

AUDIT AND COMPLIANCE COMMITTEE



INTRODUCTION

Ever since its shares began trading on the continuous market over eleven years ago, Indra Sistemas, S.A. ("Indra" or the "Company") has maintained a corporate governance system in continual compliance with applicable law and consistent with best national and international practices.

Within the framework of this corporate governance system, Indra has had an Audit and Compliance Committee (the "Committee") since 1999. The functions, composition and rules of procedure of this Committee have been governed ever since by the Rules of Procedure of the Board of Directors ("Board Rules"), which have met and even surpassed the requirements of all applicable legislation. Since that date, the Committee has engaged in intense activity in the areas of its competence, as evidenced by the annual public information regarding Corporate Governance of the Company.

Pursuant to Ley 44/2002, de 22 de noviembre, de Medidas de Reforma del Sistema Financiero ("Spanish Financial Act"), which made it compulsory for all listed companies to set up audit committees and regulate them in their corporate bylaws, the Company took the necessary measures in order to bring its already existing Audit and Compliance Committee in compliance with the new legal framework. The result of these measures was incorporation of Committee regulatory rules into the Indra Corporate Bylaws ("Bylaws") at the General Shareholders' meeting held 28 June 2003.

Approval of the Código Unificado de Gobierno Corporativo ("Unified Code of Corporate Governance") in 2006 established a series of recommendations for audit committees as they relate to information systems and internal control, the committee's relationship with the external auditor, and other issues which were incorporated into the Board Rules.

Law 12/2010 of 30 June, 2010, which modifies the Ley de Auditoría de Cuentas ("Law Regarding Auditing of Accounts"), the Ley del Mercado de Valores ("Spanish Securities Market Law") and the Ley de Sociedades Anónimas ("Spanish Corporations Act") (replaced by the Ley de Sociedades de Capital ("Capital Companies Act")), made some of the recommendations contained in the Unified Code of Corporate Governance legally binding, which recommendations Indra had already made part of its internal operating rules and are found mostly in the Board Rules. At the same time, the Committee Report of Experts from the Comisión Nacional del Mercado de Valores ("Spanish Securities and Exchange Commission" or "CNMV") regarding Internal Control Systems for Financial Data recommends new supervisory duties and responsibilities for audit committees regarding such data.

The Company has performed an analysis of the new law and recommendations and will propose their incorporation in the duties of the Committee, which proposal will be submitted to the Shareholders Meeting scheduled for June. In addition, the Board Rules as well as the Committee's duties under the Bylaws will be reviewed along with matters arising under the Law Regarding Auditing of Accounts.

INDRA HAS HAD AN AUDIT
COMMITTEE SINCE 1999

Likewise, in application of the best principles of transparency in corporate governance, since 2003 the Annual Report of the Audit and Compliance Committee Activities has been placed at the disposal of the shareholders at the time that the Ordinary General Meeting of Shareholders is called, and may be consulted by logging on to the corporate web page or by requesting a free copy from the Shareholders' Office.

Indra's Annual Report of the Audit and Compliance Committee Activities for 2010 which you have before you was approved at a meeting of said Committee on 15 March 2011, was presented to the Board of Directors at its meeting held 17 March 2011, and will be made available to the Company Shareholders when the General Shareholders' Meeting is called, scheduled for 20 June 2009 at first call or on 24 June at second call.

COMPOSITION OF THE BOARD

The Committee is an internal body of the Board of Directors, and, consequently, all of its members are Directors. In accordance with Board Rules and the Bylaws, the Committee must be comprised exclusively of External Directors, the number of which may not be less than three nor more than five. The current composition of the Committee is as follows:

5 MEMBERS

- 3 INDEPENDENTS
- INDEPENDENT CHAIRMAN

CHAIRMAN

Mr. Manuel Soto

(Independent Director and Vice Chairman of the Board of Directors)

MEMBERS

Ms. Isabel Aguilera

(Independent Director)

Mr. Estanislao Rodríguez-Ponga (1)

(Proprietary Director Nominee proposed by Caja Madrid)

Mr. Alberto Terol

(Independent Director)

Mr. Eusebio Vidal-Ribas (2)

(Proprietary Director)

The Chairman of the Committee must be an Independent Director. Board Rules require that the Secretary of the Committee be either the Secretary of the Board or the Vice Secretary of the Board.

