03

MANAGEMENT REPORT AT 31 DECEMBER 2015

indra

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Management Report

1. MAIN MILESTONES IN 2015

Profit margins start to improve, partly due to the positive contribution from the efficiency plan put in place.

- Recurrent EBIT margin continues to grow and it stands at 6.0% in 4Q15 (vs 3.5% in 3Q15 and 5.7% in 4Q14).
- EBIT reaches €45m in FY15, which implies a recurrent EBIT margin of 1.6%.

Free Cash Flow of 4Q15 exceeds €137m thanks to improvement in profitability and the ongoing working capital actions.

- FCF for FY15 totaled -€50m or €28m if we exclude the cash costs of the personnel optimization plan.

Net Working Capital reached 30 days of sales (DoS) vs 81 DoS in December 2014 as a result of the provisions and the new measures put in place to improve the Working Capital.

- Improvement on Account Receivables (-28 days), Inventories (-20 days) and in Account Payables (+3 days) compared to December 2014.
- Excluding the impact of the provisions (35 DoS), the underlying improvement was 16 DoS.

Net Debt down by 16% in the quarter to €700m vs €837m in September 2015.

- Average cost of debt at 4.2%, improving 0.3 pp. compared to the same period of the last year.
- Excluding the cost of the personnel optimization plan, Net Debt would have reached €622m (lower than the one registered in December 2014).

FY15 Revenues declined by -2% in local currency (-3% in reported terms) impacted by Latam and the IT business.

- Excluding the seasonality of the Elections Business, sales in FY15 would have been similar vs FY14 in local currency
- 4Q15 revenues down by -6% in local currency. T&D business (which comprises Transport & Traffic and Defence & Security verticals) had a positive evolution, especially in Defence & Security (+7%) outperforming the IT business (-5% in local currency).

The repositioning in Brazil, tender delays in some areas directly dependent on the oil price and Public Administrations, a more selective offering process has lead to a slowdown in the Order Intake (-11% in local currency in FY15).

Non-recurring effects in FY15 reached €718m.

- Non-recurring items in 4Q15 amounted to €130m of which €64m are related to Brazil.
- Non-recurring costs in Brazil in 2015 were €321m.

Net profit of the Group in FY15 totaled losses of -€641m.

The following table lists the main figures at the end of the period:

	2015 (€M)	2014 (€M)	Variation (%) Reported / Local currency
Order Intake	2,651	3,013	(12)/(11)
Revenues	2,850	2,938	(3)/(2)
Backlog	3,193	3,473	(8)
Recurrent Operating Profit (EBIT) (1)	45	204	(78)
Recurrent EBIT margin (1)	1.6%	6.9%	(5,3)pp
Non recurrent costs	(687)	(246)	179
Net Operating Profit (EBIT)	(641)	(42)	1.410
EBIT margin	(22.5%)	(1.4%)	(21.1)pp
Net Profit	(641)	(92)	598
Net Debt Position	700	663	6
Free Cash Flow	(50)	47	-
Basic EPS (€)	(3.913)	(0.561)	598

(1) Before non-recurring costs

2. ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Income Statement:

• Revenues reached €2,850m in FY15, declining by -2% in local currency (-3% in reported figures). Excluding the seasonality of the Elections Business revenues would have been nearly in line with FY14 (-1%). In 4Q15, the revenues decline accelerated (-6% in local currency and –8% in reported terms) due to, basically, the worse relative performance of IT in the quarter (-14% in local currency), specially in Latam and Spain, and the more selective policy in our order intake.

- Other income stands at €86.4m, slightly below the €93.3m registered in FY14 because of the lower R&D capitalization in FY15.

- Operating expenses (OPEX) growth slowed and increased just +1.7% to €2,805m (vs €2,759m in FY14) mainly due to +2% increase in Personnel Expenses. Despite average workforce in FY15 remains stable, final workforce has decreased by -5% in the period thanks to the efforts made in the second half of the year. It is worth highlighting the better relative performance of the OPEX in 4Q15 with a decrease of -10% due to the reduction in Material Consumed and Other operating expenses (thanks to the execution of the cost optimization plan), less subcontractors and the decrease in revenues. Personnel expenses increased +3% in FY15 due to the impact of the reversal provision for labor contingencies registered in 4Q14 (€24m); excluding this impact, Personnel expenses would have decreased by -4% in 4Q15, in line with the reduction of the average workforce in the period as a result of the personnel optimization plan in 4Q15 in Spain and Latam.

- Contribution margin of FY15 stands at 9.2% vs 14.3% in FY14 (-5.1pp). The trend initiated in 3Q15 continues in the quarter with contribution margin at 13.3% in 4Q15:

  » T&D contribution margin (Transport & Traffic and Defence & Security) down by -4.6pp to 14.8% in FY15 (vs 19.4% FY14) hitted by overruns in certain problematic projects (especially in the Transport & Traffic) and the lower contribution from the Eurofighter program.

  » IT contribution margin (5.0%) was -5.8pp lower than FY14 (10.8%) due to overruns in Financial Services and Public Administrations & Healthcare verticals.

- D&A reached €85m in FY15 vs €64m in FY14 (+33%) due to the recognition and amortization of the corresponding subsidies related to the R&D projects. Excluding this impact, D&A would have reached similar levels than in the same period last year.

- Recurrent operating profit (EBIT before non-recurring costs) in FY15 accounts for €45m (1.6% recurrent operating margin vs 6.9% in FY14). Despite the -8% sales drop in 4Q15, recurrent EBIT in 4Q15 continues to improve and reached €47m (6.0% recurrent EBIT margin vs 3.5% in 3Q15) mainly as a consequence of the higher contribution margin (13.3% in 4Q15 vs 10.1% in 3Q15) backed by the ongoing cost reduction plans, direct margin improvement and lower negative impact from the problematic contracts.

- Financial expenditures slightly increased (€56m vs €54m in FY14). The reduction in the average cost of debt to 4.2% (-0.3pp) more than offset the increase in the average debt in the period. FX impact in certain projects also explains this slight increase.

- Share of profits of associates and other investees were -€8m vs €0m in FY14. The difference is explained by the extraordinary result of +€4m regarding the lower payment for the remaining 22.5% stake of Indra Italia's acquired company (it will be paid in May 2016 and amounts to €3.7m) and changes in the perimeter associated to the disposals (or closing) of some subsidiaries, mainly those established in Venezuela.

- Tax income was €64m vs €7m in 2014 as a consequence of the fiscal income generated by the losses registered in Spain (which includes both the workforce adjustment plan and the R&D deductions), which was partially compensated by the tax credit impairment of Brazil accounted in 2Q15 (€31m).

- Net Profit stands at -€641m mainly due to the non-recurrent effects (€718m in FY15).

Non-recurring Items:

- Non-recurring items in FY15 were €718m, of which €687m affected the operating result (with the remaining €31m impacting on Taxes).

Concept	(€M)
Provisions, impairments, and overruns	(371)
Impairment of Goodwill	(104)
Impairment of Tangible assets	(9)
Impairment of Intangible assets	(7)
Efficiency improvement costs	(36)
Provision of the redundancy plan	(160)
Non-recurring items to EBIT	**(687)**
Cancelation of Tax credit capitalized in Brazil	(31)
Total Non-recurrent Effects	**(718)**

The breakdown by Provisions, impairments, and overruns is the following:

Detail of Provisions, impairments, and overruns - FY15	(€M)
Inventories	(103)
Clients	(117)
Onerous projects	(150)
Total	**(371)**

- The company believes that these non-recurring items reflect the current impact from the changing market conditions suffered by Indra in 2015 and the changes in estimates coming from new circumstances (and hypothesis) for the expected performance of the projects of the company.

- Out of the total amount of the non-recurring items, the cash outflow for 2015 was €138m and the one expected for 2016 will be approximately €120m.

- Non-recurrent costs related to Brazil in FY15 were €321m (approximately 60% of the total excluding the efficiency improvement plan and the provision of the redundancy plan in Spain) mainly due to a reduced number of problematic projects (in a context of a macro weakness in the country), deterioration in the payment terms from the Public Administrations, budget restrictions from public clients, and tighter conditions to approve the project's milestones in the region.

1. Provisions, impairments, and overruns

- According to the established procedure, Indra's project managers check periodically the execution performance of the main technical and economical hypotheses of their projects portfolio. Within this analysis, special attention is given to those projects with a higher probability of deviation from its initial schedule (and therefore to have a higher negative financial impact). According to the new organization model this process is monitored by Indra's management.
- A review has been undertaken given the risk tolerance that the Company is willing to assume during FY15. As a result of it there had been a number of new events that implied a change in the forecasts and expectations of some projects as there were doubts in the recovery of some work done, costs that exceeded the expected income as well as penalties for non-compliance.
- All of the above mentioned entailed the need to record a negative result of €371m for 2015, of which €107m has been registered in 4Q15.

2. Impairment of Goodwill

- As a result of the new estimations in those projects (taking into account the new business hypothesis and the current macro situation) and the strategic plan 2014-2018 the company has decided to proceed with a correction of the recoverable amount of goodwill for an amount of -€104m (-€3m in 4Q15) with the following breakdown:

  » Brazil: -€83m (€0m after the impairment)

  » Consulting: -€9m (€23m after the impairment)

  » Portugal: -€9m (€3m after the impairment)

  » Diagram & Adepa: -€3m (€0m after the impairment)

3. Impairment of Tangible assets

- Tangibles assets adjustment for an amount of €8.6m related to impairments on Brazil Real Estate.

4. Impairment of Intangible assets

- Under the business review of the main intangible assets, there has been an impairment of €7.4m in 2Q15 related to the total amount of the intangible assets associated to the Politec acquisition (Brazil).

5. Provision of the redundancy plan and efficiency improvement costs

- Non-recurring costs amounts €196m, of which €160m belongs to the provision of the personnel optimization plan in Spain and the remaining to the optimization of additional resources. The provision was made during 3Q15 for the total expenditure associated with the plan, regardless of the timing of the expected cash outflow (concentrated in the coming quarters). The plan ends in December 31st of 2016.

6. Cancelation of Tax credit capitalized in Brazil

- Additionally, and regarding what has been mentioned above, the total tax credit that was activated in Brazil has been canceled, implying an impairment of -€31m.

Balance sheet and Cash Flow statement:

- Free cash flow for FY15 was -€50m vs €47m in FY14 mainly as a consequence of the worse operating performance and the headcount restructuring plan (-€78m). Excluding the latter FCF would have been €28m in FY15. FCF generated in 4Q15 amounted to €137m, including a cash outflow of -€60m due to the workforce adjustment plan. Excluding this impact FCF in 4Q15 would have been €197m.

- Net Working Capital has decreased to €232m vs €648m in December 2014, which is equivalent to 30 days of sales vs 81 DoS in FY14. The provisions made have implied an improvement of €287m (35 DoS), while the underlying improvement has been of €130m (16 DoS). It is worth highlighting the improvement in 4Q15 (equivalent to 31 DoS or c. €250m) as a consequence of the non-recurring items adjustments, the better collections, and the new measures put in place on the suppliers management.

- Income tax totaled €7m (vs €53m paid in FY14) basically due to lower payments made as a consequence of losses registered.

- Intangible investments (net of the charge in grants) has been €27m vs €42m in the same period of last year. The tangible investments reached €10m, below last year (€15m).

- Net debt position at the end of FY15 amounted to €700m (lower than €837m in 9M15), equivalent to 5.4x LTM recurrent EBITDA. Around 90% of the gross debt is denominated in Euros, while the rest is concentrated in other currencies (mainly in Brazilian reais, which represents 6% of the gross debt). Average cost of debt is 4.2%, improving 0.3 pp. compared to the same period of last year. In the last days of the year, the Brazilian debt was totally repaid.

- Non-recourse factoring lines in FY15 amounted to €187m vs €173m in 9M15 and vs €187m in FY14.

3. HUMAN RESOURCES

Final workforce	2015	%	2014	%	Variation (%)
Spain	20,251	55	21,461	55	(6)
Latam	13,453	36	14,388	37	(6)
Europe & North America	1,720	5	1,788	5	(4)
Asia, Middle East & Africa	1,636	3	1,493	4	10
Total	**37,060**	**100**	**39,130**	**100**	**(5)**

Average Workforce	2015	%	2014	%	Variation (%)
Spain	21,528	56	20,868	54	3
Latam	13,773	36	14,552	38	(5)
Europe & North America	1,799	5	1,774	5	1
Asia, Middle East & Africa	1,558	4	1,358	4	15
Total	**38,658**	**100**	**38,552**	**100**	**0**

At the end of FY15, the total workforce amounted to 37,060 professionals, declining -5% vs FY14. This decrease occurred along the second semester as a result of the execution of the restructuring plans in Spain and Latam (1,935 lower number of employees in 6 months):

- Final workforce in Spain decreased by -6% vs FY14 (1,210 less employees), of which approximately 85% belong to the workforce adjustment plan.

- In Latam, headcount declined by -6% compared to FY14 (equivalent to 935 employees) in line with the repositioning in the region. 4Q15 showed a slightly improvement due to a transfer of employees from subcontractors to in-house related to legal requirements of the project.

- In Asia, Middle East & Africa (AMEA), workforce increased +10% vs FY14 due to the headcount increase in the Philippines' offshore factory and the higher activity in North Africa.

- In Europe and North America, the workforce decreased by -4% because of the lower personnel needs in Portugal and the restructuring of different subsidiaries in the region.

The average workforce in 2015 has remained almost flat vs 2014 as most of the employees that belong to the redundancy plan left the company in the latest part of the year. This fact, together with the reversal provision registered in 2014 explains the +2% increase of the personnel cost in 2015 vs 2014.

4. ANALYSIS BY VERTICAL MARKETS

			Variation (%)	
Revenues T&D	**2015 (€M)**	**2014 (€M)**	**Reported**	**Local Currency**
Defence & Security	542	509	7	7
Transport & Traffic	633	620	2	1
Total T&D	**1,175**	**1,129**	**4**	**4**

Defence & Security

- Revenues in the Defence & Security vertical increased by +7% in FY15, both in local currency and in reported terms. Revenues went through an acceleration during the fourth quarter of the year (+11%).

- The positive development in Simulation, Logistics, Radars, Command and Control, and Electronic Defence more than offset the lower contribution of the Eurofighter program.

- The recovery phase in Spain consolidates (+63% in FY15 and +102% in 4Q15) supported by certain specific multiannual projects in the context of a new investment cycle put in place by the Ministry of Defence (basically electronic systems associated with the integrated mast of the future F110 frigates, electronic systems of the future 8x8 armored vehicles, and the simulation of the helicopter NH90, among others), and at the same time it will constitute relevant international references for the future.

- The positive evolution of the order intake in the year (+11%) along with the accumulated pipeline (new national and European programs) pave the way for a sustained growth in the forthcoming years.

Transport & Traffic

- Sales in the Transport & Traffic vertical grew by +1% in local currency (+2% in reported terms), experiencing a flattish performance in 4Q15.

- It is worth highlighting our Own Property Solutions (+12% in FY15), specially in the Land & Rail & Road Traffic & Ports Transport segments (highlighting the growth of +40% in AMEA). Regarding ATM (+8% in FY15), it stands out the recovery in the activity in Spain (+25%) as well as the consolidation of our international position in European Programs.

- Spain has had a very positive performance (+10% in FY15) as a consequence of the good performance in the Rail & ATM segments.
- Order Intake falls -17% in FY15 impacted by the delays in some countries dependent on oil and commodities.

			Variación (%)	
Revenues IT	**2015 (€M)**	**2014 (€M)**	**Reported**	**Local Currency**
Energy & Industry	437	473	(8)	(7)
Financial Services	497	485	2	6
Telecom & Media	273	322	(15)	(13)
PPAA & Healthcare	468	529	(12)	(10)
Total TI	**1,675**	**1,809**	**(7)**	**(5)**

Revenues in the IT business fell -5% in local currency (-7% in reported terms) due to the negative trend of Energy & Industry, Public Administrations, and Telecom & Media. It is worth highlighting the positive performance of Financial Services (+6%). The contribution of our digital services was €313M and counts 19% of our total revenues.

Despite the higher focus on the field of our Own Property Solutions and the commercial bet for our digital solutions (grouped into the new brand Minsait), it is expected a contraction of the reported revenues in the IT segment in the forthcoming quarters as a consequence of the negative FX impact, Brazil's repositioning, the more selected criteria in the order intake, as well as the eventual delay in public tenders in Spain.

Energy & Industry

- Revenues in Energy & Industry decreased by -7% in local currency (8% in reported terms), with an important deceleration in the fourth quarter basically due to the delays in some projects in oil exporting countries.

- The Energy segment (c. 70% of the vertical's revenues) fell -7% in FY15, conditioned by the sector consolidation process in Spain as well as the decline in the activity in Latam, specially in Brazil and in those geographies which are more linked to the oil price.

- Industry fell -9%, although our Own Property Solutions in Spain (-4%) has had a better performance.

- Good performance in AMEA (+11% in FY15), meanwhile the repositioning and the commercial effort in Latam (c. 30% of the vertical's revenues) have led to a fall in the activity levels in the area.

  Although order intake fell -18%, it is expected a recovery in activity levels in the coming quarters, based on our Own Property Solutions, particularly in the Energy Segment and in airlines in Latam.

Financial Services

- The activity in Financial Services registered +6% growth in local currency (+2% in reported terms), experiencing some slowdown in 4Q15.

- The Banking segment in Spain (+6% in FY15) has led the growth of the vertical because of, among other issues, the increased business opportunities in the main Spanish entities, both in repositioning (Consulting +24%) and in improving efficiency (BPO +10%).

- The management of different projects of implementation (Outsourcing) and BPO of third party solutions in Brazil has negatively impacted in the current activity levels and in the vertical profitability. The repositioning in Brazil (focus on Own Property Solutions, private clients, and strategic business alliances) as well as the correct execution of the agreed measures in the critical projects allow us to anticipate a better profitability in the business of the company in the area.

- The Insurance segment grew up +2%, with a worse relative performance in Spain (-7%). However, Latam has registered a significant positive growth (+19%) due to the iOne Solution implementation in a relevant client in the region.

- The expected ending of the problematic projects in Brazil as well as the repositioning in the area to focus on higher value added segments can anticipate a fall in the current activity levels in the forthcoming quarters.

Telecom & Media

- Revenues in the Telecom & Media vertical decreased by -13% in local currency (-15% in reported terms) with an important deceleration in 4Q15 of -19% in local currency (-24% in reported terms).

- During FY15, Telco operators has focused on efficiency measures and cost control, mainly in the Business Support Systems (BSS). This has resulted in a more demanding price environment in a highly competitive market place.

- The Media vertical, although it has a relative less weight, had a worse relative performance than Telecom (-45%), especially in Spain where our market share is very high.

- Order intake in the year has been falling (-19%) so it is not expected a recovery in the activity in the following quarters.

Public Administrations & Healthcare

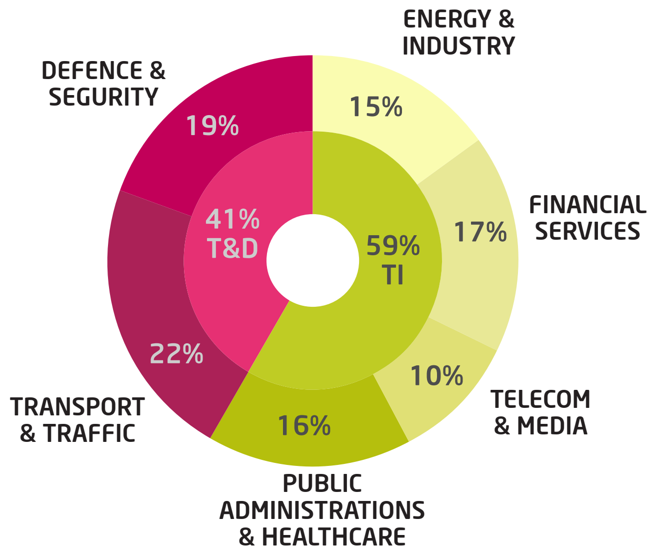
- The activity in Public Administrations & Healthcare declined by -10% in local currency (-12% in reported terms) with a worse relative performance in the last quarter.

- Revenues were negatively affected by demanding comparables in the Elections business (specially in AMEA and Latam). Excluding this impact, its relative performance would have had similar levels as of revenues of FY14 in local currency (-3% in reported terms).

- The Elections business fell -37% in FY15 as a consequence, among other aspects, of the worse demanding comparable vs FY14 when we executed the elections contract in Irak. It is expected a deceleration in the next year because of the seasonality of this business, highly dependent on the elections calendar of the countries.

- Healthcare registered a worse relative performance compared with PPAA, although it improved in the last part of the year due to some certain specific Spanish contracts.

- The expected performance of the Elections business, the likely slowdown of the public sector in Spain, and the more restricted criteria in our commercial offer anticipates a worse performance in FY16 compared to FY15.



5. ANALYSIS BY GEOGRAPHY

Revenues by Geography	2015		2014		Variation (%)	
	(€M)	%	(€M)	%	Reported	Local Currency
Spain	1,223	43	1,147	39	7	7
Latam	734	26	804	27	(9)	(3)
Europe & North America	558	20	612	21	(9)	(9)
Asia, Middle East & Africa	335	12	375	13	(11)	(13)
Total	**2,850**	**100**	**2,938**	**100**	**(3)**	**(2)**

Spain

- Sales in Spain increased +7% during the year, supported by our Own Property Solutions segment (+15%). 4Q15 showed a fall of -2%, mainly due to the decline in the private sector in this quarter.
- FY15 growth is explained by the public sector (+23%), although the profitability is still at low levels (mainly in the IT verticals).
- The private sector performed relatively worse than the public (-4%) in FY15 due to the negative evolution of Energy & Industry and Telecom & Media in Spain, already explained.
- It is worth highlighting the positive sales performance throughout the year in Defence & Security, Public Administrations, Transport & Traffic and Financial Services.
- Despite the favorable performance of the order intake in Spain (+26%, especially in Defence & Security and Transport & Traffic), it is not expected that the current growth rates will be sustainable in the coming quarters as a consequence of the acceleration of the public expenditure in FY15 and delays in the expected public investments in the forthcoming quarters.

Latam

- Sales in Latam fell -3% in local currency (-9% in reported figures) with a sharp decline in 4Q15 (-19% in local currency and -29% in reported figures).
- The IT business concentrates the main activity in Latam (c. 80% of the revenues) with a limited weight of our Own Property Solutions (c. 25% of the sales in the region). This fact has impacted negatively FY15 sales in a context of macro deterioration and political uncertainty in some countries (especially in Brazil).
- The performance in Brazil (c. 35% of the revenues in Latam) has been focused on the better management of the current operations, mainly on the problematic projects (implementations of Third Party Solutions in the Financial Services and Public Administrations verticals). The repositioning in Brazil (focused on Own Property Solutions, private clients, and strategic commercial alliances) and the non-recurrent items announced anticipate a sales decline and an improvement in the profitability.
- Revenues in Latam (ex-Brazil) are at similar levels to the previous year in local currency. The positive performance in the Southern Cone (elections in Argentina) offset the worse operating performance in Mexico vs previous year (Transport & Traffic and Public Administrations).
- The verticals with the better sales performance were Defence & Security, Public Administrations, and Financial Services.
- Order intake decrease in the region suggests an activity deceleration in the coming quarters due to FX headwinds, a stricter policy in signing new contracts and the ending of some problematic projects.

Asia, Middle East & Africa (AMEA)

- Revenues in Asia, Middle East & Africa (AMEA) decreased by -13% in local currency (-11% in reported figures) impacted by the Elections Business project in Iraq (ended in 2Q14). 4Q15, as well as in 3Q15, posted a positive performance with a growth of 16% in local currency and 19% in reported figures.
- Excluding the impact of the elections project in Iraq, revenues would have grown at double digit rates compared to FY14 thanks to the positive evolution in Transport & Traffic, Energy & Industry and Defence & Security.
- Despite the expected low oil prices could lead to slowdown in the public spending from some countries in Middle East (region that represents c. 30% of total sales in AMEA), the pipeline in the region (specially in Transport &

Traffic, Defence & Security, and Energy & Industry) could anticipate positive growth rates in the following quarters.

Europa & Nortemérica

- The activity in Europe & North America has registered a -9% drop in local currency and in reported figures.
- Defence & Security and Transport & Traffic verticals concentrate the majority of the activity in the area (c. 75%).
- Sales in Defence & Security have been affected by the lower level of activity in the Eurofighter project and there has been some delays of certain projects in some specific countries in the Transport & Traffic vertical.
- Despite the order intake decrease and the gradual decline in the activity of the Eurofighter project it is expected a better relative performance in the forthcoming quarters.

6. ANALYSIS BY SEGMENT

Solutions

	2015 (€M)	2014 (€M)	Variation (%) Reported	Variation (%) Local Currency
Order Intake	1,834	2,029	(10)	(9)
Revenues	1,834	1,887	(3)	(3)
Book-to-bill	1.00	1.08	(7)	-
Backlog / Revs LTM	1.39	1.38	1	-

- Sales in the period decreased by -3% in local currency (same level in reported terms), representing Solutions the 64% of total sales. Excluding the Elections business sales would have remained flat.
- The strong growth experienced in Spain in FY15 (+15%) hasn't compensated the decline in the rest of the geographical areas, which have been affected negatively by the Elections business as well as due to the exposure to certain countries that are dependent to the oil price and commodities. In the 4Q15, it is worth noting the growth in AMEA thanks to the execution of relevant projects in the Transport & Traffic field.
- Along the year, the vertical markets with the best performance were Defence & Security and Transport & Traffic, while the higher falls were PPAA & Healthcare (partly conditioned by the Elections business) and Energy & Industry.
- Order Intake fell -9% in local currency (-10% in reported figures), resulting in a Book-to-Bill ratio (Order Intake/ Sales) of 1.00x vs 1.08x in 2014. Defence & Security was the only vertical that posted positive growth rates.
- The ratio Backlog/ Revenues of LTM was 1.39x, similar level (+1%) vs 2014 (1.38x)

Services

	2015 (€M)	2014 (€M)	Variation (%) Reported	Variation (%) Local Currencyl
Order Intake	817	984	(17)	(15)
Revenues	1,016	1,051	(3)	(0)
Book-to-bill	0.80	0.94	(14)	-
Backlog / Revs LTM	0.63	0.83	(25)	-

- Sales were flat in local currency (-3% in reported terms), being Services 36% as of total sales.
- By vertical markets, Financial Services and PPAA posted positive growth rates, while Energy & Industry and Telecom & Media declined. In 4Q15 sales declined in all vertical markets.
- By geographical areas, Latam was the region that posted the highest sales decline in 4Q15 affected (apart from the macro complex situation) by a stricter policy in signing new contracts.
- Order Intake fell -15% in local currency (-17% in reported figures), with a Book-to-Bill ratio of 0.80x vs 0.94x in 2014.
- The ratio Backlog/ Revenues of LTM was 0.63x, lower than the one reached in 2014 (0.83x).

7. RESEARCH AND DEVELOPMENT ACTIVITIES

Indra has continued to dedicate considerable human and financial resources to developing services and solutions to position itself as technological leader in the different sectors and markets in which it operates. The amount earmarked for research, development and innovation activities represents approximately 5.3% of turnover for the year.

8. MAIN ACTIVITY-RELATED RISKS

Indra is exposed to the following main risks:

- Strategic risks
- Operational risks
  - » Risks associated with the project implementation process
  - » Risks associated with the Management of Human Capital
  - » Risks associated with Information Security
- Economic and Financial Risks
  - » Market risk (exchange rate)
  - » Interest rate risk
  - » Liquidity risk

   » Credit Risk

- Compliance Risks
   » Legal, Contractual and Regulatory Risks
   » Labour Risks
   » Environmental Risks

Indra has prepared a risks map through which risks are managed. Risks are detected and the necessary guidelines and monitoring and control systems are established to prevent risks and minimize their impact. Risk management is described in more detail in the Corporate Governance report.

9. SHARE CAPITAL STRUCTURE

At 31 December 2015 the subscribed and fully paid share capital of the Company totals Euros 32,826,507.80, divided into 164,132,539 ordinary shares of Euros 0.20 par value each. Share capital wholly comprises ordinary shares of the same series which consequently confer the same rights and obligations, there being no restrictions to the transferability of the shares and voting rights.

Main shareholders of the Company at 31 December 2015, with over 5% of capital are: S.E.P.I. (20.14%); Corporación Financiera Alba (11.32%) and Fidelity Management and Research LLC (6.49%)

10. OTHER INFORMATION

The additional information traditionally presented in this section related to (i) the rules applicable to amendment of the Bylaws; (ii) any restriction on the transferability of securities and any restriction on voting rights; (iii) the authority of the members of the board of directors and, in particular, those related to the ability of issuing or repurchasing shares; (iv) significant agreements entered into by the Company that will become effective, change, or terminate in the event of a change of control of the Company after a public takeover bid; (v) agreements between the company and its administrators and management or employees which involve severance should they resign or dismissed without cause, or if the employment relationship were to end due to a public takeover bid, is included in the Annual Corporate Governance Report (sections B.3, A.10, C.1.10, C.1.44 and C.1.45 respectively) in accordance with the provisions of article 540s of the Spanish Companies Act. This report as stated in following section 12 is an integral part of this Consolidated Directors' Report.

11. SHAREHOLDER REMUNERATION

During 2015, the Parent Company has not paid any dividends.

The Parent's Board of Directors will propose to the Shareholders at the General Meeting that the losses of €466,181,909.77 will lead to negative results from previous years.

12. DERIVATIVES

The Group carries out an active hedging management risk policy arising from fluctuations in interest rates and exchange rates, through hedge accounting and derivatives instruments with financial institutions.

13. ANNUAL CORPORATE GOVERNANCE REPORT

Attached to this report, and forming an integral part thereof, is the Annual Corporate Governance Report, pursuant to article 538 of the Spanish Companies Act. The Annual Corporate Governance Report has been published under the format established by the Circular 5/2013 of the Comisión Nacional del Mercado de Valores (National Securities Market Commission).
The Annual Corporate Governance Report is an integral part of the Management Report and is available on the website of the CNMV (www.cnmv.es), which has been forwarded as a Relevant Fact, and on the company website (www.indracompany.com).

14. OWN SHARES

As authorized by the shareholders at their Annual General Meeting, at 31 December 2015 the Company holds 347,011 treasury shares amounting to Euros 3,081 thousand.

In 2015 the Company acquired 28,045,163 treasury shares on the stock market (7.84% of official volume for the period) and sold 27,900,351 treasury shares (7.80% of official volume for the period).

On July 31st 2014, it has signed a liquidity program contract with BEKA FINANCE, S.V., S.A. in order to increase the liquidity and frequency of trading of its shares.

15. EVENTS FOLLOWING THE CLOSE OF THE PERIOD

No significant events have occurred in the Group after the end of the year.

2

Annual Corporate Governance Report

Listed Companies

Issuer's identification data:	Indra
Year ended:	31 December, 2015
CIF (Tax Id. No.):	A-28599033
Company name:	Indra Sistemas, S.A.
Registered Office:	Avda. Bruselas, 35, Alcobendas, Madrid

This document contains the annual corporate governance report submitted. to the Comisión nacional del Mercado de valores ("Spanish Securities Market Commission" or "CNMV") pursuant to the form prescribed by the CNMV; additionally this report contains all comentaries and notes for each section to facilitate its understanding.

A. CAPITAL STRUCTURE

A.1. Complete the table below with details of the capital stock of the Company::

Date of last change	Share capital (Euros)	Number of shares	Number of voting rights
14-09-2007	32,826,507.80	164,132,539	164,132,539

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

Yes ☐ No ☑

Class	Number of Shares	Par Value	Number of Votes	Associated Rights
-	-	-	-	-

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

Name of Shareholder	Direct Voting Rights	Indirect Voting Rights		% Of voting Rights
		Name of Shareholder with Direct	Number of Votes	
Sociedad Estatal de Participaciones Industriales, S.A.	33,057,734	-	0	20.14
Corporación Financiera Alba, S.A.	0	Alba Participaciones, S.A.	18,587,200	11.32
FMR LLC *	0	Fid Low Priced Stock Fund y otros	17,224,100	10.494
Taube Hodson Stonex Partners	0	Various investment funds, none with voting rights	5,544,843	3.378
Telefónica, S.A.	5,190,000	-	-	3.16
Schroders PLC*	-	Schroder Investment Management Lted. And otherss	4,935,494	3.007
Bestinver Gestión, S.A., S.G.I.I.C.	-	Pension funds managed by Bestinver Pensiones, EGFP, S.A.	4,941,732	3.01

*Pursuant to the communication submitted to the CNMV on December 11th 2015, 3,995% of the voting rights are financial instruments conferring voting rghts.

* Additionally and in accordance with the communication submmitted by Schroders PL Con November 11th 2015m Schroders PLC held an indirect stake of 3.007% through the following subsidiaries and proportions indicated: Schroder & Co Limited (0,013%), Schroder Investment Management Limited (2,938%), Schroder Investment Management Hong Kong Limited (0,014%) and Schroder Investment Switzerland AG (0,042%).

Please indicate significant changes in company shareholder (hereinafter “Shareholder”) composition during the fiscal year:

Name of Shareholder	Date of Change	Description of Change
Telefónica, S.A.	28 Jan 2015	Share ownership surpassed 3%
Taube Hodson Stonex Partners LLP	09 March 2015	Share ownership surpassed 3%
Taube Hodson Stonex Partners LLP	27 July 2015	Share ownership dropped below 3%
Taube Hodson Stonex Partners LLP	31 July 2015	Share ownership surpassed 3%
Bestinver Gestión,S.A. SGIIC	04 Aug 2015	Share ownership surpassed 3%
FMR, LLC	27 Nov 2015	Share ownership surpassed 10%

A.3. In the following tables, list the members of the Board of Directors (hereinafter “Directors”) with voting rights in the company:

Name of Director	Number of Direct Votes	Number of Indirect Votes	Percentage of Voting Rights
Isabel Aguilera Navarro	37,102	0	0.023
Javier de Andrés González	149,254	0	0.091
Juan Carlos Aparicio Pérez	8,226	0	0.005
Daniel García-Pita Pemán	61,443	12,600	0.045
Luís Lada Díaz	32,703	0	0.020
Juan March de la Lastra	27,608	0	0.017
Santos Martínez-Conde Gutierrez-Barquín	15,677	0	0.010
Adolfo Menéndez Menéndez	9,230	0	0.006
Fernando Abril-Martorell Hernández	53,838	0	0.033
Enrique de Leyva Pérez	2,148	0	0.001
Ignacio Santillana del Barrio	21,302	0	0.013
Rosa Sugrañes Arimany	31,209	0	0.019
Alberto Terol Esteban	28,159	0	0.017

TOTAL PERCENTAGE OF VOTING RIGHTS HELD BY THE BOARD OF DIRECTORS	0,3

Please complete the following tables with details regarding members of the company's Board of Directors who own company share options::

Name of Director	Number of Direct Rights	Indirect Rights		Number of Equivalent Shares	Percentage of Total Voting Rights
		Name of Shareholder with Direct Rights	Number of Votes		
		-	-		

A.4. If applicable, indicate any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business:

Name of Related Party	Nature of Relationship	Brief Description
-	-	-

A.5. If applicable, indicate any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

Name of Related Party	Nature of Relationship	Brief Description
-	-	-

A.6. Indicate whether the Company has been notified of any shareholder agreements that may affect it, in accordance with Articles 530 and 531 of the Ley de Sociedades de Capital ("Corporate Enterprises Act" or "LSC"). If so, describe these agreements and list the party shareholders:

Yes ☐ No ☑

Parties to the Shareholder Agreement	Percentage of Affected Shares	Brief Description of the Agreement
-	-	-

Indicate whether the Company is aware of any coordinated actions among its Shareholders. If so, provide a brief description:

Sí ☐ No ☑

Parties to the Coordinated Act	Percentage of Affected Shares	Brief Description of the Agreement
-	-	-

If any of the aforementioned agreements or coordinated acts have been modified or terminated during the year, please specify expressly:

A.7. Indicate whether any individual or company exercises or may exercise control over the Company in accordance with Article 54 of the Ley de Mercados de Valores ("Spanish Securities Exchange Act" or "LMV"). If so, please identify them:

Yes ☐ No ☑

Name of Individual or Company
-

Remarks
-

A.8. Complete the following table with details of the company's treasury shares:

At the close of the fiscal year:

Number of Direct Shares	Number of Indirect Shares (*)	Total Percentage of Share Capital
347,011		0.21

* Results for treasury share transactions in fiscal 2015 was 221m €.

(*) Through:

Name of Direct Shareholder	Number of Direct Shares
-	-
Total:	-

Explain any significant changes during the fiscal year, as described in Royal Decree 1362/2007:

Explain significant changes	
15 January 2015	1,718,462 shares acquired, 1.047% share capital.
04 February 2015	1,653,048 shares acquired, 1.007% share capital.
24 February 2015	1,717,276 shares acquired, 1.046% share capital.
12 March 2015	1,724,388 shares acquired, 1.051% share capital.
01 April 2015	1,726,554 shares acquired, 1.052% share capital.
23 April 2015	1,645,294 shares acquired, 1.002% share capital.
13 May 2015	1,649,904 shares acquired, 1.005% share capital.
03 June 2015	1,676,995 shares acquired, 1.022% share capital.
24 June 2015	1,716,462 shares acquired, 1.046% share capital.
15 July 2015	1,681,504 shares acquired, 1.024% share capital.
04 August 2015	1,755,079 shares acquired, 1.069% share capital.
28 August 2015	1,657,111 shares acquired, 1.010% share capital.
22 September 2015	1,736,338 shares acquired, 1.058% share capital.
16 October 2015	1,693,836 shares acquired, 1.032% share capital.
12 November 2015	1,731,227 shares acquired, 1.055% share capital.
07 December 2015	1,674,480 shares acquired, 1.020 % share capital.

A.9. Provide a detailed description of the conditions and terms of the authority given to the Board of Directors (hereinafter, the "Board") at the Annual Shareholders Meeting (hereinafter, "Meeting") to issue, repurchase, or alienate treasury shares:

At the Meeting held on 25 June 2015, under Item 6 of the agenda and with a favourable vote of 99.87% of the capital present, the Shareholders agreed:

"To authorise the Board of Directors, in accordance with the provisions of Articles 146 and 509 of the LSC, to buy back the Company's own shares (as well as pre-emptive rights to the same) in one or more tranches, either directly or through subsidiaries, by any means allowed by law, with the express authority to sell or cancel them.

This authority shall be subject to the following conditions:

i. (i) The nominal value of any treasury shares acquired under this authority, when added to the treasury shares already possessed by the purchasing entity and its affiliates, may not exceed 10% of nominal capital.

ii. The minimum acquisition price or the minimum amount of consideration to be paid shall be the par value of the shares acquired and the maximum acquisition price or the maximum amount of consideration to be paid shall be listed price of the acquired shares on a regulated secondary market at the time of acquisition.

iii. Acquisition of shares must not result in a reduction of equity below the sum of the value of treasury shares plus reserves which are unavailable either by applicable law or by the Bylaws.

It is specifically provided that the acquired shares or option rights to those shares may be subsequently granted to Directors, management personnel and employees of the Company.

This authorisation is valid for 5 years as of the date of approval and supersedes in all respects the previous authorisation approved at the Annual Shareholders Meeting held on 24 June 2010."

A.9.bis Estimated Working Capital

	%
Estimated Working Capital	65.38%

A.10. Indicate whether there are any restrictions placed on transfer of shares and/or any restrictions on voting rights. In particular, indicate the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market.

Yes ☐ No ☑

Description of Restrictions
-

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

Yes ☐ No ☑

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

A.12. Indicate if the company has issued shares which are not traded on an EU regulated market.

Yes* ☑ No ☐

The Company carried out in October 2013 an issue of bonds in the amount of 250 M €, convertible and/or exchangeable for Indra common shares but excluding preferential shareholder subscription rights. Said bonds are listed on an unregulated market (multilateral trading facility) called Freiverkehr on the Frankfurt Stock Exchange.

* See Report of Material Fact submitted to the CNMV on 8 October, 2013.

If so, please list each type of share and the rights and obligations conferred on each..

B. ANNUAL SHAREHOLDERS' MEETING

B.1. Indicate whether there are any differences between the quora established by the LSC for Annual Meetings and those set by the company and if so, describe them in detail:

Yes ☐ No ☑

	% quorum different from that contained in Article 193 LSC for general matters	% quorum different from that contained in Article 194 LSC for special resolutions
Quorum required on 1st call		-
Quorum required on 2nd call	-	-

Description of differences
-

B.2. Indicate whether there are any differences in the company's manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

Yes ☐ No ☑

Describe how it is different from that contained in the LSC.

	Supermajority different from that established in Article 201.2 LSC for Article 194.1 LSC matters	Other matters requiring a supermajority
% established by the company for adoption of resolutions	-	-

Describe the Differences
-

B.3. Indicate the rules for amending the Company's bylaws. In particular, indicate the majorities required for amendment of the bylaws and any provisions in place to protect shareholders' rights in the event of amendment of the bylaws.

Shareholders at Meetings have the right to decide all matters attributed to them by law or the Bylaws, in particular amendment of the Bylaws, except where, pursuant to applicable law, this power may be delegated to the Board of Directors.

The Bylaws do not contain any provisions regarding adoption of resolutions amending the Bylaws in conflict with that contained in the current version of the LSC. Specifically, in accordance with Article 194 LSC, in order for the Bylaws to be validly amended at either an Annual or at an Extraordinary Meeting, at first call there must be agreement of Shareholders present either in person or by proxy that represents at least 50% of subscribed capital with voting rights; at second call 25% is sufficient. Additionally, in accordance with Article 201 LSC, in order to modify the Bylaws a two thirds majority of the voting capital in attendance must vote in favour whenever attendance at second call is between 25% and 50%.

B.4. Give details of attendance at annual shareholder meetings held during the year of this report and the previous year:

	Attendance Data				
			% Remote Voting		
Date of Annual	% Physically Present	% Present by Proxy	Electronic Voting	Other	Total
25 June 2015	0.63	66.42	0.01	1.49	68.55%
26 June 2014	0.735	75.31	0.002	0.122	76.169%

B.5. IIndicate if the bylaws contain any restrictions requiring a minimum number of shares to attend annual shareholder meetings::

Yes ☐ No ☑

Number of shares required to attend Annual Meetings	-

B.6. Repealed

B.7. State the address and manner of access to the page on the Company website where one may find information on corporate governance and other information regarding annual shareholder meetings that must be made available to shareholders through the company website. .

The URL of the Company website is www.indracompany.com.

Under the **"Accionistas e Inversores"** tab ["Investor relations" on the English site] one may find, among other hot buttons, **"Gobierno Corporativo" [**"Corporate governance"] under which appears **"Junta General de Accionistas"** ["General Shareholders Meeting"] in a submenu.

C. COMPANY ADMINISTRATIVE STRUCTURE

C.1. Board of Directors

C.1.1. Maximum and minimum number of Directors established in the Bylaws:

Maximum Number of Directors	15
Minimum Number of Directors	8

C.1.2. Please complete the following table regarding Directors:

Name of Director	Natural Person Rep	Director Category	Position on the Board	Date First Named to Board	Last Re-election Date	Method of Selection to Board
Fernando Abril-Martorell Hernández	-	Executive	Chairman	29 Jan, 2015	29 Jan, 2015	Annual Shareholders
Daniel García-Pita Pemán	-	Independent	Vice-chair	25 June, 2009	25 June, 2015	Annual Shareholders
Javier de Andrés González	-	Executive	CEO	21 June, 2011	26 JUNE, 2014	Annual Shareholders
Isabel Aguilera Navarro	-	Independent	Directorl	27 June, 2005	26 June, 2014	Annual Shareholders
Juan Carlos Aparicio Pérez	-	Propietary	Director	26 Sept, 2013	26 June, 2014	Annual Shareholders
Luís Lada Díaz	-	Independent	Directorl	21 June, 2007	27 June, 2013	Annual Shareholders
Juan March de la Lastra	-	Proprietary	Director	29 July, 2009	27 June, 2013	Annual Shareholders
Santos Martínez-Conde Gutiérrez-Barquin	-	Proprietary	Directorl	27 June, 2013	27 June, 2013	Annual Shareholders
Adolfo Menéndez Menéndez	-	Proprietary	Director	26 Sept, 2013	26 June, 2014	Annual Shareholders
Enrique de Leyva Pérez	-	Independent	Directorl	30 April, 2015	25 June, 2015	Annual Shareholders
Rosa Sugrañes Arimany	-	Independent	Director	26 June, 2008	26 June, 2014	Annual Shareholders
Alberto Terol Esteban	-	Independent	Directorl	24 June, 2010	27 June, 2013	Annual Shareholders
Ignacio Santillana del Barrio	-	Independent	Director	21 June, 2011	26 June, 2014	Annual Shareholders

Total number of Directors	13

Indicate if any Directors have left the Board during the period subject to this report:

Name of Director	Director Type at Time of Leaving	Date Director Left
Javier Monzón de Cáceres	Executive	29 Jan, 2015
Mónica de Oriol e Icaza	Outside, others	30 April, 2015

C.1.3. Complete the following tables regarding the members of the Board and their categories:

Executive directors

Director Name	Position with the Company
Fernando Abril-Martorell Hernández	Chairman of the Board
Javier de Andrés González	CEO
Total Number of Executive Directors	2
Percentage of Board	15.38

Consejeros externos dominicales

Name of Director	Name of Significant Shareholder Represented or Proposing Directorship
Juan March de la Lastra	Corporación Financiera Alba, S.A.
Santos Martínez-Conde Gutiérrez-Barquín	Corporación Financiera Alba, S.A.
Juan Carlos Aparicio Pérez	Sociedad Estatal de Participaciones Industriales (SEPI)
Adolfo Menéndez Menéndez	Sociedad Estatal de Participaciones Industriales (SEPI)
Total Number of Proprietary Directors	4
Percentage of the Board	30.76

Independent directors

Name of Director	Profile
Isabel Aguilera Navarro	Born in Sevilla in 1960. Architect and Urban Planner, MBA from the Instituto de Empresa, Degree in Executive Management from IESE. She has spent her career in several IT companies such as HP/Compaq, Vodafone, and Dell, where, in addition to her role as Business Director for Southern Europe she was Chair and Chief Executive for Spain, Portugal and Italy. At NH Hotels, a multinational company operating in more than 19 countries, she was COO; at Google Inc. she filled the post of Chairman of the Board for Spain and Portugal, and at General Electric, she was chief executive for Spain and Portugal until May, 2009. Today, she is director at BMN (Banco Mare Nostrum), at Aegón Seguros, España, Egasa XXI, S.A. and Oryzon Genomics, S.A. as well as an associate professor at ESADE. .
Daniel García-Pita Pemán	Born in 1947. Lawyer. He has spent his entire career at the law firm of J & A Garrigues, which he joined in 1969 and where he is a Managing Partner. He has served as Professor of Business Law at the Universidad Central de Madrid and as a member of the Governing Board of the Madrid Bar Association. Legal Counsel to numerous organisations and member of the Board of important listed companies, Indra among them, where he was non-member Secretary until 2009. Currently he is non director Secretary of OHL, S.A., director at Aegón España, S.A. de Seguros y Reaseguros, independent director of DTS Distribuidora de Televisión Digital, and Chairman of the Board of Andbank. .
Luis Lada Díaz	Born in 1949. Telecommunication Engineer and Académico de Número of the Royal Academy of Engineering, with a long career in Grupo Telefónica where he has been head of Telefónica Móviles and Telefónica de España. Additionally, he has been a director and leading member of many companies and organizations related to IT. He is an advisor to Assia Inc., non executive Chairman of Grupo Segur, and is a director at Gamesa Corporación Tecnológica, S.A. as well as at ENCE Energía y Celulosa, S.A..
Ignacio Santillana del Barrio	Born in 1948. Ph.D in Economics (1978) from the University of Indiana and Doctorate in Economics from the Universidad Autónoma de Madrid (1980). Since December, 2012, he has been Chairman of the Board of Grupo Santillana Educación Global, S.L. and a member of the board of Prisa Radio, and Cadena Ser. While at Grupo Prisa he served as COO. Before that, he spent his career in the United States as Executive Vice President at G.T.E. and at Telefónica, where he served as CFO, CEO of Telefónica Internacional, and General Manager of Telefónica. Earlier, he was Chairman of the Empresa Nacional de Inovación and Economist at the Asociación Española de la Banca Privada. He is a member of the board at the Escuela de Finanzas, AFI. In 1974 he was awarded the Juan March scholarship and in 1978 was a Fulbright scholar. Other highlights of his career: Chairman of Nokia España and of its Advisory Committee, Director of Banco Gallego, and member of the Advisory Boards of Accenture, Eptisa, and Fundación Albéniz.
Rosa Sugrañes Arimany	Born in 1957. Degree in Business Administration from the Universidad Autónoma de Barcelona. Founding member of Iberia Tiles Corp of Miami, Florida from 1980 until its sale in 2012. Member of the board of Sabadell United Bank in Florida and of Grupo Rosa Gres de Barcelona.
Alberto Terol Esteban	Born in 1955. Degree in Economics and Business Administration from the Universidad Complutense de Madrid. He began his career at Arthur Andersen where he was made partner and headed various projects. He was a member of the Board of Partners of Andersen Worldwide. He has been Managing Partner of Garrigues-Andersen. He filled the post of head of Europe for Andersen for a year and a half, and was a member of the Worldwide Executive Committee. He was also a board member of the Legal and Tax practice for Arthur Anderson. He was a member of the Executive Committee for Deloitte, where he was head of Latin America and later of Europe, Middle East and Africa. Additionally, Mr. Terol served as managing director of worldwide Legal and Tax practice. He has also been International Senior Advisor for BNP Paribas. Currently he is Chairman and CEO of several family businesses and Independent Director at OHL, S.A. where he also serves on the Audit, Compliance and Corporate Social Responsibility Committee. He is Independent Director at International Airlines Group, S.A., where he is a member of the Audit Committee and the Compensation Committee. He is an independent board member at both Aktua Soluciones Financieras, S.A., and Broseta Abogados..
Enrique de Leyva Pérez	Born in Sevilla, 1959. Civil Engineering degree from the Universidad Politécnica de Madrid and MBA from Columbia University. Currently he is a Founding Partner at Grupo Magnum and Chairman and Chief Executive Officer of several companies within the group (among them, Chairman of Grupo NACE Schools). Additionally, he is a director at Bio Oils Energy, S.A. and a member of the Advisory Board of Abante Asesores y Ambiente Sgr. S.p.A. His professional career began at Unión Fenosa (1983-1986), then McKinsey & Company, Inc. (1986-2006) where he was CEO of its Spanish affiliate, and Magnum Industrial Partners, S.L., where he has been a partner since 2006. He has been Chairman of Grupo Geriatros, and Pretersa-Prenavisa, as well as director at Centro Médico Teknon, S.L. and at Iberwind.

Number of Independent Directors	7
Percentage of the Board	53.84

Indicate whether any Independent Director receives from the Company or any company in the group any amount or benefit other than compensation as a Director, or has or has had a business relationship with the Company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company which has or has had such a relationship.

If such is the case, include a statement by the board explaining why it believes that the Director in question can perform his or her duties as an independent director.

Name of the Director	Description of the Relationship	Statement of the Board
-	-	-

Other outside directors

Indicate the reasons why these Directors are considered neither Proprietary nor Independent, and detail their ties with the Company or its management or shareholders:

Name of Director	Reason	Company, Director or Shareholder to whom the Director is Connected
-	-	-

Total Number of Other Outside Directors	-
Percentage of the Board	-

Indicate any changes in status that have occurred during the period for each Director:

Name of Director	Date of Change	Prior Status	Current Status
-	-	-	-

C.1.4. Complete the following table with information relating to the number of female Directors at the close of the past 4 fiscal years, as well as the category of each.

	Number of Female Directors				% of Directors for each Category			
	Fiscal year t	Fiscal year t-1	Fiscal year t-2	Fiscal year t-3	Fiscal year t	Fiscal year t-1	Fiscal year t-2	Fiscal year t-3
Executive	0	0	0	0	0	0	0	0
Proprietary	0	0	0	0	0	0	0	0
Independent	2	2	3	3	28.57	33.33	42.85	42.85
Other Outside	0	1	0	0	0	100	0	0
Total	2	3	3	3	15.38	23.08	21.42	20.13

C.1.5. Describe the means, if any, which have been adopted in order to attract a number of women to the Board of Directors which will permit balanced membership of men and women.

Description of Means

The Policy for Selection of Directors approved by the Board has as its goal the achievement by the year 2020 of a number of female members that represents, at least, thirty percent of the total membership of the Board of Directors. Additionally, the Board Rules of the Company give the Nomination, Compensation and Corporate Governance Committee in Article 19.4 a) the task of annual verification of compliance with said policy.

C.1.6. Describe the means, if any, agreed upon by the nomination committed to ensure that selection procedures do not contain hidden biases which impede the selection of female Directors and that the Company deliberately seeks and includes women who meet the target professional profile among potential candidates:

Explanation of Means

Article 20.3 of the Board Rules establishes that any individual proposed for appointment to the Board must be of good personal and professional reputation, sufficiently capable of working with dedication and have no interests that are incompatible with the position involved.

Furthermore, internal operating rules of the Company provide that the Board and the Nomination, Compensation and Corporate Governance Committee must take particular care to apply criteria and policies intended to increase gender diversity on the Board during the process of selecting individuals to become Directors. They have done so during successive membership turnover in the past few years, it being with Independent Directors and other Outside Directors that the Board and the Nomination, Compensation and Corporate Governance Committee have the most power to make changes, as they have the ability to consider a much larger number of potential candidates for the position of Director.

Specifically, when the post of Ms. De Oriol became available to be filled, the Nomination, Compensation and Corporate Governance Committee engaged the Spencer Stuart consulting firm to conduct a search for candidates to fill the post of Independent Director. Said consultant presented an extensive list for analysis by the Nomination, Compensation and Corporate Governance Committee, which included the professional profiles of women. After review, the Committee recommended three candidates for the Board, two of whom were women. In the end Mr. De Leyva was chosen as most closely meeting the required profile.

To this end, the current Policy for Selection of Directors has as its goal the achievement of at least thirty percent representation by female members on the Board of Directors by 2020. This policy requires that all proposals for appointment or re-election of Directors be accompanied by a report issued by the Nomination, Compensation and Corporate Governance Committee evaluating the experience, competence and merits of each candidate. These reports are published upon call of Annual Shareholders' Meetings so that each shareholder may be aware of the current policy and selection procedure for Directors and may verify that it is consistent with best practices in Corporate Governance.

The two current female Directors account for 15.37% of the total number of Directors, 18.18% of the Non-Executive Outside Directors, and 25.87% of Independent Directors, which, as already mentioned, is the category in which the Board is most capable of exercising its influence by applying gender diversity policies. It should be taken into account that both Executive Directors, the Chairman and the CEO, are male. As for Proprietary Directors, the Board of Directors and the Nomination, Compensation and Corporate Governance Committee can only recommend that Shareholders consider assigning women to positions as Directors in representation of their equity interest, although this depends upon women holding top-level positions in their respective organisations, as it is in the interest of the Company that Proprietary Directors be selected from the highest levels of its Shareholders' organisations.

In the event that there are few or no female Directors in spite of any measures adopted, please explain the reasons that justify such a situation:

Explanation of Reasons

-

C.1.6. (a) Describe the conclusions of the nomination committee regarding verification of compliance with the selection policy for directors; in particular, as it relates to the objective of achieving the objective that by the year 2020 the number of female board members represents at least 30% of the total membership of the board of directors:

As mentioned in the preceding section, the Board of Directors and the Nomination, Compensation and Corporate Governance Committee have been careful to apply criteria and policies designed to promote gender diversity among board members in their selection of persons to take on that role. The Nomination, Compensation and Corporate Governance Committee concluded that the Company is in compliance with the Selection Policy for Directors and applied it properly in producing nominees during fiscal 2015. Said Selection Policy explicitly states as its goal the achievement by the year 2020 of a number of female directors which represents at least 30% of the members of the Board of Directors..

C.1.7. Explain the form of representation on the Board of shareholders with significant holdings.

The following are Directors who during fiscal 2015 were Board members in representation of the interests of significant shareholders:

- Juan March de la Lastra, representing the proprietary interests of Corporación Financiera Alba, S.A.
- Santos Martínez-Conde Gutiérrez-Barquin, representing the proprietary interests of Corporación Financiera Alba, S.A.
- Juan Carlos Aparicio Pérez, representing the proprietary interests of SEPI.
- Adolfo Menéndez Menéndez, representing the proprietary interests of SEPI.

C.1.8. If applicable, please explain the reasons for the appointment of any Proprietary Directors at the request of shareholders with less than a 3% equity interest.

Name of Shareholder	Reason
-	-

Indicate whether the Board has failed to meet any formal requests for membership from Shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met.

Yes ☐ No ☑

Name of Shareholder	Explanation
-	-

C.1.9. Indicate whether any directors have left their posts before completion of their terms, whether and by what means the departing director provided the Board with an explanation for his or her departure and, if these reasons were provided in writing to the entire Board, specify the reasons given:

Name of Director	Reason for Departure
Javier Monzón de Cáceres	Presented his resignation at a plenary session of the Board once his powers had been revoked.
Mónica de Oriol e Icaza	Presented her resignation at a plenary session of the Board for professional reasons.

C.1.10. Identify the powers delegated to the CEO/s, if any:

Name of Director	Brief Description
Fernando Abril-Martorell Hernández	All the powers of the Board except those that may not be delegated by law or the Bylaws..
Javier de Andrés González	All the powers of the Board except those that may not be delegated by law or the Bylaws.

C.1.11. Identify any members of the Board who are also directors or officers in other companies in the group of which the listed company is a member:

Name of Director	Name of Group Member	Position	Does the Director have Executive Powers?
-	-	-	-

C.1.12. List any directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the company:

Name of Director	Name of Listed Company	Position
Luis Lada Díaz	Gamesa Corporación Tecnológica, S.A.	Director
	Ence Energia y Celulosa, S.A.	Director
Juan March de la Lastra	Corporación Financiera Alba, S.A.	Vice Chair
	Viscofan, S.A.	Director
Fernando Abril-Martorell Hernández	Ence Energia y Celulosa, S.A.	Director
Alberto Terol Esteban	OHL, S.A.	Director
	International Consolidated Airlines Group, S.A.	Director
Santos Martínez-Conde Gutiérrez-Barquín	Corporación Financiera Alba, S.A.	CEO
	ACS Actividades de Construcción y Servicios, S.A.	Director
	Acerinox, S.A.	Director
	Bolsas y Mercados Españoles, S.A.	Director
Isabel Aguilera Navarro	Oryzon Genomics, S.A.	Director

C.1.13. Indicate whether the rules governing the Board limits the number of boards on which its Directors may hold seats, providing details if applicable:

Yes ☑ No ☐

Explanation of the rules
Article 33 of the Board Rules establishes that a Director must devote the time and effort necessary to carry out his or her functions adequately. Therefore, Directors must inform the Board of any activities that could significantly affect their dedication to the Company. So far as the number of other boards to which a Director may belong is concerned, the general rule is that the Director may not belong to so many that it interferes with the Director's dedication to the post of Director at Indra. To that end, the Company's board members are subject to the following general limits: (i) Executive directors of the company may only fill posts on the boards of up to two other listed companies; (ii) non-Executive directors may only fill posts on the boards of up to four other listed companies.

C.1.14. Repealed

C.1.15. Indicate total compensation received by the Board of Directors:

Board compensation (thousands of euros) [1]	7,407
Amount of vested pension interests for current members (thousands of euros)	4,663 [1]
Amount of vested pension interests for former members (thousands of euros)	0

[1] This amount corresponds to the amount acccumlated as of 31 December 2015 in the Early Retirement and Long Term Savings Plan managed externally by means of an insurance policy, of whom the beneficiaries are the Executive Directors. .

C.1.16. Identify Senior Management who are not executive directors, and their total compensation accrued during the year:

Name	Position
Juan Carlos Baena [(1)]	General Manager
Eduardo Bonet	General Manager
José Cabello	General Manager
Emilio Díaz [(2)]	General Manager
Emma Fernández [(2)]	General Manager
Rafael Gallego	General Manager
Carlos González	General Manager
Javier Lázaro	General Manager
Antonio Mora	General Manager
José Manuel Pérez-Pujazón	General Manager
Cristina Ruiz	General Manager
Santiago Roura [(2)]	General Manager
María Dolores Sarrión	General Manager
Carlos Suárez	General Manager
Juan Tinao	General Manager

[(1)] Left his post during the fiscal year o
[(2)] Left their posts during the fiscal year

Total Senior Management Compensation (in 1000's of euros)	15,252

The amount shown includes severance payments made to senior managers Ms. Emma Fernández, Mr. Juan Carlos Baena, Mr. Emilio Díaz and Mr. Santiago Roura upon termination of their employment relationships with the Company (9,706 m€)..

C.1.17. Identify any members of the board who are also members of the board of directors of significant shareholders and/or entities within the shareholder's group:

Name of Director	Name of Significant Shareholder	Post
Juan March de la Lastra	Corporación Financiera Alba, S.A.	Vice Chairman
	Banca March, S.A.	Chairman
Santos Martínez-Conde Gutiérrez-Barquín	Corporación Financiera Alba, S.A.	CEO
	Banca March, S.A.	Director
	Artá Capital, S.G.E.C.R., S.A.	Director
	Deyá Capital, S.C.R., S.A.	Chairman
	Artá Partners, S.A.	Chairman

Please detail any relevant relationships, other than those presented immediately above, between members of the board of directors and significant shareholders of the Company and/or of companies within the group:

Name of Associated Director	Name of Associated Significant Shareholder	Description of the Relationship
-	-	-

C.1.18. Indicate whether the board rules were amended during the year:

Yesí ☑ No ☐

Description of Amendment

In its session of 29 July, 2015, the Board of Directors unanimously agreed to amend the Board Rules and approved the language proposed, in order to harmonize them with changes made to the LSC, adopt their provisions to the Code of Good Governance for Listed Companies and in order to make stylistic improvements in some of the articles.

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

C.1.19. Specify the procedures for selection, appointment, re-election, evaluation and removal of Directors: the competent bodies, steps to follow and criteria applied in each procedure.

Selection: Article 20.3 of the Board Rules establishes that any individual proposed for appointment must be of good personal and professional reputation, sufficiently capable of working with dedication, and have no interests that are incompatible with the position involved. This article also provides that the Nomination, Compensation and Corporate Governance Committee must rigorously examine those persons nominated to fill the post of independent director.
Furthermore, Article 8 of the Board Rules gives the following qualitative compositional requirements for the Board of Directors::

- That Outside Directors represent a substantially larger component than Executive Directors.

- That in order to establish a balance between Proprietary and Independent Directors, focus should be on the Company shareholder structure, considering the importance of equity stake as well as the degree of permanence and strategic company connections with the holders thereof.

- That the Board, along with the Nomination, Compensation and Corporate Governance Committee, should be especially vigilant that criteria and policies used in the selection of Directors promote gender diversity.

Additionally, in crafting proposals for re-election and appointment of directors that it submits to Meetings, and after a favourable report from the Nomination, Compensation and Corporate Governance Committee, the Board evaluates the following criteria in its selection of candidates:

- The they possess sufficient knowledge, experience and ability in the following areas: (i) the sectors in which the Company operates and/or other related sectors or sectors with similar characteristics; (ii) finance, economics and control; (iii) evaluation and management of executive level staff and highly qualified human resources; (iv) the general economic environment and geographic markets most important to the Company; and (v) management and entrepreneurship.

- Ability to devote the dedication required for fulfilment of the post.

Consistent with the provisions of Recommendation 14 of the Code of Good Governance for Listed Companies, the Board of Directors has approved a Policy for Selection of Directors which contains all of the current criteria and Company procedures in this regard. For the most part this information is already public, having been published in the Annual Corporate Governance Report and in materials supporting proposed resolutions to the Board relevant to this area and without which no changes or amendments could have been made.

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

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

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

The criteria applicable to Directors also apply to natural persons representing artificial person Shareholders.

Under Article 20 of the Board Rules, the Board shall present each proposal for the appointment or re-election of its members to the Shareholders at Meetings to vote on separately. Any re-election of Directors shall undergo formal review equal to that applied when appointing new Directors.

Evaluation: Pursuant to Article 13 of the Board Rules, after using the report from the Committee as a starting point, the Board performs an annual evaluation of its proceedings and the quality of its work, as well as the work of its committees. Each of these bodies performs its own evaluation and prepares a report on its activities and actions during the year, which is then submitted to the Board. This year, the Report on the Activities of the Audit and Compliance Committee and of the Nomination, Compensation and Corporate Governance Committee for 2015 will be published, along with the rest of the information made available to Shareholders, upon first call of the Annual Shareholders Meeting.

The evaluation for fiscal 2014 was carried out with the collaboration of external advisors and consisted of completion of a questionnaire and personal interviews with each Director by those external advisors.

The evaluation process ended with a satisfactory opinion of its performance and the quality of the Board's work and that of its committees in fiscal 2014.

Furthermore, the Board must issue an annual evaluation of the work performed by its Chairman both in this capacity and, separately, as CEO, if applicable. Without prejudice to the forgoing, in 2015 no such evaluation of the Chairman of the Board was made regarding his performance in 2014 given that Chairman was replaced in January of 2015..

Termination of Directors: As established in Article 23 of the Board Rules, Directors are relieved of their duties upon removal at a Meeting, or when they announce their resignation from or are fired by the Company.

Should the Board propose that an Independent Director be removed before the end of his or her term, this proposal must arise from good cause and be accompanied by a prior report from the Nomination, Compensation, and Corporate Governance Committee.

C.1.20. Explain how the annual evaluation of the board has given rise to significant changes in its internal organization and to procedures applicable to its activities:

Description of Changes
As indicated in Section C.1.19 above, during fiscal 2015 the Company performed an evaluation of the performance and work quality of the Board and its committees for fiscal 2014. This evaluation process resulted in recommendations for improving corporate processes which did not affect internal organization and procedures applicable to the Board of Directors..

C.1.20. bis Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of an external advisor, regarding diversity in its composition and duties, the function and composition of its committees, the performance of the chairman of the board and the chief executive officer of the company, as well as the performance and input from each director.

The evaluation process referred to in the previous section was performed with the collaboration of external advisors (Egon Zehnder) and consisted of a questionnaire and an interview by the consultants with each of the Directors.

The resulting report concluded that regarding its composition and duties the Board of Directors is appropriate in its size and in the professional profiles of its membership, and that the selection process for its members is done in a structured and objective fashion.

As regards the Committees, it was concluded that their structure is appropriate, that they have an important role in corporate governance of the Company, and that they act in an effective manner. It was noted particularly that they perform independently and it was concluded that they provided adequate information to the Board as a whole, providing Directors access to information and apprising them of the activities of the committees.

Finally, the evaluation concluded that the performance and input of each Director was individually satisfactory.

C.1.20.ter. Describe in detail any business relationships which the consultant or any business within its group maintains with the company or any company in its group.

N/A

C.1.21. Indicate the situations in which Directors are required to resign:

As established in Article 23 of the Board Rules, Directors must report to the Board and offer their resignations under the following circumstances:

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

b) When a Director has seriously breached his or her obligations as a Director, or has committed an act or omission inconsistent with the duties of diligence and responsibility required in order to perform the Director's duties.

c) When continuation of the Director in his or her position may jeopardize the interests of the Company or adversely affect its standing or reputation or the functioning of the Board.

d) When the Director cannot maintain the necessary dedication to perform his or her duties effectively.

e) When a Shareholder represented by a Proprietary Director sells its entire equity interest or reduces its interest to a level that requires a decrease in the number of Proprietary Directors representing the Shareholder.

f) Should a change occur in the conditions or circumstances concerning an Independent Director that may strip the Director of independent status.

g) In the event that an Executive Director leaves his management post for any reason when membership on the Board is predicated on the Executive Director's status as a senior manager.

In any event, a Director must inform the Board and, if appropriate, resign under those circumstances which may damage the credit or reputation of the Company and, particularly, must inform the Board of any criminal procedures in which the Director is implicated as well as subsequent proceedings.

Should a Director be formally accused or be subject to the commencement of a criminal procedure of any kind as described law applicable to companies, the Board of Directors will investigate the case as soon as possible and, given the circumstances, decide whether or not the Director should continue at his or her post. All such matters shall be clearly explained in the Annual Report on Corporate Governance.

C.1.22. Repealed

C.1.23. Are supermajorities other than those established by law required for any specific decision?

Yes ☐ No ☑

If so, please describe any differences:

Description of Differences
-

C.1.24. Explain whether there are any specific requirements, other than those relating to Directors, to be appointed chair of the Board of Directors.

Yes ☐ No ☑

Description of Requirements
-

C.1.25. Please specify whether the chairman has a casting vote::

Yes ☑ No ☐

Matters Where the Chairman has a Casting Vote
All, except for sessions which, as stipulated in the Board Rules, the Chairman must not attend or in which the Chairman must abstain from voting.

C.1.26. Indicate whether the Bylaws or the Board Rules establish any limit as to the age of Directors:

Yes ☐ No ☑

Age Limit for Chairman ☐

Age Limit for CEO ☐

Age Limit for Directors ☐

C.1.27. Indicate whether the Bylaws or the Board Rules establish any limit on the term of Independent Directors other than that required by law:

Yes ☐ No ☑

Term Limit	-

Even before passage of the law limiting the term of office of independent directors to a maximum of 12 years as first established by Order 461/2013 ECC and then Article 529 (12) of the LSC, the Company had already implemented such a rule and other rules regarding renewal of said terms of office.

Specifically, in accordance with Article 21 of the Board Rules on the regular rotation of Board membership, at the beginning of 2005 the Board agreed to apply the following criteria pursuant to recommendations submitted by the Nomination, Compensation and Corporate Governance Committee: Independent Directors may not hold positions on the Board for longer than four terms (fixed at 3 years each), and that rotation of Board membership be accomplished on a gradual and ongoing basis.

C.1.28. Indicate whether the Bylaws or Board Rules establish specific proxy rules for votes at board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may have, as well as if any limit regarding the category of director to whom votes may be delegated and whether a Director is required to delegate to a Director of the same category. If so, please briefly describe the rules.

In addition to applicable legislation, Article 14.2 of the Board Rules stipulates that, if a Director is unable to attend a meeting, the Director should try to submit a proxy, preferably with voting instructions, unless, in the Director's opinion, this would not be appropriate. The proxy may be sent by e-mail, letter, fax, telegram or any other valid means where transmission is verifiable. Non-Executive Directors may submit a proxy only to another non-Executive Director.

C.1.29. Indicate the number of meetings held by the Board of Directors during the year, and if applicable, the number of times that the Board met without the Chairman being present. Meetings where the Chair sent specific proxy instructions are to be counted as attended.

Number of Board Meetings	15
Number of Board Meetings without the Chairman	0

If the chairman is also an executive director, indicate the number of meetings held where there was neither attendance nor representation of any executive director and where the meeting was chaired by the coordinating director.

Number of Meetings	3 (*)

(*) Number of meetings in which he was not present or abstained on account of dealing with 1) his initial compensation 2) compensation package and objectives to be applied consistent with the Compensation Policy; and 3) approval of his contract as chief executive of the Company.

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

Number of meetings held by the Executive Committee	-
Number of meetings held by the Audit Committee	15
Number of Meetings held by the Appointment and Compensation Committee	12
Number of meetings held by the Appointment Committee	-
Number of meetings held by the Compensation Committee	-
Number of meetings held by the Strategy Committee	4

C.1.30. Indicate the number of meetings held by the Board of Directors during the year in which all of its Directors were present. For the purposes of this section, proxies given with specific instructions should be considered as attendance:

Number of meetings when all Directors attended	15
% of attendance over total votes during the fiscal year	100%

C.1.31. Indicate whether the individual and consolidated financial statements submitted to the Board for approval were previously certified:

Yes ☑ No ☐

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

Name	Position
Javier de Andrés González	CEO
Javier Lázaro Rodríguez	CFO

C.1.32. Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the annual shareholders' meeting with a qualified audit opinion.

Article 39.2 of the Board Rules establishes that the Board of Directors must prepare the financial statements in such a way that there is no cause for either reservations or a qualified opinion by the auditor. It also stipulates that the Board must require the external auditors, along with the chairman of the Audit and Compliance Committee, to make a clear explanation of any qualified opinion to the Shareholders at the Annual Meeting.

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

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

C.1.33. Is the secretary of the board also a director?

Yes ☐ No ☑

If the secretary is not a director, please complete the following table:

Name of the secretary	Representative
José Antonio Escalona de Molina	-
-	-

C.1.34. Repealed

C.1.35. Indicate any concrete measures established by the company to ensure the independence of its external auditors, financial analysts, investment banks, and rating agencies.

The Audit and Compliance Committee, in fulfilling the duties assigned to it by the Bylaws and the Board Rules, conducts a qualitative and quantitative analysis of the material aspects and options considered regarding the work of the external auditor.

The Audit and Compliance Committee and the Board of Directors pay special attention to ensure that the external auditor's work is done with complete independence, and to accomplish this they specifically review the periodic rotation regime for the partner in charge of the teams which perform the audit, as well as the relative amount of fees charge for services other than audit. The Audit and Compliance Committee publishes their analysis in an annual Report drafted for said purpose in accordance with the provisions contained in applicable law, and which is made available to Shareholders upon call of the Annual Shareholders' Meeting.

For their part, the external auditors annually deliver formal, written confirmation to the Committee by means of a letter signed by the partner responsible for the Indra Sistemas, S.A. and its consolidated group account. This statement of independence confirms that the auditor of the financial statements for the Company has not encountered during the fiscal year any of the grounds for incompatibility recognized in the Ley de Auditoría de Cuentas ("Financial Auditing Act" or "LAC") which might interfere with the exercise of its functions in an independent fashion.

As regards relationships with financial analysts and investment banks, the Company makes frequent presentations and conference calls describing results and other events for these institutions during which business development and the scope and extent of the Group's most important economic and financial matters are described, in a matter that guarantees equal treatment of all.

All presentations to analysts are delivered beforehand to the CNMV, with the goal that the markets be informed of their contents through their website. Such presentations are published immediately on the Company website.

The office of Investor Relations, as part of the Finance Department, performs the duty of serving as the channel of communications for financial professionals and institutional investors and manages inquiries from them, guaranteeing equal treatment of all.

The Board of Directors, in compliance with the provisions of Recommendation 4 of the Code of Good Governance for Listed Companies, has approved and made available on the company website the Company's current Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Firms.

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C.1.36. Indicate whether the Company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

Yes ☐ No ☑

Outgoing Auditor	Incoming Auditor
-	-

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

Sí ☐ No ☐

Explanation of Disagreements
-

C.1.37. Indicate whether the audit firm provides any non-audit services to the Company and/or its Group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the Company and/or Group:

Yes ☑ No ☐

	Company	Group	Total
Amount invoiced for non-audit services (1000's of euros)	112	92	204
Amount invoiced for nonaudit services/ Total amount invoiced by the audit firm (in %)	16%	9%	12%

C.1.38. Indicate whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given by the Chair of the Audit Committee to explain the content and extent of the aforementioned qualified opinion or reservations.

Yes ☐ No ☑

Explanation of Reasons
-

C.1.39. Indicate the number of consecutive fiscal years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, indicate the number of fiscal years audited by the current audit firm as a percentage of the total number of fiscal years that the financial statements have been audited:

	Company	Group
Number of Consecutive Fiscal Years	24	24
Number of fiscal years audit by the current audit firm/ number of fiscal years the Company has been audited (in %)	96%	96%

C.1.40. Indicate whether there is a procedure whereby directors may contract with outside advisors, and provide details if applicable:

Yes ☑ No ☐

Explanation of Procedure

Article 26 of the Board Rules provides that, in order to obtain appropriate information and advice regarding the exercise of their duties, Directors may engage at Company expense legal, accounting or financial advisors or any other experts.

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

The request to engage external advisory services must be delivered to the Chairman and authorized by the full Board, which may deny the request under the following circumstances:

I. outside advice is not necessary for the adequate performance of duties assigned to Outside Directors;

II. the size or the importance of the problem relative to the financial condition of the Company does not justify the cost;

III. the assistance or advice required can be suitably provided by the Company's experts and technical personnel; or

IV. confidential information may be put at risk.

C .1.41. IIndicate whether there is a procedure for providing information to directors to allow them to prepare for meetings of administrative bodies with sufficient notice. If so, explain the procedure:

Yes ☑ No ☐

Explanation of Procedure
Article 14 of the Board Rules establishes that the Board must prepare an annual schedule of regular meetings and approve a formal list of issues to discuss at these meetings, and that notice of these meetings must always include the agenda for the meeting and be accompanied by any relevant information on the issues to be discussed. Notice of meetings is to be given, except in urgent circumstances or when otherwise necessary, no less than three days prior to the date of the meeting. In accordance with Article 11 of the Board Rules, the Chairman of the Board must ensure that Directors receive appropriate information on the issues to discuss with sufficient notice in advance of the meeting in question. Article 26 of the Board Rules also establishes that all Directors have the authority to obtain information on any matter related to the Company, to examine the books, records, documents and any other material on the Company's operations, and to inspect all the Company's facilities. Additionally, Article 30 of the Board Rules establishes that all Directors are responsible for the diligent procurement of information on the Company's condition and development, as well as preparing for the meetings of the Board and any committees to which they belong.

C.1.42.Indicate whether the company has established rules whereby directors must provide information regarding and, if applicable, resign, in any circumstances that may damage the Company's standing and reputation. If so, provide details:

Yes ☑ No ☐

Explain the Rules
Article 23 of the Board Rules establishes that Directors must inform the Board and, if applicable, resign under those circumstances which may damage the credit and reputation of the Company and, particularly, inform the board of any criminal accusations against the Director as well as the results of any further proceedings. In addition, should a Director be formally accused or be subject to the commencement of a criminal procedure of any kind as described laws governing the Company, the Board of Directors will investigate the case as soon as possible and, given the circumstances, decide whether or not the Director should continue at his or her post.

C.1.43. Indicate whether any member of the board of directors has notified the company that he or she has been tried or notified that judiciary proceedings have been filed against him or her, for any offences described in Article 213 of the LSC.

Yes ☐ No ☑

Name of Director	Criminal Charge	Remarks
-	-	-

Indicate whether the Board of Directors has examined the case. If so, explain in detail the decision taken as to whether the director in question should continue in his or her position or, if applicable, describe any actions taken by the board up to the date of this report, or which it intends to take.

Yes ☐ No ☐

Decision/Action Taken	Explanation
-	-

C.1.44. Detail any material agreements entered into by the company which enter into force, are modified or are terminated in the event of a change in control of the company following a public takeover offer, and their effects.

In the exercise of powers granted at the Annual Meeting of Shareholders held on June 21, 2012 and as announced as a Material Fact to the CNMV, the Board of Directors of Indra agreed in October 2013 to issue bonds amounting to 250 M€ which are convertible and/or exchangeable for Indra common shares without pre-emptive rights and to be listed on the unregulated market (multilateral trading facility) called Freiverkehr of the Frankfurt Stock Exchange.

In the document entitled "Terms and Conditions" of the issue, early maturity of the bonds at the request of the bondholders is discussed in the event of a change of control. In the event of change of control which is not the result of a takeover bid, bond payout will be bond principal plus accrued interest until the redemption date. In the event of a takeover bid, bondholders may choose the greater of the following values: the principal amount plus accrued interest to the date of redemption or repurchase price (equivalent value of the takeover bid applied to the bonds) plus interest accrued up to the redemption date.

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C.1.45. Identify generally and describe in detail any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

Number of Beneficiaries	12

Type of Beneficiary	Description of agreement
Senior Management	The current Executive Chairman has a temporary right to severance equivalent to the difference between the vested amount accumulated in his Early Retirement and Long Term Savings Plan at the moment of termination of his business relationship with the Company and an amount equal to one year's total compensation. The contract of the CEO does not contain any golden parachute or severance clause. Six senior managers had during 2015 temporary decreasing severance clauses amounting to between 0.4 and 1.1 times their total annual compensation. This amount will decrease continuously and reach zero once the sum of (i) the vested amount for each one of them in their Long Term Early Retirement and Savings Plan (of which the senior managers are beneficiaries and to which the Company makes annual contributions), and (ii) the amount of severance to which they would be entitled in the event of termination of their prior employment relationship without cause, reaches the gross amount equal to 45 days' salary for each year of service counted from the date of hire, up to a maximum of 42 months' salary
Managers	The contracts of 8 managers of the Company include specific severance clauses which provide for compensation in case of termination of their ordinary employment relationship neither for cause nor because of voluntary resignation; these severance amounts are higher than would normally be payable in accordance with the Spanish labour law. However, these contracts are unique to the individual and the vast majority are in response to conditions negotiated for hiring on with the Company or are terms negotiated with third party companies that have become part of Indra.

Indicate if these contracts have been communicated to and/or approved by management bodies of the Company or of the Group:

	Board of Directors	Annual Shareholders Meeting
Body Authorizing the Severance Clauses	-	X

	Yes	No
Report made to the Annual Shareholders Meeting Regarding the Severance Clauses	X	-

C.2. Committees of the board of directors.

C.2.1. Provide details of all committees of the Board of Directors, their membership, and the proportion of Executive, Proprietary, Independent and Other External Directors that make them up:

Executive Committee

Name	Post	Category
-	-	-

% of Executive Directors	-
% of Proprietary Directors	-
% of Independent Directors	-
% of Outside Directors	-

Explain the duties exercised by this committee describe the rules and procedures it follows for its organization and function, and briefly describe its most important acts during the fiscal year.

-

Indicate if the composition of the executive committee reflects the participation of different categories of directors on the board of directors:

Yes ☐ No ☐

If Not, explain the composition of the executive committee by category of director

-

Audit Committee

Name	Post	Category
Ignacio Santillana	Chairman	Independent
Alberto Terol	Member	Independent
Enrique de Leyva	Member	Independent
Juan Carlos Aparicio	Member	Proprietary
Santos Martínez-Conde	Member	Proprietary

-	-
% of Executive Directors	0
% of Proprietary Directors	40
% of Independent Directors	60
% % of Outside Directors	0

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organization and function, and briefly describe its most important acts during the fiscal year.

The Audit Committee is composed of five members, all of them Outside Directors. (Article 18 of the Board Rules provides that it be composed entirely of Non-executive Directors, with a minimum of three and a maximum of five). Of the five members, three of them are Independent.

Its Chairman must be an Independent Director and must be replaced at least once every four years, with the possibility of re-election after one year has elapsed from the date of his or her stepping down from the chairmanship. In choosing the Chairman, special attention must be paid to his or her knowledge and experience in matters relating to auditing and accounting.

In the event of the Chair´s absence, the meeting is to be chaired by an Independent Director appointed for this purpose by the Committee.

The duties and powers of the Audit and Compliance Committee, in addition to those assigned to it by applicable law, are found in Article 18 of the Board Rules:

a. Ensure that the Board is able to present financial statements in the auditors' report to the Annual Meeting which do not contain limitations or reservations. In those exceptional cases where a reservation might exist, the chairman of the committee as well as the auditors will clearly explain to the Shareholders the substance and the scope of said limitations or reservations

b. Supervise the Company's internal audit team to ensure that it properly manages internal information and control systems.

c. As regards internal information and control systems: (i) supervise the process of drafting financial information regarding the Company and if applicable, the group, and ensure that it is complete. Specifically, review all normative requirements, the proper scope of consolidation and the entirety of applicable accounting rules; (ii) ensure that internal audit is independent; propose the selection, appointment, re-election and dismissal of the head of the internal audit service; propose the budget for such service; approve its goals and work plans, ensuring that its activities are focused primarily on material risks to the Company; receive periodic information on its activities; and verify that senior management considers the conclusions and recommendations contained in its reports; and (iii) establish and supervise measures whereby employees can confidentially report, and where possible and appropriate anonymously, any potentially significant irregularities that they detect in the Company, especially those of a financial or accounting nature..

d. As regards the external auditor: (i) in the event of resignation of the external auditor, examine the circumstances which led to it; (ii) ensure that the compensation paid to the external auditor does not compromise its independence; (iii) propose that the Board file a Report of Material Fact to the CNMV when there is a change of auditors, along with a statement relating any disagreements that arose with the outgoing auditor and, if applicable, the contents thereof; and (iv) ensure that the Company and the external auditor comply with applicable law regarding delivery of services other than auditing, regarding limits on the concentration of the auditor's work and, in general, rules regarding the independence of the auditors. .

Identify the director member of the audit committee who has been appointed taking into account his or her knowledge and experience in matters of accounting, audit or both, and state the amount of time the chairman of this committee has held his or her post.

Name of director with experience	Ignacio Santillana
Number of years as chair	6 months

Nomination and Compensation Committee

Name	Post	Category
Daniel García-Pita	Chairman	Independent
Isabel Aguilera	Member	Independent
Adolfo Menéndez	Member	Proprietary
Rosa Sugrañes	Member	Independent
Santos Martínez-Conde	Member	Proprietary

-	-
% of Proprietary Directors	40
% of Independent Directors	60
% of Outside Directors	0

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organization and function, and briefly describe its most important acts during the fiscal year.

The Nomination, Compensation and Corporate Governance Committee is composed of five members, all of them non-Executive Directors (Article 19 of the Board rules requires that the Committee be composed exclusively of non-Executive Directors, with a minimum of three and a maximum of five). Of the five members of the Committee, 3 are Independent Directors.

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

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

a. Annually verify compliance with the policy on selection of directors approved by the Board of Directors.

b. Verify the contents of the Annual Corporate Governance Report.

c. Ensure that non-Executive Directors have sufficient availability in order to properly perform their duties.

d. Draft a report in advance for the use of the Board in making its annual self evaluation.

e. Propose contract terms for senior managers.

f. Verify compliance with compensation policies established by the Company.

g. Periodically review the compensation policy for Directors and senior managers, including rules for delivery of stock, as well as ensuring that individual compensation is proportional to that which is paid to other directors and senior managers within the Company.

h. Ensure that potential conflicts of interests do not undermine the independence of external advice delivered to the committee.

i. Verify the information regarding compensation of directors and senior managers contained in corporate documents, including the Annual Report on Director Compensation.

j. Make advance reports to the Board of Directors regarding non arms' length transactions.

k. Propose to the Board amendments which it deems appropriate to the Company's Corporate Governance rules, explaining the rationale behind the proposal.

l. Report to the Board, prior to the Board's approval, on information which the Company makes public and which falls within the scope of the committee's mandate.

Nomination Committee

Name	Post	Category
-	-	-
-	-	-

-	-
% of Proprietary Directors	-
% of Independent Directors	-
% of Outside Directors	-

Explain the duties exercised by this committee describe, the rules and procedures it follows for its organization and function, and briefly describe its most important acts during the fiscal year.

-

Compensation Committee

Name	Post	Category
-	-	-
-	-	-

-	-
% of Proprietary Directors	-
% of Independent Directors	-
% of Outside Directors	-

Explain the duties exercised by this committee describe, the rules and procedures it follows for its organization and function, and briefly describe its most important acts during the fiscal year.

-

Strategy Committee

Name	Post	Category
Fernando Abril-Martorell	Chair	Executive
Adolfo Menéndez	Member	Proprietary
Alberto Terol	Member	Independent
Enrique de Leyva	Member	Independent
Ignacio Santillana	Member	Independent
Isabel Aguilera	Member	Independent
Juan March	Member	Proprietary
Luis Lada	Member	Independent

-	-
% of proprietary directors	25
% of independent directors	62.5
% of other external directors	0
% executive	12.5

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organization and function, and briefly describe its most important acts during the fiscal year.

The Strategy Committee is made up of eight members, one Executive, two Proprietary, and five Independent. Article 17 of the board Rules provides that it is to be made up of a minimum of five and a maximum of eight members. The Chairman of the Board is to preside and the majority of its members are to be external directors, and there should be a similar proportion of Independent and Proprietary Directors on the committee as exists on the Board.

Without prejudice to other functions which the Board may assign to it, the committee has the following duties and authority:

a. Report and make proposals to the Board of Directors regarding general strategy for the Company.

b. Verify progress in the execution of approved strategic plans and actions.

c. Make a report to the Board before it approves transactions, investments or divestitures which because of their amount or subject matter would be material to the general strategy of the Company

C.2.2. Complete the following table with information regarding the number of female directors who were members of board committees at the close of the past four fiscal years:

Number of Female Directors

	Fiscal year t		Fiscal year t-1		Fiscal year t-2		Fiscal year t-3	
	Number	%	Number	%	Number	%	Number	%
Audit Committee	0	0	1	20	1	20	1	20
Nomination and Compensation Committee	2	40	1	20	2	40	2	40
Strategy Committee	1	12.5	–	–	–	–	–	–

C.2.3. Repealed

C.2.4. Repealed

C.2.5. Indicate, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the fiscal year. State also whether any annual reports on the activities of each committee have been voluntarily prepared.

The composition, organisation and areas of competence of the Board committees are regulated by the Board Rules, which are permanently available for consultation on the Company's website (www.indracompany.com) and on the website of the CNMV.

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

In accordance with the recommendation made by the CNMV, and as has been the case since 2003, the Report on the Activities of the Audit and Compliance Committee was published when Shareholders were called to the 25 June 2015 Meeting, along with the rest of the information made available to Shareholders. For this fiscal year, the report of the Nomination, Compensation and Corporate Governance Committee will also be made public.

C.2.6. Repealed

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Describe, if applicable, the procedure for approval of related party and intragroup transactions.

Procedure for Approval of Related Party Transactions

The Board of Directors, after review of a report from the Nomination, Compensation and Corporate Governance Committee is required to be aware of and to authorize before its execution any direct or indirect transaction between the Company and any related party, as that term is defined under law.

Transactions are judged from the point of view of equal treatment and market conditions.

In the case of recurring nonsignificant transactions conducted in the Company's ordinary course of business and carried out under market conditions, where it is understood by "nonsignificant" that information regarding such transactions need not be separately published in order to give a fair representation of the entity's net worth, financial position or financial results, authorization by the Board of the general line of activity is sufficient.

The authorization referred to in the preceding paragraph shall not be required, however, when the non arms' length transaction in question meets all three of the following conditions:

- The transactions are carried out under conditions which are standard and of general application to a large number of clients;
- They are carried out under pricing regimens generally applicable for the good or service provided; and
- The amount does not exceed 1% of the annual consolidated revenues of the Company in the case of transactions with Shareholders or 20,000 € in the case of transactions with Directors.

D.2. Describe any transactions which are significant, whether because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name of Significant Shareholder	Name of Company within the Group	Nature of the Relationship	Type of Transaction	Amount (1000's of euros)
CORPORACIÓN FINANCIERA ALBA, S.A.	BANCA MARCH, S.A.	CONTRACTUAL	Other (1)	5
CORPORACIÓN FINANCIERA ALBA, S.A.	BANCA MARCH, S.A.	COMMERCIAL	Services Rendered (2)	3,111
CORPORACIÓN FINANCIERA ALBA, S.A.	BANCA MARCH, S.A.	CONTRACTUAL	Commitments Undertaken (3)	2,465
CORPORACIÓN FINANCIERA ALBA, S.A.	BANCA MARCH, S.A.	COMMERCIAL	Operational Leasing Contracts	72
SEPI	VARIOUS GROUP COMPANIES	COMMERCIAL	Operational Leasing Contracts	1
SEPI	VARIOUS GROUP COMPANIES	COMMERCIAL	Services Received (4)	263
SEPI	VARIOUS GROUP COMPANIES	COMMERCIAL	Services Rendered (2)	14,698

(1) Commissions paid for management of loan guarantees
(2) Services rendered by Indra in the ordinary course of business
(3) Maximum amount of credit lines
(4) Services rendered to Indra necessary for the conduct of its business

All transactions with shareholders have been authorized in accordance with Board Rules and were carried out in the Group´s ordinary course of business and under market conditions, and do not represent, either separately or in the aggregate, a significant portion of the assets, financial condition or business activity of the Group, notwithstanding the policy of the Company to provide detailed information regarding all of them within this report..

D.3. Describe any transactions which are significant, whether because of their amount or subject matter, entered into between the company or entities within its group and administrators or managers of the company:

Name of administrator or Manager	Name of the related party	Relationship	Type of Transaction	Amount (1000's of euros)
MONICA DE ORIOL E ICAZA	INDRA SISTEMAS, S.A.	CONTRACTUAL	COMMERCIAL	211 [(1)]

(1) Refers only to the first four months of fiscal 2015 during which Ms. de Oriol was a Director at Indra..

Transactions with Directors do not represent, either separately or in the aggregate a significant portion of the business or the turnover of the Company, were carried out in the Company´s ordinary course of business and under market conditions, and were authorized by the Board of Directors in accordance with Board Rules. Notwithstanding the forgoing, it is the policy of the Company to provide detailed public information regarding such transactions.

D.4.Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the Company's ordinary business activities in terms of their purpose and conditions:

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:

Name of Entity within the Group	Brief Description of the Transaction	Amount (1000's of euros)
-	-	-

D.5. Indicate the amount of any transactions conducted with other related parties.

Name of Party	Name of Party within the group	Nature of the Transaction	Type of Transaction	Amount (1000's of euros)
-	-	-	-	-

D.6. Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

Under the provisions of Article 31 of the Board Rules, a conflict of interest shall exist in the event that the interests of the Company or any member of its group are directly or indirectly in conflict with the personal interests of the Director.   A personal interest shall include matters which affect the Director or a person connected to him or her. Directors shall take all means necessary to avoid finding themselves in situations where their interests may enter into conflict with the interests of the Company and the duties owed to the Company.

In particular, the duty to avoid conflicts of interest requires that the Directors avoid:

a) Conducting business with the Company other than nonsignificant, routine transactions conducted under standard conditions and whose import is such that information regarding such transactions need not be separately published in order to give a fair representation of the entity's net worth, financial position or financial results.

b) Using the name of the Company or using their status as Directors thereof to unduly influence the results of private transactions.

c) Making use of Company assets, including insider information for their own benefit.

d) Taking advantage of business opportunities belonging to the Company.

e) Obtaining benefits or monetary gain from third parties other than the Company and members of its group arising from the completion of the Directors' duties, other than de minimis amounts.

Additionally, Directors must communicate any direct or indirect conflict of interest which may arise with the Company.

Directors must also communicate (i) duties which they fulfil on other boards of directors to which they belong, whether the company be listed or not, as well as any other compensated activities in which they engage, regardless of nature; and (ii) equity interest in the Company as well as any Company stock options they control, whether directly or indirectly.

Notwithstanding the aforementioned, the Company may dispense with the prohibitions contained this section on a case by case basis and authorize: (i) certain transactions between a Director or a related person and the Company; (ii) the use of certain company assets; (iii) pursuit of a specific Company business opportunity; (iv) exploitation of an opportunity; or (v) compensation from a third party.

Authority must be ratified at an Annual Shareholders' Meeting when its purpose is to exempt the Director from the prohibition against exploiting an opportunity or receiving payment from third parties, or when the transaction's value exceeds 10% of corporate assets.

In all other cases, authority may be granted by the Board of Directors provided that the independence of the Directors granting such authority is ensured as well as a lack of risk to Company assets and, when applicable, the transaction is conducted under ordinary market conditions and transparently.

For events described in the fourth paragraph above, the Board, following a report from the Nomination, Compensation and Corporate Governance Committee, is required to order the adoption of such measures as it considers necessary to safeguard the interests of the Company.

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

.

D.7. Is there more than one company in the Group listed in Spain?

Yes ☐ No ☑

Please name the listed subsidiaries:

Listed Subsidiaries
-

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

Yes ☐ No ☐

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

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

Measures taken to resolve potential conflicts of interest
-

E. RISK MANAGEMENT AND CONTROL SYSTEMS

E.1. Explain the scope of the company's Risk Management and Control System, including tax compliance risk

The Risk Management and Control System at Indra is a process driven by the Board of Directors and Senior Management whose responsibility falls on each and every member of the Organization which aims to provide reasonable assurance of achieving stated goals, added value, and an adequate level of assurance to Shareholders, other stakeholders, and the market in general.

In order to bring achieve these goals, the Board of Directors, by means of the Audit and Compliance Committee, supe3rvises the effectiveness of the internal evaluation and control system for material risks, established in accordance with a set of key operating principles within the framework of the Risk Management Control System, and adapting them to the specific needs of Indra.

a) Value Protection: Seeing Risk Management and Control as a system which creates and protects generated value for all stakeholders.

b) Integrity: The Risk Management and Control System covers the entire Indra Group, from the corporate level to the distinct business units, regardless of geographic location, and is incorporated into the process of strategic planning, in the definition of business objectives, and in day to day operations in order to achieve its goals.

c) Homogeneity: Establishment of a common definition for risk, including within that definition any potential event which might negatively affect business goals.

d) Independence: The Organization's Risk Management and Control System at Indra guarantees adequate functional segregation between the distinct elements of which it is comprised; that is, between the areas which assume and manage risk and the areas responsible for coordination, control and supervision.

e) Proactivity: Encourage a proactive management of risk which incorporates controls during design processes which aid risk mitigation, implementing contingency plans and establishing coverage for risk whenever possible.

f) Coherence: Generally speaking, risk management should be done with coherent criteria regarding the magnitude of risk and the costs required to reduce it. Additionally, Risk Management and Control should be consistent the rest of processes at Indra and its business model.

g) Information: Guarantee the existence of mechanisms which assure adequate reporting to the administrative bodies charged with risk control (Steering Committee, Audit and Compliance Committee, and the Board of Directors)

The Risk Management and Control System at Indra is based on management of business units, processes, corporate geographies and areas, and is an integral part of the decision making process at Indra.

The Risk Management and Control System methodology establishes means for identification and evaluation of risks, as well as follow-up on control activities and defined action plans, allowing reasonable management of the risks to which the Company is exposed.

The Global Risk Map is reported periodically to the Audit and Compliance Committee for review, as well as to the Board of Directors.

E.2. Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.

Pursuant to Article 5 of the Board Rules, the Board of Directors reserves its general duty of supervision and control as a non-delegable function.

The Audit and Compliance Committee performs a periodic review of the efficacy of the Risk Management and Control System, ensuring that major risks are identified, managed, and adequately communicated.

For its part, Senior Management has the responsibility of promoting a culture of risk management at all levels, defining the functions and responsibilities within the framework of the Risk Management and Control System, and supervising action plans and work stemming from the process of Risk Management.

Internal Audit, for its part, delivers recommendations to the Organization which contribute to reduce to reasonable levels the potential impact of which may interfere with the Organization's reaching its goals.

E.3. Give the primary risks, including tax compliance risks, which may affect the achievement of business objectives.

In the development of core business activities, Indra is subject to various risks inherent in the different businesses and geographies in which it operates, the following of which are noteworthy:

- External Risks, related to the difficulty in adapting to the environment or market within which Indra operates, including those which arise from being present in particular countries or geographic zones.

- Operational Risks, arising from potential threats associated with projects and services, which make it necessary for those in charge of projects to take prophylactic measures necessary to manage their possible effects, from the perspective of drafting and negotiating contracts as well as their execution and delivery.

- Financial Risks, arising from fluctuations in financial markets and/or values of goods and services which affect costs, including areas related to exchange rates, liquidity risk or interest rates, as well as credit risk related to the possibility of a contract party in not fulfilling its obligations and producing an economic or financial loss for Indra.

- Compliance Risks, associated with non-compliance with laws and with rules in general in all of the markets in which Indra operates, fundamentally in the area of crime and fraud prevention and legal obligations which arise from Indra's operations.

E.4. State whether the entity has a risk tolerance level, including tolerance for tax compliance risk.

The Risk Control and Management Policy at Indra is designed to achieve a moderate risk profile by means of appropriate management. Tolerance norms are established by means of directives, rules and procedures which assure that under this management environment risks are maintained at acceptable levels. This means that the organization does not attempt to eliminate all risk, but rather to assume a prudent level which permits the creation of sustainable and repeatable value while maintaining acceptable levels of risk.

Those risks which are outside of established tolerance levels are to be the subject of actions to reach desirable levels again to the extent that the risk is manageable and that the cost of mitigation measures are justified by the effect that occurrence of the risk may have on Indra.

E.5. Indicate which risks, including tax compliance risks, have materialized during the fiscal year.

Risks which have materialized during the year are:

- Risks arising from the unfavourable trajectory of prices for raw materials, especially petroleum, which has affected exporting economies such as Brazil, Mexico, Venezuela or Angola, among others, affecting public spending budgets and therefore general economic activity not only in those countries but also in economies with close ties to them.

- Risks related to the socio-political and diverse cultural environments found in the various geographic areas in which Indra pursues its business, generating problems in project implementation.

- Risks arising during the execution of certain projects caused by unforeseen changes in scope, cost overruns and delays in reaching project milestones, which have occasionally led to litigation with clients.

- Risks arising from the insolvency of certain clients.

- Risks in recovering investments made (Brazil, Portugal, and certain businesses within the Group). In the course of an ordinary review of the business models used for analyzing goodwill as well as tangible and intangible assets of specific Company businesses, new assumptions were made about the businesses which took into the overall situation and new market conditions which they faced, leading to a downward evaluation of those assets.

- Risk in recovering tax credits in Brazil. Additionally, and in light of the above, all of the tax credits booked for Brazil have been removed.

E.6. Explain the response and monitoring plans for all major risks, including tax compliance risks, of the entity.

Indra has developed specific initiatives to manage key risks based on level of criticality.

Upon identification and assessment of key risks for the company, action plans are put into place in the affected area or market with the goal of mitigating said risks when they could impact the achievement of strategic goals. Depending upon the type of risk, such plans include:

- External Risks
  The difficult national and international socioeconomic and political situation has forced Indra to establish measures necessary to mitigate the possible negative effect of low demand by expanding into new geographic areas and seeking to develop new markets.

  The capacity for innovation and anticipation of technological changes is directed by senior managers responsible for technological innovation, who have the duty to analyze, prioritize and lead these projects.

- Operational Risks
  During 2015, a framework for improvements in Bid Process Control and for control and management of Projects was put into place including, among other things::

  » Strengthening of the Bid Committee by means of the drafting of new regulations which better explain its operational standards

  » Development of a Shared Information Portal for aggregation of the new operational rules for the Bid Committee.

  » Availability of new decision making information and the early detection of risks

  Regarding the risks associated with information security, Indra has established a number of mechanisms charged with implementing the necessary measures to ensure compliance with all established security policies. These measures fall into the following areas: security organization, information security rules, technology and security services, training and awareness, monitoring, review and audit.

  During 2015, methodology has received particular attention, with additional distribution in various key geographical areas. At the same time, improvements have been made in the methodological definitions used in operations with the aim of adapting to the need of mitigating certain operational risks.

  The Company has developed a series of savings plans as well, including specific measures in the area of personnel costs, team restructuring, corporate expenses and structure, materials, and procurement among others. The cost savings plan for personnel and team members is focused primarily on Latin American subsidiaries and operations in Spain, by means of the Collective Redundancy Agreement which will remain in effect until 31 December, 2016.

- Economic and Financial Risks
  Regarding market risk, in order to mitigate the impact of foreign currency exchange differences on projects that the Parent Company and its subsidiaries perform, hedging contracts have been entered into with financial institutions where this is a problem.

  In order to respond to interest rate risk, Indra has entered into hedging contracts for interest rates on long-term bank debt through swaps from variable to fixed rates of interest to a greater or lesser degree, depending upon market conditions. Additionally, there has been an issue of bonds with a fixed interest rate that eliminates a significant portion of that risk.

  Indra has an active policy of setting aside reserves for traffic operations to cover the eventuality of a planned default. In international sales, techniques such as irrevocable letters of credit and insurance policies are used to ensure collection in those operational areas which pose a coverage risk.

- Compliance Risks
  As regards legal risks, Indra has a Legal Risk Prevention Manual approved by the Board of Directors, the implementation and compliance of which is monitored by the Audit and Compliance Committee and the daily management of which is delegated to the Compliance Unit.

  Said Manual describes the legal risk prevention model at Indra which is composed of a set of general and specific controls designed to mitigate each one of the legal risks defined by the company. Key elements of it worthy of mention are the Codes of Ethics and Legal Compliance and the whistleblower channel (Canal Directo).

  Among specialized resources available to Indra to cover occupational risks is an internal shared prevention service available to companies in the group, comprised of specialists in the field, as well as specialized third party providers. External audits are performed regularly by entities accredited by the Ministry of Labour.

F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF PUBLISHING FINANICAL INFORMATION.

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company

F.1. Control environment

Report on at least the following, describing their principal features:

F.1.1. Which bodies and/or departments are responsible for (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation; and (iii) its supervision.

Board of Directors

The Indra Board of Directors is ultimately responsible for the existence and maintenance of an adequate and effective ICFR by exercising supervision of it through the Audit and Compliance Committee.
To such ends, the Board is responsible for supervising and approving, among other things:

- General risk management policy and the design of adequate control and IT systems for management of that risk.
- Policies for information and Shareholder communication, markets, and public opinion in general, and specifically:
  - drafting and approval of information that the Company annually makes public along with the Financial Statements produced for approval at Annual Shareholders Meetings; and
  - approval of financial information that the Company must make public from time to time in accordance with applicable law.

Audit and Compliance Committee

Article 18 of the Board Rules lists the following tasks for the Compliance Committee, among others:

- Ensure that the Board of Directors is able to produce financial statements to the Annual Shareholders' Meetings without reservations in the audit report. In the exceptional circumstances that there be reservations, the Chairman of the Audit Committee as well as the auditors will clearly explain to the Shareholders the content and scope of said qualifications or reservations.
- Supervise the internal audit unit in order to ensure that it is oversees the proper functioning of internal information and control systems.

As regards internal information and control systems: (i) supervise the drafting process and the integrity of financial information regarding the Company and, in applicable, the group, verifying compliance with applicable rules, proper scope of consolidation and correct application of accounting standards; (ii) ensure the independence of the unit performing the internal audit function; propose the selection, appointment, re-election and dismissal of the head of internal audit; approve its goals and work plans, ensuring that its activity is focused primarily on material risks to the Company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports; and (iii) establish and supervise a mechanism which permits employees to communicate in confidence and, if possible and appropriate, anonymously, any potentially important irregularities, especially those of a financial or accounting nature, of which they become aware in the Company.

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

Treasury and Finance

The Treasury and Finance Department is responsible for implementation and maintenance of controls for the Internal Control System for Financial Information.

Internal Audit Department

Internal Audit makes periodic reports to the Audit and Compliance Committee regarding the Internal Control System.

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

F.1.2. State whether the following are present, especially as they relate to creation of financial information:

- Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) ensuring that adequate procedures exist for proper communication throughout the entity.

As regards organizational structure, Board Rules provide the following:

- The Nomination, Compensation and Corporate Governance Committee is to report to the Board before decisions by the Board regarding compensation and terms and conditions of their employment contracts.

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

The Head of Control, Planning and Procedures is responsible for the design, establishment, review and constant updating of Indra's corporate structure, and consequently for those units involved in the process of creating financial information.

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

- Code of conduct, a body which approves it, degree of dissemination and instruction, included principles and values, (indicate if there is specific mention of transaction recording and creation of financial information), a body charged with analyzing infractions and proposing corrective actions and sanctions.

Code of Ethics and Legal Compliancel

Indra has a Code of Ethics and Legal Compliance approved by the Board and published on the Intranet in Spanish and in English. The Code provides for the active involvement and supervision of the Board in the governance of Indra and of its management as an essential aspect of the compliance system of the Company.

The Code of Ethics is intended to provide a strict framework by means of the establishment of rules of Conduct for all of the Professionals and Associates of the Company, all of whom are responsible for "doing what is right."

The Code of Ethics contains:

- By means of general principles of behaviour, guidance for commercial practices by professionals and associates of the Company. They are: Integrity, Professionalism and Respect. Integrity means acting in good faith and establishing professional relationships based on transparency and ethics. Professionalism means maintaining a proactive attitude directed towards excellence in our work. And Respect includes an attitude of recognizing the value of people and their work, the natural environment, and the social environment in which we operate.

- By means of Rules of Conduct and commitments that Indra assumes in matters of legal compliance; rejection of corruption and bribery; conflicts of interest; information security; foreign trade in defence materiel and dual-use technology; government subsidies and support; natural environment; best tax practices; management of financial information; promotion of competition and fraud prevention; money laundering and financing of terrorism; workplace health and safety; and government relations.

  » The Rules of Conduct regarding management of financial information provides that "Financial information of Indra, particularly the annual reports, will accurately reflect its economic and financial condition and its net worth, and will conform with applicable generally accepted accounting practices. To this end, no Professional or Associate shall hide or distort information contained in any books of account or financial reports of Indra, which books and accounts shall be complete, accurate and honest."

- A whistleblower channel (Canal Directo), made available to Indra's Professionals and Associates for the purpose of communicating any concern whatsoever regarding interpretation or application of the code of Ethics and its enabling rules, and in order to comply with the obligation to report any improper behaviour or any irregularity or infraction discovered regarding the Code of Ethics and rules.

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

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

- Complaints made by means of the Canal Directo are analysed by the Compliance Unit which, after proper investigation, reports to the Audit and Compliance Committee and proposes, when appropriate, disciplinary measures and/or other measures to be adopted. Disciplinary measures are to be adopted with the involvement of Human Resources.

- The Compliance Unit issues an annual report regarding the operations of the Canal Directo, in which it discusses questions regarding the Code of Ethics and its implementing rules.

Training Programs

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

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

F.2. Assessment of Financial Information Risks

Report on at least the following:

F.2.1. What are the principle characteristics of the risk identification process, including error and fraud risk, as regards to:

- Whether the process exists and is documented.

In accordance with the Policy on "Creation, Maintenance and Oversight of the ICFR" approved by senior management and with the goal of maintaining an effective control model, the identification of risks is a continuous process.

- If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.

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

- Existence and occurrence
- Completeness
- Valuation
- Delivery, breakdown and comparability
- Rights and obligations
- The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.

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

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

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

- If the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements..

The process of identifying risks of error in financial information takes into account it impact on other types of risk (operational, technological, legal...), risks which are identified, evaluated and managed by various corporate units

- Which governing body within the company supervises the process?

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

F.3. Control Activitiesl

Report on whether the Company has at least the following, describing their main characteristics:

F.3.1. Review and authorization procedures for financial information published to the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgments, estimates, valuations and relevant forecasts.

The Indra Group provides quarterly financial information to the stock market. This financial information is prepared by the Consolidation Department, under the supervision of the Corporate Finance Division, which performs certain control activities to ensure the reliability of such information.

Additionally, the Investor Relations Department and the Department of Administration, part of the Corporate Finance Division, together with the General Control Department, analyze and oversee created information before publication to third parties by drafting management reports and by the monitoring of indicators.

The CFO analyzes these reports and provisionally approves them for submission to the Audit and Compliance Committee.

The Audit and Compliance Committee oversees the financial information that is presented to it. Upon closing the fiscal year, the Audit and Compliance Committee also receives information prepared by the Group's external auditors on the results of their work. Finally, the Audit and Compliance Committee reports its findings to the Board of Directors regarding the financial information that, once approved by the Board of Directors, is to be published to the securities markets.

Indra has a Model of Internal Control of Financial Reporting based on the COSO methodology that provides appropriate assurances respecting completion of the following goals:

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

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

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

   » Oversight

   » Information and communication

   » Control activities

   » Risk evaluation

   » Environmental control

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

   Level 1 processes are the following:

   - Strategic: processes intended to define and control organizational objectives, policies and strategies. They are directly related to the mission/vision of the organization and involve personnel at the highest levels of the organization.
   - Key: processes which permit the generation of products and services for the end user and for that reason incorporate the essence of the business. Key processes are:

     » Pre-contract Stage

     » Production (Execution and Development).

   - Support: processes which provide the means and support necessary so that key and strategic processes may be accomplished.

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

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

Significant processes are identified based on the existence of specific risks, considering those risks significant based on their potential impact on financial information; all cases of potential error or fraud are considered significant.

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

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

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

- Control Objectives: Needs for control that must be satisfied in each step of the business cycle or process, in accordance with internal control definitions. In this way, they are used to verify and evaluate the accuracy of accounting and other information and determine whether all company financial information is provided to its end users, and cover the areas of completeness, closing, delivery, posting, validity and valuation.

- Risk: It is possible that an event or action may affect the ability of the organization to meet its financial information objectives and/or successfully realize its strategies.

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

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

  » Integrity and ethical values

  » Commitment to professional competence

  » Management direction and style

  » Organizational Structure

  » Assignment of authority and responsibility

  » Human Resources policies and practices

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

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

The policy guide "Creation, Maintenance and Oversight of ICFR," approved by Senior Management and the Board of Directors through the Audit and Compliance Committee provides that, by means of a process of continuous improvement, those responsible will create, revise and implement control and procedure activities without obviating the need to perform an annual evaluation of those activities in order to make necessary changes and adjustments.

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

Specific review of the relevant judgments, estimations, valuations and projections used to quantify some assets, liabilities, revenues, expenses and commitments stated and/or broken out in the financial information will be carried out by Treasury and Finance with the help of the executive level department affected. Hypotheses and estimates based on business outlook will be reviewed and analyzed together with the executive level departments for Markets at Indra.

F.3.2. Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the entity and relate to the creation and publication of financial information.

The Internal Systems department of Indra Group is responsible for IT in the markets and territories in which Indra operates. Within their purview is the definition and oversight of security policies and standards for applications and infrastructure, among which is the internal control model for the IT area.

The Internal Control model at Indra covers IT processes which make up the IT environment, architecture and infrastructure as well as applications that affect transactions which directly affect primary business processes. It also includes impact on financial information and closing procedures. The above named controls can be implemented automatically within the IT programs themselves or manually.

Information Security Policy at Indra, published on the intranet, has as its objectives management of IT security and strategic alignment with business goals, guarantee of the confidentiality, completeness and availability of information, and all of the activities involved in achieving these objectives. This policy is mandatory at all businesses, markets and relevant activities of the Indra Group.
This Policy applies at all information development stages (generation, distribution, storage, handling, transfer and destruction) of the Systems which process it. It entails all of the Information Systems and services at Indra and all support servers as well as the environment and applications which affect business processes of the Company, covering therefore relevant processes in the creation and publication of financial information.

F.3.3.Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, that may materially affect financial statements.

Indra does not subcontract relevant activities that could have an impact on financial information.
Nonetheless, there is an internal procedure for hiring external advisors which establishes the level of approval required as a function of the amount involved. Results or reports on contracts for accounting, tax or legal services are supervised by the head of Treasury and Finance as well as the head of the Legal Department and other departments when deemed necessary.

F.4. Information and Communication

State whether the Company has at least the following, describing its principle characteristics:

F.4.1. A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organization, as well as an up to date accounting policy manual distributed to the business units through which the Company operates.

Responsibility for application of the Accounting Policies of the Group is the same for the entire geographic reach of the Indra Group and is found in Treasury and Finance.
The Department of Administration keeps all those responsible for preparing financial information in the various business units of the Group informed of changes in rules, resolves doubts when they exist and receives information from companies in the Group necessary to assure consistent application of Accounting Policies of the Group and to determine the effect of application of new accounting rules.

On those occasions when application of an accounting rule is especially complex, the Treasury and Finance Department of the Indra Group informs the external auditors of the conclusions drawn from the Group's accounting analysis and solicits their opinion regarding the conclusions drawn.

Accounting policies at Indra are developed based upon International Norms for Financial Information adopted by the European Union and found in a document called Manual de Contabilidad ("Accounting Manual"). This document is analyzed periodically by the Administrative Services Centre and is published on the Intranet.

F.4.2. Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.

Indra has a computer application which gathers individual financial statements and facilitates the process of consolidation and production of financial information. This application permits centralization of all of the resulting financial information of Group companies in a single system.

Most of the time, input of the information to the system is done automatically from the Group's computerized financial system.

F.5. Supervision of System Performance

Describe at least the following:

F.5.1. The activities of the Audit Committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the Committee and the task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the fiscal year and the procedure through which the person responsible for doing the assessment reports on its results, whether the Company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

The Audit and Compliance Committee supervises the proper functioning of ICFR through Internal Audit, and has evaluated its design and operational effectiveness.

As regards the ICFR in particular, Internal Audit performs an annual review of the design and effectiveness of the control activities regarding financial information. Pursuant to these reviews, Internal Audit sends reports on possible shortcomings in internal control that they have detected to those responsible for these activities, to Senior Management, and to the Audit and Compliance Committee, as well as action plans adopted by the Company for their mitigation.

All the controls functioned as designed, but some control weaknesses and opportunities for improvement which did not significantly affect the quality of financial information were detected and have resulted in action plans following the policy of continuous improvement which characterizes Indra Group.

F.5.2. If there is a procedure by which the account auditor (in accordance with that contained in the Normas Técnicas de Auditoría ("Auditing Standards"), internal audit and other experts may communicate with senior management and the Audit Committee or Managers of the entity regarding significant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether a plan of action is available for correcting or mitigating any weaknesses found.

The procedure for discussing identified significant weaknesses in internal control is that of meetings between the Audit and Compliance Committee and the external auditors, internal auditors, and the department responsible for producing financial information.

Consistent with this, the account auditor meets annually with this Committee for the purpose of presenting recommendations related to weaknesses in internal control identified during the process of reviewing the annual financial statements.

F.6. Other Relevant Information

F.7. External Auditor´s Report

State whether:

F.7.1. The ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given.

With the goal of improving the transparency and quality of public information it sends out, Indra has gone beyond its legal obligations and the recommendations of the Working Group and::

a) prepared this description of its ICFR following the 16 basic indicators recommended in Section III of the Working Group Document;

b) issued a certification verified by the chief executive and the CFO in which they explicitly acknowledge: (i) their responsibility for establishing and maintaining an adequate ICFR for the entity, specifying the internal control framework used in order to evaluate the effectiveness of the ICFR (Internal Control – Internal Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission – COSO -) and (ii) that the ICFR of the Indra Group is effective as of the close of fiscal 2014. Certification attached;

c) considered it appropriate to request the external auditor issue a report in which the auditor renders an opinion, within a reasonable degree of certainty based upon generally accepted auditing standards and using as a reference a generally recognized internal control framework, whether the design and performance of the ICFR of the Indra Group is effective as of the close of fiscal 2014, which is attached to this Annual Report on Corporate Governance.

As stated earlier, there exists no legally binding regulation which establishes the minimum requirements for companies in describing their ICFR.

Future regulations issued regarding information about ICFR that listed companies must publish may cause a change in the information contained in this report as they relate to breakdown or informational requirements.

G. EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

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

In the event that a recommendation is not followed or followed only partially, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company´s acts. General explanations are not acceptable.

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

Complies ☑ Explanation ☐

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

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

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

Complies ☐ Complies Partially ☐ Explanation ☐ Not applicable ☑

3. That, during the course of the annual shareholders' meeting, as an adjunct to the distribution of a written annual report on corporate governance, that the chairman of the board of directors make a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:

a) Changes which have occurred since the last Annual Shareholders' Meeting.

b) Specific reasons why the company did not follow any of the recommendations of the Code of Corporate Governance and, if so, the alternative norms which were followed instead.

Complies ☑ Complies Partially ☐ Explanation ☐

4. 4. That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing abuse of markets and gives equal treatment to similarly situated shareholders.

And that the company has made such policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

Complies ☑ Complies Partially ☐ Explanation ☐

5. That the Board of Directors should not propose to the Annual Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights that the company immediately publish reports on its web page regarding said exclusions as referenced in applicable corporate law.

Complies [x] Complies Partially [ ] Explanation [ ]

6. That listed companies which draft reports listed below, whether under legal obligation or voluntarily, publish them on their web page with sufficient lead time before the Annual Shareholders' Meeting, even when their publication is not mandatory:

i) Report regarding the auditor's independence.
ii) Reports regarding the workings of the audit committee and the nomination and compensation committee.
iii) Report of the audit committee regarding related party transactions
iv) Report on the corporate social responsibility policy.

Complies [x] Complies Partially [ ] Explanation [ ]

7. That the company transmit in real time, through its web page, the proceedings of the Annual Shareholders' Meetings.

Complies [x] Complies Partially [ ]

8. That the Audit Committee ensure that the Board of Directors present financial statements in the Audit Report for the Annual Shareholders' Meetings which do not have qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the Audit Committee and the auditors clearly explain to the shareholders the content and the scope of said qualifications or reservations.

Complies [x] Complies Partially [ ] Explanation [ ]

9. That the Company permanently maintain on its web page the requirements and procedures for certification of share ownership, the right of attendance at the Annual Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies [x] Complies Partially [ ] Explanation [ ]

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the Annual Shareholders' Meeting, the company:

a) