transparency of the Company.

d) Check news circulars for entering stocks onto markets.

e) Inform the Board, prior to its adoption of the corresponding decisions, of any financial information that, due to its listed status, must be published by the Company periodically. The Committee must ensure all quarterly and six-monthly accounts are drawn up following the same accounting criteria as the annual accounts.

f) Establish measures for preserving the independence of external auditors and, to that effect:

i) notify the Board of any change of auditor as a significant event, accompanied by a declaration of the existence of disputes with the departing auditor and, where appropriate, describing their content;

ii) ensure that both the Company and auditors respect the current legislation regarding the provision of services other than auditing, in accordance with the provisions of article 42 of these Regulations;

iii) in the event of resignation of external auditors, examine the circumstances that may have caused it.

g) Monitor the fulfilment of the audit contract, ensuring that the forecast for the annual accounts and the main content of the audit report are drawn up clearly and precisely.

h) Periodically review the Company's internal testing and risk management systems.

- i) Maintain the independence and efficacy of the internal auditing function; propose the selection, appointment, re-election and removal of the internal auditing manager; propose a budget for the service; receive periodic information on its activities; and check that Senior Management takes into account the conclusions and findings of its reports.
- j) Set up and monitor the operation of a procedure that allows employees to notify the Board confidentially of any potential irregularities, particularly of a financial and accounting nature, that may appear within the running of the Company.
- k) Take into consideration any suggestions on Committee-related matters brought forward by Company shareholders, directors and Senior Management.
- l) Exercise all other functions attributed to it by these Regulations or by the Board of Directors.

Article 20. Appointments, Remunerations and Corporate Governance Committee .

1. Appointments, Remunerations and Corporate Governance Committee must be made up exclusively of external directors, with a minimum of three. The majority of its members, as well as the Committee chairman, must be independent directors.
2. In the absence of the chairman, meetings will be chaired by an independent director appointed by the Committee.
3. In any case, the Chairman of the Board, if executive, or the Chief Executive Director must be consulted and called to meetings of the Committee concerning matters relating to Senior Management other than themselves.
4. Without prejudice to any other duties assigned by the Board or the present Regulations, the Committee for Appointments, Remunerations and Corporate Governance must perform the following:
 - a) Report on the composition of the Board of Directors, the professional profiles necessary for the Board and its member selection criteria. The Committee must ensure its selection criteria follow criteria that favour general diversity in the composition of the Board.
 - b) Evaluate the suitability of the knowledge, aptitudes and experience of the persons put forward to form part of the Board and the different Committees in relation to the profiles required, as well as the satisfaction of requirements depending on the nature of the director involved. The Committee must consider any suggestions for candidates to cover Board vacancies put forward by the other members of the Board.
 - c) Submit to the Board, prior to the re-election of directors, a report on their previous performance in the role.
 - d) Check, on an annual basis, that the character with which each director was appointed is retained, which should be mentioned in the Annual Report on Corporate Governance.
 - e) Submit to the Board reports on the process of succession of the Chairman and chief executive, and monitor plans of succession of Senior Management.
 - f) Report proposals for appointments or removals of the Secretary and Vice Secretary of the Board.
 - g) Put forward proposals to the Board, within the deadlines specified in the Bylaws and by agreements with the Shareholder's Meeting, on the system, components and quantity of the directors' remuneration. It must also report on the remuneration of the Secretary, if such role should not be filled by a director.
 - h) Inform the Board of proposals for appointments and removals of Senior Management and report, prior to approval by the Board, their terms of payment and the terms and conditions of their work contracts with the Company, including indemnity clauses for eventual severance.
 - i) Submit to the Board a report on the annual evaluation of the performance of Senior Management, including the Chairman, if executive.
 - j) Present, before it can be drafted by the Board, an annual report on remuneration policy to be submitted to the Shareholder's Meeting, in accordance with the provisions of article 29 of these Regulations, as well as any information made public by the Company relating to remuneration.
 - k) Submit to the Board a report on the annual evaluation of the Chairman of the Board.
 - l) Notify the Board in advance of any transactions connected to directors, significant shareholders or shareholders with representation on the Board, Senior Management, or any person associated with them, which must be subject to the approval of the Board.
 - m) Perform a periodic analysis of the degree of adaptation of Company rules, procedures and practices in Corporate Governance to national and international standards, recommendations and best practices in this area.
 - n) Annually evaluate the efficiency of and compliance with the Company's rules and procedures of Corporate Governance and revise all information related thereto in advance, which the Board must then approve and include in its annual public report.

- o) Submit to the Board any changes it considers necessary to Company rules on Corporate Governance, indicating the reasons for such changes.
- p) Submit to the Board, prior to its approval, any information made public by the Company in relation to matters concerning the Committee.
- q) Take into consideration any suggestions on Committee-related matters brought forward by Company shareholders, directors and Senior Management.

Section VII. Appointment and removal of directors

Article 21. Appointment and designation of directors.

1. Directors must be designated, re-elected or ratified by the Shareholder's Meeting or the Board, in conformity with the provisions of the Spanish Public Limited Companies Act [Ley de Sociedades Anónimas] and the Bylaws.

2. Proposals for the appointment, re-election and removal of directors subjected by the Board for the consideration of the Shareholder's Meeting, and decisions on provisional appointments adopted thereby by virtue of the powers of co-option bestowed upon it by law, must be preceded by the corresponding report from the Committee for Appointments, Remunerations and Corporate Governance in the case of independent directors and by a report from said Committee in all other cases. In the case of independent directors, the provisions of section 3.2, article 8 of these Regulations must be taken into special consideration.

If the Board should overlook the recommendations of the Committee for Appointments, Remunerations and Corporate Governance, it must provide reasons for its actions which must be recorded in the minutes.

3. Proposed appointments must be persons of recognised personal and professional solvency, with sufficient capacity for dedication to the role and with no other interests that may be incompatible with it.

If the director should be a legal person, the director suitability criteria specified in these Regulations will apply to the physical person whom he represents, who will be personally subjected to obligations of confidentiality, loyalty and diligence established for directors under Spanish law, in the Bylaws and in these Regulations.

4. The Board and the Appointments, Remunerations and Corporate Governance Committee, within the scope of their respective competencies, should exercise strictness in relation to any persons called forward to cover independent director positions.

5. The Board must propose to the Shareholder's Meeting that each of the proposals for the appointment or re-election of directors be put to vote.

Article 22. Duration of the term of office.

Directors must perform their role for the period set forth in the Bylaws and may be re-elected. In any case, the Board must apply suitable criteria for the periodic renewal of independent directors.

Article 23. Re-election of directors.

All proposals for the re-election of directors which the Board decides to submit to the Shareholder's Meeting must be subject to a formal process equal to that used in the appointment of new directors, in accordance with the provisions set forth in these Regulations.

Article 24. Removal of directors.

1. Directors must leave their position when dismissed by the Shareholder's Meeting, when they submit their resignation to the Company or once their designated term in office has expired, with the application of the provisions pursuant to article 145 of the Spanish Companies House [Registro Mercantil] Regulations.

In the exceptional event that the Board should propose the removal of an independent director before the end of his/her designated term of office, said proposal must be accompanied by a relative justification and a report from the Appointments, Remunerations and Corporate Governance Committee.

2. Directors found in any of the circumstances indicated below must notify the Company of such as soon as possible:

- a) Those involved in any of the cases of incompatibility, prohibition or cause for removal or resignation specified under Spanish law.

- b) Those having seriously violated their duties as director or carried out actions or fallen into omissions that go against the diligence and responsibility with which they should perform the role.
- c) Those whose permanence in the role may jeopardise the interests of the Company or have a negative effect on the credit or reputation thereof or on the functioning of the Board.
- d) When the reasons for which they were appointed should disappear.
- e) Those who cannot maintain the necessary dedication to effectively perform the role.
- f) When a shareholder represented by controlling directors should sell his/her entire holding or reduce it to a level that requires a reduction in the number of controlling directors assigned in representation of the interests thereof.
- g) Those involved in or entering into criminal or administrative proceedings that may carry a disciplinary sanction for serious or very serious misconduct issued by Stock Market administrative authorities, which could seriously jeopardise the credit and the reputation of the Company.
- h) In the case of independent directors, those whose conditions or circumstances should change, thus nullifying their independent nature.
- i) In the case of executive directors, those removed, for any reason, from executive positions with which their appointment as director was associated.

3. Directors, regardless of the nature with which they were appointed, must make their position available to the Board under the conditions specified in the previous section and, at the request of the Board, submit their resignation.

If any director should fail to satisfy a Board requirement, the Board may forward a proposal for the dismissal thereof to the Shareholder's Meeting.

4. If any director should resign from his/her position before the end of his/her agreed term of office, he/she must explain his/her reasons for resignation in a letter sent to the other members of the Board.

The Company must describe the reasons for the removal of any directors before the end of their agreed term of office in its Annual Report on Corporate Governance.

Article 25. Objectivity and confidentiality of voting.

1. Any directors personally affected by proposals of appointment, re-election or dismissal must not participate in deliberations and voting in relation thereto.
2. If it should be deemed necessary by the Chairman or requested by the majority of attendees, voting procedures relating to the appointment, re-election or dismissal of directors may be held confidentially.

Section VIII. Director information

Article 26. Powers of information,

1. The director will hold powers of information in regard to any aspect of the Company, is authorised to examine its books, registers, documents and any other records of company operations and may inspect all of its facilities. This right of information extends to subsidiary companies on both a domestic and foreign level.
2. In order not to disrupt the ordinary management of the Company, the exercise of powers of information must be channelled through the Chairman of the Board, who shall attend to director requests by directly facilitating information, and providing the appropriate mediators from within the organisation or arbitrating in measures to grant access to the desired information.
3. In exceptional cases, as a temporary measure, the Chairman may restrict access to specific information, in which case he must notify the Board of his/her decision.
4. Any director may attend, with voice but without voting rights, meetings of Board Committees of which he is not a member, at the invitation of the Chairman of the Board or the chairman of the respective Committee.
5. The Board must facilitate director access to continuously updated information on the Company, as well as its rules of Corporate Governance.

Article 27. External consultancy.

1. In order to receive the best possible information and consultancy in exercising its functions, directors may request the assistance, through the Company, of legal or financial advisors, accountants or other professional experts.

Such appointments should only be made in regard to specific director issues that arise in performing the role.

2. The decision to appoint such experts must be communicated to the Chairman and may be vetoed by the Board if it should be proven:

- i) that it is not necessary for the functions assigned to directors to be carried out thoroughly;
- ii) that the cost required is not rational given the significance or the extent of the problem;
- iii) that the assistance or advice requested may be adequately provided by experts and professionals within the Company.

Article 28. Board Advisors.

The Board of Directors may appoint permanent consultants, either individually or as members of a Board of Advisors. If necessary, given the nature of a specific issue, the Chairman, through his/her own initiative or at the request of a Vice Chairman or one third of the Board members, may request the attendance of such advisors at meetings of the Board or its Committees; in the latter case, the chairman of the Committee may also be called to attend.

Section IX. Remuneration of directors

Article 29. Remuneration of directors.

1. The remuneration of members of the Board is to be determined by the Shareholder's Meeting in conformity with the provisions of the Bylaws. The Board, in conformity with said provisions and based on a report from the Appointments, Remunerations and Corporate Governance Committee, must put forward the corresponding proposals to the Shareholder's Meeting and issue to its members, following set criteria, the specified payment amounts.

2. Director remuneration must be congruous and separate from salaries, remunerations, indemnities, pensions or payments of any type established for executive directors, either individually or on a general level, based on their role or other nature within the Company.

3. The Board, with advice from the Appointments, Remunerations and Corporate Governance Committee, must ensure that the remuneration of external directors is sufficient to compensate for the dedication, qualification and responsibility that the position holds, but at the same time does not constitute, in the case of independent directors, an obstruction to their independence.

If the proposed director remuneration should include the allocation of shares, the conditions must specify that the directors retain the ownership of such shares until their term of office ends.

4. The Board must draw up, after the date of the proposal put forward by the Committee for Appointments, Remunerations and Corporate Governance, an annual report on its director remuneration policy, specifying the criteria and foundations on which to determine such remunerations and the corresponding amounts for both the period in which the report is drawn up and, if applicable, for the subsequent periods, taking into account any relevant recommendations and the application of best practices.

5. The report drawn up by the Board, described in point 4 above, must be made available to shareholders and submitted annually to the Shareholder's Meeting.

6. Without prejudice to the provisions of the law, the Board, based on a report from the Committee for Appointments, Remunerations and Corporate Governance, must give its annual approval of information on director and Senior Management remunerations made public by the Company in the Annual Accounts Summary and Annual Report on Corporate Governance, with a breakdown of each item and the degree of individualisation in each case.

Section X. Duties of the director

Article 30. Duty of loyalty and diligent management.

1. In accordance with the provisions of Section II of these Regulations, the function of the director must be aimed at optimising and maximising the long-term, sustainable value of the Company.
2. The director must perform his/her role with the diligence of an organised business person and a loyal representative, and must:
 - a) Gain an in-depth knowledge of the situation and development of the Company, taking care to prepare meetings of the Board and Committees to which he belongs.
 - b) Attend meetings of the bodies of which he/she forms part and participate in the decision-making process.
 - c) Urge the issue of calls to extraordinary Board meetings or the inclusion of matters into the agenda of the first meeting to be held, whenever necessary in the interests of the Company.
 - d) Clearly express his/her objection to any proposals submitted to the Board that he believes go against the interests of the company or which may prejudice Company shareholders.
 - e) Learn the obligations and limitations by which he/she is affected and fulfil his/her duties of communication and information to the Spanish National Securities Market Commission and any other monitoring and controlling bodies, in accordance with the applicable legislation.
 - f) Carry out any specific assignment at the request of the Board or its Committees.

Article 31. Duty of secrecy and confidentiality.

1. All directors, including after leaving their roles, must keep secret all information, data, documentation or records of a confidential nature of which they may be aware as a result of performing their role, ensuring they are not divulged or communicated to third parties.
2. Directors will be exempt from the duty of secrecy described in point 1 above in the following cases:
 - a) When permitted by the law in force, provided that in doing so they are not harming the interests of the Company.
 - b) When requested by the competent authorities or under legal obligation to issue information which they are supposed to keep secret in conformity with the provisions of this article. In such cases, the information must be disclosed according to the provisions of the applicable legislation.
3. If the director should be a legal person, the duty of secrecy will apply to the representative thereof, without prejudice to his/her obligation to inform the client.

Article 32. Duty of loyalty.

1. All directors must fulfil the duties of loyalty stipulated under Spanish law and in the Bylaws and, moreover, will have the following obligations:
 - a) Directors may not make use of Company assets unless they are repaid in full; similarly, Company assets may not be used for personal financial gain.

In exceptional cases, directors may be exempt from the obligation to make such repayment, however, the resulting financial gain will be considered as an indirect remuneration and must be authorised by the Board, following a report from the Appointments, Remunerations and Corporate Governance Committee.
 - b) Directors may not use any non-public Company information for private purposes without prior authorisation from the Board, who must first request a report from the Appointments, Remunerations and Corporate Governance Committee.

The aforementioned must be understood without prejudice to the applicable regulations in each case from the Internal Code of Conduct in Matters Relating to the Company Stock Markets.
 - c) Directors may not take personal gain from investments or any other operations connected to Company assets of which they may have knowledge as a result of the performance of their role if the investment or operation should have been offered to the Company or if the Company itself should be interested in carrying it out, unless such investment or operation should have been rejected by the Company without any mediation from the director.

d) Directors must inform the Company of any event or situation that may harm the Company reputation and, in particular, any criminal matters in which they may be involved, including the opening of administrative procedures which may carry a disciplinary sanction due to serious or very serious misconduct issued by Stock Market administrative authorities, as well as any subsequent trial proceedings.

e) Directors may not use the name of the Company or invoke their status as manager thereof to carry out personal operations.

Article 33. Conflicts of interest.

1. Directors must inform the Board of any situation of direct or indirect conflict that may arise in the interests of the Company, particularly including any shares in Company stock or, the performance of any role for or the provision of any service to other companies or entities which are or may become competitors of the Company or which may become involved in a conflict of interest with the Company.

2. In the cases specified in point 1 above, the Board, following a report from the Appointments, Remunerations and Corporate Governance Committee, may request that directors adopt any measures it considers necessary to preserve the interests of the Company. If the director should fail to satisfy this request, the Board may issue a proposal to the Shareholder's Meeting for his/her dismissal.

3. Directors must refrain from hearing and intervening in any deliberations, decisions and resolutions involving matters in which they have a conflict of interest.

4. The Company must make public any conflicts of interest in which directors may be involved under the terms pursuant to the applicable legislation.

Article 34. Dedication.

Directors must dedicate the necessary time and effort to carry out their functions correctly. To this end, they must inform the Board of any other activities that may significantly affect their dedication as a director of the Company.

Article 35. Indirect operations.

The regulations set forth in the present Section X apply to all companies and persons associated with the director under the terms pursuant to the legislation in force.

Article 36. Duties of the Secretary and Vice Secretary of the Board.

The regulations set forth in the present Section X also apply to the Secretary and Vice Secretary of the Board, on the supposition that they are not directors, to the extent considered reasonable to perform their functions.

Section XI. Transactions with directors and shareholders

Article 37. Related transactions.

1. The Board, based on a report from the Appointments, Remunerations and Corporate Governance Committee and prior to its execution, must be aware of and give authorisation for any transaction carried out by the Company either directly or indirectly with its directors, significant shareholders or representatives of the Board, Senior Management, the Secretary or Vice Secretary of the Board or any persons connected -in conformity with their legal definition- thereto.

Such transactions will be evaluated according to equality of treatment and market conditions.

2. For recurrent operations carried out during the Company's ordinary course of business and under market conditions, the Board must give authorisation in terms of generic operations in each case.

3. The authorisation described in the previous paragraphs will not be necessary, however, under each of the three following conditions:

a) That the transaction is made during the Company's ordinary course of business.

b) That the transaction is carried out under market conditions.

c) That the amount of the transaction does not exceed 1% of the Company's annual consolidated income for shareholder transactions, or 30% of the average annual remuneration per director in all other cases.

4. In exceptional cases, for reasons of urgency, related transactions may be authorised by the Delegated Committee and must receive ratification from the Board at the next meeting.

5. In order for the Company to identify any related transactions in advance, directors must keep the Board informed of any direct or indirect interests or significant influences they may have in companies or entities that have or are likely to enter into commercial or business relations with the Company.

6. Any directors affected by related transactions, as well as refraining from exercising or delegating their vote, must not attend any meeting while the Board or the Committee involved discuss and vote on matters in relation thereto.

For transactions with shareholders subject to the decision of the Shareholder's Meeting, the Board must evaluate whether to recommend that the shareholders involved abstain from voting.

Article 38. Public information.

The Board must issue public reports on related transactions carried out by the Company, satisfying the provisions of the legislation in force at all times. To this end, the Board will have a report from the Appointments, Remunerations and Corporate Governance Committee.

Section XII. Board relations

Article 39. Relations with shareholders.

1. The Board must stimulate and maximise Company communication with its shareholders and will arbitrate the suitable channels for putting forward any proposals they may draw up in relation to Company management.

2. Any public requests for the delegation of votes made by the Board or any of its members must clearly indicate how the representative will vote in case the shareholder should fail to give instructions on subjection, in each case, to the provisions of Spanish law.

Directors may not exercise their right to vote in relation to represented shares if it should be prohibited by the applicable legislation.

3. The Board must encourage the informed participation of shareholders in Shareholder's Meetings and must adopt all the necessary measures so that the Shareholder's Meeting may effectively perform its functions in conformity with the law, the Bylaws and the Regulations for Shareholder's Meeting.

Article 40. Relations with institutional investors.

1. The Board must stimulate the exchange of regular information with institutional investors who form part of the Company shareholder base or are interested in doing so.

2. Under no circumstances may relations with institutional investors involve the disclosure of any non-public information, or put them in a privileged or advantageous situation over the other investors or shareholders.

Article 41. Relations with the markets.

1. The Board must ensure that the Company's public website (www.indracompany.com) is kept up to date; any updated Company information that may be required by law, including any that the Board may consider to be significant in relation to the financial and stock markets.

2. The Board must guarantee the prompt satisfaction of the legislation in force regarding important information, conforming, therefore, with the provisions of the Internal Code of Conduct in Matters Relating to the Company Stock Markets.

3. The Board must approve and make public any information on its rules and practices relating to Corporate Governance, complying in all cases with the provisions of the legislation in force and responding to recommendations and best practices in regard to Corporate Governance.

Article 42. Relations with auditors.

1. Board relations with the Company's external auditors must be channelled through the Audit and Compliance Committee, as set forth in the present Regulations.

Notwithstanding the aforementioned, account auditors must attend a Board meeting at least once a year, in which they must present an audit report for the corresponding annual accounts, in order to give directors direct access thereto at the moment the content and conclusions thereof are presented.

Moreover, the Chairman of the Board may request the intervention of external auditors on the Board if considered convenient or when requested by a Vice Chairman or one third of the directors.

2. The Board must make every effort to submit to the Shareholder's Meeting the Company's annual accounts in an audit report with no reserves or reservations whatsoever; in contrasting circumstances, the Board will request that any used external auditors communicate any relative details at the General Ordinary Meeting.
3. The Board will not entrust the annual accounts audit to firms whose estimated fees for carrying out all such services amount to more than ten per cent of the total income from the accounts during the last period.
4. The Board must publicly communicate, on a regular basis and in conformity with the applicable legislation at all times, the fees paid out by the Company to the audit firm for services other than auditing.
5. The auditor responsible for the work and the members of the external audit team must be rotated on a regular basis in accordance with the provisions of Spanish law and with criteria, if applicable, set by the Board at the request of the Audit and Compliance Committee.

Internal Code of Conduct on Matters Relating to the Securities Market

- I.- Introduction.
- II.- Definitions.
- III.- Application scope.
- IV.- Rules of conduct relating to securities.
- V.- Rules of conduct relating to inside information.
- VI.- Treatment of inside information
- VII.- Transactions with securities or instruments.
- VIII.- Enforcement manager for the code of conduct
- IX.- Enforcement and breach

I. INTRODUCTION

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

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

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

II. DEFINITIONS

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

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

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

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

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

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

Inside Information.- Any concrete information which:

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

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

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

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

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

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

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

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

(v) any person acting for and on behalf of the person bounded by this code who makes transactions on the Securities or Instruments.

The people left by the bounded person totally or partially covered by the risks inherent to the executed transactions will be presumed of this condition.

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

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

- a) Shares and their securities issued by Indra as well as any other kind of negotiable securities entitled to be acquired by conversion or exercising the rights they entitle, accepted for negotiation in a Securities Market or any other organized markets or that have an application to be accepted for negotiation in those markets.
- b) Obligations or any other securities issued by Indra that create a debt or that have been accepted for negotiation at a Securities Market or any secondary market or that have an application to be accepted for negotiation in those markets.
- c) According to the effects laid down in Section IV.1 of this Code, those financial instruments and contracts whether or not negotiated in a secondary market issued by Indra or that are entitled to the acquisition or subscription of those negotiable securities.

III. APPLICATION SCOPE

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

- (i) Members of Indra's Board of Directors as well as the people who regularly attend its meetings.
- (ii) Members of Indra's management team and Senior Managers.
- (iii) All members of staff attached to the Chairman's Office, Vice-Chairman's Office, Delegated Consultant, Council Secretariat and Legal Matters and Strategy and Business Development.
- (iv) Members of staff of Indra's Economic-Financial Management who participate or have access to the Company's economic-financial information before it is made public.
- (v) Members of the staff of the Senior Management secretary's office and members of the team of directors subject to the Code.
- (vi) Any other person who has access to inside information and that the Enforcement Manager may decide, in the light of the circumstances relating to any given case.

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

IV. RULES OF CONDUCT RELATING TO SECURITIES

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

- (i) Prepare or execute any kind of operation on the Securities or Instruments that the information refers to.
Preparation and execution of operations whose existence constitutes Inside Information are exempted; also, operations that are executed to comply with an expired obligation to buy or sell Securities or Instruments when this obligation is provided in an agreement signed before the person subject to this Code was in possession of the Inside Information, or other operations executed according to the applicable regulation.
- (ii) Communicate such information to third parties, except in the normal course of their work, profession, position or duties and complying in any case with the requirements laid on this Code of Conduct.
- (iii) Recommend or advise third parties to buy or sell Securities or Instruments or encourage another one to do so based on that information.

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

- (i) Whenever he/she is aware of the economic-financial information to be sent quarterly to the Spanish National Security Market Commission (CNMV) before this information is made public as long as its content differs significantly from market expectations regarding those results or the targets made public by the company.
- (ii) Whenever he/she is aware or participates in the preparation stage of any event or circumstance that, if takes place and is made public, would become a Relevant Information.

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

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

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

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

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

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

V. RULES OF CONDUCT RELATING TO INSIDE INFORMATION

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

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

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

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

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

- (i) negotiations in course, or circumstances related to them when the result or normal development of those negotiations could be affected by the public spreading of the information;
- (ii) decisions adopted or contracts signed by an Indra management body that will be effective upon the approval of another Indra's body, as long as the public spread of that information (including the lack of approval) occurs before having a final approval, and could risk or affect the correct evaluation from the market.

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

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

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

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

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

- (a) All people subject to this Code of Conduct involved in the process shall only pass on any of this information to those people within the Organization or outside if that may be strictly necessary and after obtaining authorization from the person responsible for the Inside Information. Consequently, they will deny access to this information to people who according to their position and duties shall not obtain it.
- (b) The Enforcement Manager will establish security measures to guard, file, access, reproduce and distribute the information, avoiding that such information may be used inappropriately or disloyally, and in that case, taking the necessary measures to amend the consequences from that action;
- (c) The Chief Financial Officer of Indra will oversee with special attention the price list of the Securities or Instruments and the news informed by economy specialists and the media that could affect them;
- (d) If any abnormal fluctuations occur in the price list or in the contracted volume of Securities or Instruments and there are reasonable indications that such fluctuation is the result of a premature, partial or distorted disclosure of the Inside Information, the Chief Financial Officer will immediately inform the Chairman of the Board and the Enforcement Manager and communicate the CNMV a Relevant Event/Information that clearly and accurately details the circumstance or operation related to the filtered Inside Information without prejudice to the provisions of section 82.4 of the Securities Market Act concerning exemption from publicity if this might affect the legitimate interests of the issuer.

VI. TREATMENT OF INSIDE INFORMATION

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

- (i) Marking and Filing.- All Confidential Documents must be clearly marked with the word "confidential". Confidential Documents shall be filed separately from ordinary documents in different places designated for that purpose that will have special measures of protection to guarantee access solely to authorized staff.
- (ii) Access.- Access to Inside Information must be expressly authorized by the person responsible for Inside Information concerned. All people who have access to it, or who obtain copies of a Confidential Document will be included on the list of people with access to that Inside Information. An External Advisor will be required, in addition, to sign an undertaking of confidentiality in the format established, at any given time, by the Enforcement Manager.

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

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

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

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

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

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

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

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

- (i) all the people with access to such Inside Information;
- (ii) the reason why they are included in the register;
- (iii) the date in which each of them has had access to it, and
- (iv) the dates of creation and updating of each Initiated List and any other measure mandated by the current regulation.

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

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

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

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

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

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

VII. TRANSACTIONS WITH SECURITIES OR INSTRUMENTS

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

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

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

- a) Ordinary transactions, in order to give the Securities liquidity or reduce temporary fluctuations in the listed price.
- b) The execution of plans to buy or transfer ownership of the Securities and special transactions whose volume is significant and purpose is not one of those indicated in section a. above, in accordance with the resolutions adopted for that purpose by the Board of Directors.

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

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

VII.4. It shall be the responsibility of the Chief Financial Officer of Indra to execute the plans and special transactions referred to in section VII.2.b. above, and to supervise the ordinary transactions involving Securities referred to in section VII.2.a, promptly informing Indra's Chairman.

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

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

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

Without prejudice to the provisions of section VII.7. below, the Board of Directors shall be informed at each meeting about Securities or Instrument transactions occurred since the previous meeting.

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

Volume of transactions involving Securities or Instruments

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

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

- (i) The maximum daily trading volume shall not exceed 25% of the average volume traded on the SIBE fixing or order system within normal business hours over the previous ten sessions (not including in the calculation any Public Offerings or Takeover Bids made in such period)
- (ii) Exceptionally, in those isolated sessions in which the market displays greater volatility than its usual averages, the aforementioned volume may be increased, and the CNMV will be confidentially notified to this effect.

Price.

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

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

Trading.

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

- (i) Orders to buy and orders to sell will not be kept open at the same time.
- (ii) No purchase bids or sale bids that might set price trends can be made in the period of adjustment before the session opens. If, at the end of the adjustment period, the Security has not started trading, in order to fix a first price, a bid can be made to permit trading to start. This bid must necessarily be made on the basis of the prices associated with the best purchase bid and sale bid existing, and that which is closest to the closing price on the previous day. In any case, the restrictions on volume established in the previous paragraphs will apply.
- (iii) During the periods of bidding care will be taken to avoid setting price trends. Exceptionally, in order to avoid abnormal fluctuations produced as a result of orders made by third parties during said bidding periods, transactions can be made tending to correct this deviation.
- (iv) Transactions in bought-back stock will not be arranged with companies belonging to the Group, their directors, significant shareholders or people designated by any of them, unless expressly authorized by the Board of Directors.
- (v) Trading in Securities should be done on the Computerized Trading System (SIBE) during normal business hours.

Scope and temporary modification of the above rules

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

- (i) Those done on the SIBE using the special system of block contracting.
- (ii) Those that constitute special stock market operations.
- (iii) Those involving derivatives hedging on stock market indexes contracted with Collective Investment Institutions.
- (iv) Those resulting from arbitrage with futures and options on stock market indexes.

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

VIII. ENFORCEMENT MANAGER FOR THE CODE OF CONDUCT

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

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

- a) Carry out and promote the compliance of this Code, interpreting the correct application of its rules.
- b) Propose measures that he/she considers adequate regarding information flow control, and in general, to the compliance of this Code and its inspiring principles at Indra, promoting the adoption of complementary rules and procedures to the effect.
- c) Receive from the people subject to the Code, communications and information projected in the Code, file them in order and take care of them adequately.
- d) Respond and solve all the consultations made by the people subject to this Code.
- e) Keep and update the registers that this Code refers to, and the relevant events informed to the CNMV.
- f) Verify that the informed transactions carried out in the market by people subject to this Code are not affected by inadequate access to Inside Information.
- g) Inform the Compliance and Audit Commission about all the relevant incidents related to the compliance of the provisions laid down in this Code. Nonetheless, at least every year, he/she shall provide general information regarding the compliance of the provisions of this Code.
- h) Establish periods of total prohibition of transactions of Securities and Instruments according to the circumstances that he/she can oversee.
- i) Perform any other duty assigned in accordance to the provisions laid down by this Code, and also, assign other people to collaborate with him/her for the performing of his/her duties.

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

IX. ENFORCEMENT AND BREACH

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

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

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