Attendance at Committee meetings exceeded 85% overall, and 95% for Independent Directors.

1 Individual representing the Proprietary Director PARTICIPACIONES Y CARTERA DE INVERSIÓN, S.L. an affiliate of Grupo Caja Madrid.

2 Individual representing the Proprietary Director CASA GRANDE DE CARTAGENA, S.L.

As can be seen from its composition, three of the five External Directors who are members of the Committee are Independent, one of whom is a women.

During fiscal 2010, the only change which took place in the composition of the Committee was the substitution of Independent Director Ms. Monica de Oriol in June by Independent Director Mr. Alberto Terol. The change was approved by the Board after being proposed by the Nomination, Compensation and Corporate Governance Committee, taking into consideration criteria for rotation of Director membership in the several committees, the ratio of Independent and Proprietary Directors, and the knowledge, ability and experience of the Directors pertaining to the duties of the Committee pursuant to Article 17 of the Board Rules.

RESPONSIBILITIES AND FUNCTIONS

The responsibilities and functions of the Audit and Compliance Committee are listed in Article 30 of the Bylaws:

- a) Report to the General Shareholders' Meeting on those matters posed by Shareholders at said Meeting which are within the competence of the Committee.
- b) Present to the Board of Directors its proposal for appointment of external auditors, as well as the terms of their contract, the scope of their professional duties and, if applicable, the renewal or non-renewal thereof.
- c) Maintain direct relations with the external auditors and evaluate the development and results of their work while paying particular attention to those matters which might jeopardize the independence of the auditors. Evaluate any other matters related to the audit process as well as all communications required by applicable legislation and auditing technical standards.
- d) Supervise the work of the Company's internal auditors.
- e) Inform itself of and verify the suitability and accuracy of the financial information process and the internal control systems.

In addition to the functions assigned to it by the Corporate Bylaws, Article 19 of the Board Rules assigns the Committee the following functions:

- a) Supervise the preparation and assure the accuracy of financial information relating to the Company and, where applicable, the group; oversee compliance with regulatory requirements, proper determination of the scope of consolidated group entities, and the correct application of accounting principles.

WIDE RANGE OF RESPONSIBILITIES
AND COMPETENCIES

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- b) Serve as a channel of communication between the Board and the external auditors, the latter from whom it will regularly receive information regarding the audit plan and the results of its execution. It shall likewise evaluate the response of the management team to recommendations made by the external auditors and shall mediate in cases of disagreement between management and auditors regarding applicable accounting principles used in preparing the financial statements. The Committee shall encourage the auditors of the principal company of the group to take responsibility for auditing all of the companies in the group.
- c) Report to the Board, prior to the Board's taking the corresponding decisions, on the creation or acquisition of special purpose entities or companies domiciled in tax havens, as well as on any other transaction or operation which might impair Company transparency.
- d) Review securities trading prospectuses.
- e) Report to the Board, prior to the Board's taking the corresponding decisions, on the financial information which the Company, as a listed company, is required to make public periodically. The Committee shall verify that the quarterly and semi-annual financial statements are drafted using the same accounting principles as those used in the annual financial statements.
- f) Establish measures to preserve the independence of the external auditors, and, in said regard:
- i) propose to the Board that any change of auditor be communicated as a relevant fact, accompanying this with a statement regarding the nature of any disagreements with the outgoing auditor, if applicable;
 - ii) ensure that the Company and auditors follow regulations in effect regarding the provision of services other than auditing services, pursuant to the stipulations of Article 42 of the Board Rules, and;
 - iii) in the case of resignation of the external auditors, examine the circumstances giving rise thereto.
- g) Supervise compliance with the audit contract, seeing to it that the opinion on the financial statements and the principal contents of the audit report are drafted clearly and accurately.
- h) Periodically review the internal control and risk management systems of the Company.
- i) See to it that the internal audit system functions independently and effectively; propose the selection, appointment, reelection, and dismissal of the head of internal audit; propose its budget; receive periodic information on its activities; and verify that Senior Management take into account the conclusions and recommendations of its reports.
- j) Set up and supervise the operation of a procedure which will allow employees to inform the Committee confidentially of any potentially significant irregularities which they may detect in the running of the Company, especially in the areas of finance and accounting.
- k) Consider any suggestions within its competence which may be made to it by the shareholders, directors and Senior Management of the Company.

As indicated in the section on the activities carried out by the Committee during 2010, it can be seen that the Committee has executed each and every one of its responsibilities and functions under the Bylaws and Board Rules; in addition, the Committee has dealt with additional matters deemed advisable for the exercise of its functions and in the general interests of the Company.

As mentioned above, Company operating rules will be revised at the next Shareholders' Meeting to be held in June, 2011 so that new legal requirements and CNMV recommendations may be adopted. This revision will affect the duties of the Audit and Compliance Committee, as well as affecting other areas.

ACTIVITIES CARRIED OUT IN 2010

OVERVIEW

The Committee held nine meetings during fiscal 2010, surpassing the minimum number of four meetings called for in the Bylaws. This means that, in terms of the time required to prepare for the meetings and their duration, in 2010 the Committee members as a whole devoted nearly 200 hours (5 hours per director per meeting) to review of matters within their sphere of competence.

Committee meetings are called one week in advance, and, together with the notice of the meeting, documentation and information are sent regarding agenda items in order to allow Committee members sufficient time to analyze their contents.

In addition to presenting proposals on matters within its purview to the Board of Directors, the Committee also reports at all Board meetings on matters dealt with at each of the Committee meetings held in the period between each Board meeting. The Committee Chairman took part in eight of the twelve meetings held by the Board of Directors in fiscal 2010 in order to report on Committee activities throughout the year.

Moreover, as it does every fiscal year, the Committee drafted its Annual Activities Report for fiscal 2009, which was approved at the Committee meeting held on 23 February 2010. This Annual Report was published on the Company web page on the occasion of the General Shareholders' Meeting held on 24 June 2010. Said meeting was attended by the Committee Chairman, who was at the disposal of the shareholders to address any issues within the scope of the Committee's duties.

In order to suitably plan and organize its work, at the beginning of the fiscal year the Committee drafted, as it does every year, an Action Plan for 2010 which established the number of regular meetings to be held during the year (eight) as well as the items to be covered in each meeting. The Committee held the eight scheduled meetings, and covered all matters contained in the annual Action Plan.

In accordance with said Action Plan for 2010, the Committee has dealt with the following items and matters:

8 MEETINGS
200 HOURS
SPEECH BY CHAIRMAN AT 8 BOARD
OF DIRECTORS' MEETINGS

DRAFTING AND RENDERING OF FINANCIAL STATEMENTS

1. Review of Company Financial statements

At its March 2010 meeting the Committee reviewed the Management Report as well as the Individual and Consolidated Annual Financial Statements for 2010 prior to their presentation by the Board of Directors, and expressed a favorable opinion of said report and financial statements.

The Committee was informed by Company management of the features contained in the new format for presentation of consolidated annual reports as required by the newest International Financial Reporting Standards and the new General Chart of Accounts.

2. Review of Periodical Information to be Provided to Markets and their Supervisory Bodies

The Committee reviewed the quarterly and semi-annual financial statements for 2010 to be communicated to the CNMV prior to their approval by the Board of Directors, verifying that they were rendered in accordance with the same standards as those used in the annual financial statements.

Pursuant to its duty to supervise the drafting process and ensure the accuracy of the financial information regarding the Company and the consolidated group, and pursuant also to its duty to review compliance with regulatory requirements, the proper determination of consolidation criteria and the correct application of accounting principles, the Committee reviewed the above mentioned quarterly and semi-annual statements for application of accounting principles and rendering of financial information when they were presented to it by the Director of Finance and Corporate Development. The Committee made recommendations regarding the manner of expressing, accounting for, and presenting various matters.

In order to provide these reports to the CNMV in a timely manner and in proper form, the Committee met with the Director of Finance and Corporate Development at its meetings held in the months of February, May, July and November.

EXTERNAL AUDIT

1. Proposal for Appointment of Auditors

In exercise of the responsibility conferred upon it by the Bylaws to present a proposal for the appointment of auditors to the Board of Directors, as well as the terms of their contract, the scope of their professional mandate and, if applicable, the renewal or non-renewal of said mandate, the Committee debated among its members the appointment of Company auditors for the year 2010.

SUPERVISION OF THE PRESENTATION
OF THE 2009 FINANCIAL STATEMENTS
AND THE COMPANY'S PERIODIC PUBLIC
DISCLOSURES IN 2010.

PROPOSAL TO REAPPOINT KPMG
AS THE AUDITOR OF THE 2010
FINANCIAL STATEMENTS

After an in-depth analysis of the qualitative and financial characteristics of the external auditors' services, the Committee members deliberated on possible alternatives, then resolved to propose to the Board of Directors the reelection of KPMG as external auditor of the Company to review the financial statements for 2010, given that said firm had presented the proposal which best reflected the above mentioned characteristics.

This proposal was, in turn, presented by the Board of Directors to the General Shareholders' Meeting, where it was approved.

2. Auditor Fees

Likewise, and in compliance with its obligation to evaluate any matters which could jeopardize the independence of the auditors, the Committee reviewed the amounts paid as fees to the external auditors during 2010 for all services.

	Thousands of Euros
Financial statements Audit	836
Other services	121
TOTAL	957

The Committee determined in its March meeting that the fees were not significant enough to adversely affect the independence of the auditor.

3. Financial statements Audit Process Follow-up

In carrying out its function of ensuring compliance with the audit contract and of seeing to it that the opinion on the financial statements and the principal contents of the audit report are drafted clearly and accurately, during 2010 the Committee supervised the financial statements audit process for fiscal 2010 from planning and development to its conclusion. The Committee evaluated the development and results of the audit process and of its work, analyzing in depth the reports drafted by the external auditors relative to the following:

- Conclusions regarding the audit work for the fiscal 2009 financial statements.
- The final consolidated financial statements audit report for 2009, with the auditor issuing an opinion without reservations.
- The report on recommendations for improving organization, processes and information and control systems resulting from the audit of the 2009 financial statements.
- The planning and preliminary work for the 2010 financial statements audit.
- The preliminary audit report of the fiscal 2010 financial statements.

In order to suitably evaluate the above aspects, the KPMG partner in charge of the audit appeared before the Committee on five occasions, at the meetings held in February, March, May, September and December.

COMMUNICATION CHANNEL WITH
EXTERNAL AUDITOR, EVALUATION OF
AUDITOR'S WORK AND INDEPENDENCE

4. Evaluation of Follow-up on Accounts Audit Recommendations

The general opinion of the auditor is that all levels of Company information and control are effective, issuing a satisfactory conclusion in its report on recommendations for improving the organization, processes and information and control systems. Notwithstanding the above, in the fiscal 2009 report on recommendations the external auditor detected a small number of matters which could be improved.

Likewise, during fiscal 2010, pursuant to its responsibility for evaluating the management team's response to the recommendations made by the auditor, the Committee reviewed implementation of the recommendations made after audit of the fiscal 2009 and those pending from from the 2008 audit.

The Committee analyzed the the conclusions made by the KPMG team and the Indra internal audit team regarding coordination between the two bodies during the fiscal 2009 audit and gave a satisfactory opinion while recognizing that they should continue working on areas that could be improved.

INTERNAL AUDIT

The Committee is responsible for supervising the function of the Internal Audit process of the Company, and for reviewing the appointment and replacement of those in charge of said Audit.

Within the context of this function, the Committee has supervised the actions of the Internal Audit Management during this fiscal year, which is the second year of the current audit cycle (Integrated Audit Plan 2008-2012.)

Internal Audit reported to the Committee regarding the state of implementation of the those recommendations made as a result of the reviews made during fiscal 2009, noting a substantial decrease in the number of recommendations related to high risk and those pending for more than six months; items still to be addressed await implementation of the new Enterprise Resource Planning system and new versions of "Negocia" and "Gestiona."

As part of this supervisory work, during 2010 the Committee reviewed the Annual Internal Audit Report for fiscal 2009 and periodically evaluated the actions carried out and reports issued by the Internal Audit Department. These reports related to the Department's review of the various organizational areas, management processes, and control processes of the Company, for which purpose the Internal Audit Director appeared before the Committee on three occasions during 2010.

The Committee also approved the Annual Internal Audit Plan for 2010 and the proposal for its implementation presented by the person in charge of this function during the June meeting.

Regarding work done during 2010, review of project management processes and review of international affiliates was especially important. As for work which was done outside the scope of the Internal Audit Plan, that which related to various internal processes for quality improvement in auditing as well as supervision of Internal Audit in implementing the new Risk Management regime stand out.

AUDITOR'S SATISFACTORY OPINION
REGARDING THE EFFECTIVENESS
OF THE INFORMATION AND
CONTROL LEVELS.

SUPERVISION OF INTERNAL
AUDIT FUNCTION

2009 ANNUAL REPORT AND
2010 ANNUAL INTERNAL AUDIT PLAN

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

Another Committee responsibility is that of staying informed of and verifying suitability and accuracy in processing financial information as well as the proper functioning of the internal control and risk management systems of the Company.

Within the context of these tasks, the Committee met with those in charge of the various functional areas of the Company in order to inform itself of the status and workings of these areas, and likewise to oversee the functioning of the information and control processes. At these meetings, in addition to being informed of the above matters, the Committee engaged in active supervision, making recommendations to improve the internal control and risk management processes and systems developed by these areas. The department heads called to the Committee meetings in 2010 were the following:

1. Global Risk Management

The Committee received reports regarding the creation of the new Global Risk Department as well as appointment of the person in charge. This new department has the following responsibilities: (i) evaluate risk detection within the organization (ii) define actions to be taken in order to manage risks (iii) report on risk levels of which the Company is exposed and the impact of said risk to it (iv) maintain oversight of the indicators, controls, and parameters of risk.

The mission of this Department is organized around three fundamental core responsibilities:

a) Risk Map: Response to information regarding Company risk levels. The objectives for 2010 are: (i) establish a corporate culture of risk management; (ii) integrate the risk management model (iii) connect risks, processes and responsibilities (iv) establish an action plan for identification and assessment of risk (v) coordinate and supervise action plans. For 2012, the primary objective will be to expand the risk management model to the most important affiliates.

b) Internal Control: define and/or establish and implement rules, procedures and controls which, when followed, will ensure adequate Internal Control. Objectives for 2011/2012 are: (i) identification of the relationships among internal controls in order to ensure an adequate internal control system for financial information and in order to implement the process map (ii) identify risks, then develop and implement controls in corporate procedures and tools (iii) coordinate oversight of established controls with Internal Audit.

c) Management of Risk in One Time Transactions: define an action plan for those activities that carry additional risk (acquisitions, major contracts, etc.); identification and evaluation of their risks and oversight of controls implementation.

SUPERVISION TO ENSURE THE
ADAPTATION AND INTEGRITY
OF FINANCIAL INFORMATION
PROCESSES AND THE CORRECT
FUNCTIONING OF CONTROL AND
RISK MANAGEMENT SYSTEMS

CREATION OF A NEW GLOBAL RISK UNIT
1. UPDATING OF RISK MAP
2. RULES, PROCEDURES, AND CONTROL
SYSTEMS FOR GUARANTEEING
INTERNAL CONTROL
3. DEFINITION OF PROTOCOL FOR ACTIONS
RELATED TO ONE-OFF OPERATIONS.
4. REVIEW OF INTERNAL CONTROL
SYSTEMS FOR FINANCIAL INFORMATION

Another primary objective of this new department for 2011 is the review of internal control systems relative to financial information in order to comply with the recommendations from the CNMV in its Committee Report of Experts regarding internal control of financial information from listed companies with an eye toward implementing them at the beginning of fiscal 2012.

2. Project Management

The Committee met with the Director of Corporate Control and Procurement and with the Director of the Project Management Office in charge of the Indra project management method, and the latter reported on new developments and advances made in the development and application of this methodology which facilitates project management by standardizing project planning and follow-up.

The Committee received a report regarding improvements introduced in project management tools, the most notable being incorporation of new capabilities, new versions, and a Multicast Interior Gateway Protocol for their distribution; coverage of a large portion of the project portfolio with risk plans using these tools; and implementation of customer tracking which makes available information regarding the status and outcomes of individual projects.

During fiscal 2010, work continued in the training of personnel in charge of project management, and we now count on some 219 certified Project Management Professionals ("PMPs") with the goal of having 500 PMPs in place in 2012. In 2010, for the first time project managers from our affiliates were enrolled in the program and obtained PMP certification.

Important future goals in this area are integration of PMP certification within the personnel development plan for high potential employees and the introduction of e-learning platforms for on-line training, as well as better integration of project management training in career development plans as defined by Human Resources.

Regarding distribution and implementation of company tools for project management, activities were geared toward improvement in reaching project milestones and the development and integration of risk management in projects using the company risk map.

The Committee was informed of other activities carried out by the Project Office such as participation in various international conferences and the opening of a corporate project management office for Latin America.

3. Insurance Management

The Committee was informed of the General Insurance Plan for fiscal 2010, which synthesizes the various modes of insurance policies taken out (equity/operational, civil liability, transport and goods, and policies covering employees), coverage provided, premiums charged and policy limits, applicable preventive measures, the loss indices for each modality, and management of insurance internationally.

IMPROVEMENTS IN PROJECT MANAGEMENT

219 PROFESSIONALS CERTIFIED
AS PROJECT MANAGEMENT
PROFESSIONALS (PMPS)

GENERAL INSURANCE PLAN 2010

The absence of serious incidents during the fiscal year has allowed renewal of the policies under similar terms as in the prior fiscal year.

The Committee was also informed regarding training and distribution of policies and insurance programs by means of a Company Intranet portal.

4. Administration and Taxation

The Director de Administration reported to the Committee on the most significant actions carried out in 2010 in the areas of which he is in charge.

Regarding the Administrative Services Center, the Committee was informed that as of 2010 this Center manages 21 companies with a team of 74 people. In 2011 it is anticipated that four more affiliates will be added along with additional personnel at the Center.

In the Consolidation process, implementation of a specific Enterprise Resource Planning Module and improving followup of consolidations was especially noteworthy.

In the Taxation Area, the Committee was informed of the active participation which took place in the preventive analysis of international business proposals as well as the role played in the tax audits.

The Committee also reviewed with the Director the current international corporate organizational structure and the level of coordination between Administrative Operations and Management Control.

5. Procurement and Foreign Business

At two of its meetings (June and November) the Committee met with the Head of Corporate Control and Procurement and the Department Head for Procurement, who informed the Committee of the principal activities carried out in Procurement during 2010.

Among the improvements put into place during the fiscal year, the most important were: reduction in coding of new items and catalogued references and streamlining of their management; the signing of new agreements with strategic suppliers and a reduction in production costs; certification that providers meet INDRA social responsibility standards along with an analysis of the risks involved in the certification process; better coordination of Procurement with logistics, production and warehousing in order to optimize inventory; training of project managers in International Commerce and the establishment of internal policies in this area; the systemization of purchase orders in order to optimize their management; implementation of a company system of procurement management in SAP; and the opening of a procurement office in China.

ADMINISTRATIVE SERVICES CENTRE
(MANAGEMENT OF SUBSIDIARIES)

ENHANCED MONITORING OF MERGERS

PREVENTIVE ANALYSIS OF TAX ISSUES
RELATED TO INTERNATIONAL BUSINESS

IMPROVEMENT IN GROUP PURCHASING AND
FOREIGN TRADE PROCESSES

The Committee was likewise informed of the overall results for fiscal 2009 and 2010 in the principal Procurement management areas. It is important to note that procurement volume was maintained while reducing the number of suppliers and increasing the number of projects, resulting in reaching greater synergy and improving supplier conditions.

6. Treasury

The Committee met with the Company Treasurer to review in detail the activities which took place in 2010 in the areas where he has responsibilities.

The Committee was informed that, in the current context of financial crisis, Indra has not been affected by the increased restrictions in access to credit.

Moreover, the Committee was informed of the approval of stricter internal guidelines regarding interest rate and liquidity risk.

He pointed out the increased necessity of providing financing solutions to customers of the Company as a new challenge presented by the current financial situation, which has substantially increased cooperation of Treasury with other areas of the business.

7. Human Resources

The General Manager of Talent, Innovation and Strategy and the Human Resources Director of the Company met with the Committee to report on the various activities carried out in employee development each fiscal year at Indra. During the presentation each step of the process was analyzed: planning, evaluation, analysis, promotion and salary review.

The Committee was informed of the levels of absenteeism and employee turnover during the fiscal year, noting their significant reduction as compared with the year before.

8. Code of Ethics and Professional Conduct

The Committee met twice with the General Manager of Talent, Innovation and Strategy and the Director of Branding and Corporate Responsibility in order to report on the implementation process of the new Code of Ethics and Professional Conduct and the Direct Line approved by the Board in 2009.

The primary activities carried out in implementing the Code of Ethics were: (i) communication with employees and unions; (ii) putting the Code into effect in all of the Indra group affiliates; (iii) incorporation of the Code of Ethics in employment contracts and in the hiring process for professionals; (iv) creation of an Intranet page with all information relating to the Code of Ethics and the Direct Line; (v) start-up of the Oversight Committee for the Code of Ethics and Direct Line.

VERIFICATION THAT DURING THE ONGOING CRISIS, INDRA WILL NOT BE AFFECTED BY THE RESTRICTED ACCESS TO CREDIT

NEW REGULATIONS FOR PREVENTING INTEREST RATE AND LIQUIDITY RISK

CAREER MANAGEMENT PROCESS

IMPLEMENTATION OF THE CODE OF ETHICS AND PROFESSIONAL CONDUCT.

Likewise, the Committee received a report regarding communications received through the Direct Line during the fiscal year and the disposition of each of them.

So far as 2011 objectives are concerned, most noteworthy is the initiative to extend application of the Code of Ethics and the Direct Line to suppliers and non-profits with whom Indra works.

9. Internal Systems

The Committee met with the Head of Corporate Control and Procurement and the Director of IT for the Company, who reported on the principle activities accomplished during the fiscal year. The main milestone reached was restructuring of all of the systems of the Group in order to adapt SAP, permitting the Company to take advantage of systems that facilitate its strategies of global growth and consolidation of project management rules, procedures and processes in its international affiliates.

The Committee was likewise informed of the principal activities accomplished regarding the Intranet, Operating Systems, Maintenance and Usage, and Data Security.

Having reached the objectives defined in the 2006-2009 plan for IT, during 2010 the Department has continued meeting its goals of technology and service optimization while containing costs with a new plan for saving money during the fiscal year.

10. Management Control

The Committee, together with Head of Corporate Control and Procurement, reviewed the principal activities carried out in this area during fiscal 2010, highlighting the following:

- Modernization introduced in project control systems, both in the bidding and implementation phases. These improvements have provided the project control systems with new capacities, converting them into multi-currency, multi-lingual, multi-project tools, and have improved the functions of tax management, foreign trade, treasury and intellectual property rights control.
- Creation of a special working group for the oversight of working capital, composed of people from the areas of corporate control and operations, with the mission of improving the amount of working capital in the group by means of specific steps taken during the bid process and execution of projects.
- Implementation of new capabilities in the Company Enterprise Resource Planning system for production control, procurement integration, supply chain management, and warehousing control.

OVERHAUL OF ENTIRE GROUP'S SYSTEMS

IMPROVEMENTS MADE TO PROJECT CONTROL SYSTEMS

- Implementation of a Procedures Manual for international affiliates and the Corporate Image Manual. Also of note, the start of the review process for the most important internal regulations (administration of projects, subcontracting, procurement, manufacturing subcontracting, human resources management, treasury and currency management).

11. Office of the General Counsel

Together with the General Counsel, the Committee reviewed the organization and personnel of the Office of the General Counsel as well as the principal actions carried out in this area during the year, with the following being highlighted:

- The internal legal training plan installed in 2009, which has been well received and enjoys a high level of attendance among the lawyers in the General Counsel's office.

- Assessment of the first year's activity of the International Office created in 2009: the extent and quality of services rendered by international legal teams was analyzed; individualized plans for improvement were created which consist of, among others, means for establishing adequate lines of communication; and creation of an International Legal Counsel Committee that will oversee maintenance of quality standards.

- Installation of a computer tool in order to create a collaborative environment in which all attorneys, regardless of their location, can work online and which protects confidentiality and prevents the loss of data and unauthorized access or downloading while at the same time allows for the proper management and utilization of information developed in the Department.

- Development of processes and policies in key areas, the most important of which are: constitution of affiliates, branches and permanent offices; use of powers of attorney; use of the Ley Orgánica de Protección de Datos de Carácter Personal ("Spanish Law on the Protection of Personal Information"); assurance of outside financing for research and development project; hiring of outside legal counsel; and custody of original legal documents.

The Committee was also informed about the primary objectives for fiscal 2011, pointing out especially the development of programs for prevention of criminal responsibility on the part of the Company primarily by means of the creation of a Legal Compliance Team to accomplish this task.

IMPLEMENTATION OF SOFTWARE
APPLICATION TO GUARANTEE
CONFIDENTIALITY, PROTECT AGAINST
KNOWLEDGE LOSS AND THE APPROPRIATE
MANAGEMENT OF SAME

CREATION OF COMPLIANCE UNIT

12. Intellectual and Industrial Property Rights Management

The Chief Counsel for Business Operations presented the annual report for 2010 pertaining to management of intellectual property rights of the Company. The process of modification and protection of the new corporate image, begun in 2009, has continued by means of registry of trademarks and other corporate identity elements in those countries where the Company does business. In addition, a report was given over the work of follow-up of patents already registered and the identification and registry of new patents, measures for software protection and maintenance of depósitos notariales (software registry), as well as the tasks of training and increasing awareness in operational areas of the necessity of identifying and protecting intellectual and industrial property created by the Company.

INTENSE ACTIVITY RELATED TO
PROTECTION OF INTELLECTUAL AND
INDUSTRIAL PROPERTY RIGHTS

13. Quality and Environment

The General Manager of Talent, Innovation and Strategy and the Director of Innovation and Quality presented to the Committee the management model for corporate quality at Indra, known as "SGC," based on policies and criteria that are essentially the same for all geographic areas and affiliates of the company, without disallowing that their practical application be adjusted for specific areas or companies.

CORPORATE QUALITY MANAGEMENT MODEL.

The Committee was informed regarding the periodic quality audits performed internally at projects and the areas across Company lines in order that it may understand implementation of SGC. These audits also extend to subcontractors in order to guarantee that their quality levels meet Indra standards and the demands of our clients by means of standardization processes.

In addition, the Committee was informed of the acquisition and maintenance of external quality certifications from outside certification organizations.

As regards improvement objectives in the field of quality control, the most important are: globalization (progressive certification of international affiliates); implementation of additional tools and indices that allow quality assessment; and support of quality controls in the various areas of the company with the help of specific internal and external communication tools.

As for Quality Engineering, which includes activities put into place in order to assure that the products and services we deliver to clients conform with contractual specifications, the Committee was informed regarding activities accomplished in distinct operational areas, with special emphasis in Defense, Transportation and Traffic, which entail the most complex technological developments. At the same time, quality engineering is becoming more important in other markets as well.

In the environmental sphere, objectives are centered on improving the environmental metrics of the Company, with special emphasis on the progressive implementation of UNE-EN-ISO 14001 in the most important Indra facilities.

14. Opening of Businesses in Tax Havens

In compliance with the goal set out in Article 19 c) of the Board Rules, the Committee has reviewed and delivered to the Board reports arguing in favor of opening branches in Gibraltar and Oman, territories considered tax havens by the government of Spain, so long as their opening is connected with the execution of projects within the ordinary course of business of Indra and without motive of obtaining tax advantages and without the effect of diminishing corporate transparency within Indra.

LINES OF ACTION FORESEEN FOR 2011

In accordance with the Audit and Compliance Committee Action Plan for 2011, approved by said Committee at the outset of the current fiscal year, the Committee plans to hold eight ordinary meetings in which, in addition to the matters which are reviewed each year, special emphasis is expected to be placed on the process of Company globalization in all areas.

As required by its new responsibilities under regulations now in force, the Committee will also oversee the implementation of internal financial information control systems in accordance with the guidelines recommended by the CNMV. The Committee has devoted several meetings in fiscal 2010 to an analysis of the recommendations and legislative directives in this area. In the Committee Action Plan for fiscal 2011 it is expected that the September 2011 meeting will approve the CNMV guidelines, which will become effective in 2012.

FAVOURABLE REPORTS REGARDING OFFICE
OPENINGS IN GIBRALTAR AND OMAN

GUIDANCE FOR INTERNATIONALISATION PROCESS

NEW SUPERVISORY COMPETENCIES RELATED TO
INTERNAL CONTROL OF FINANCIAL REPORTING
SYSTEMS (ICFRS)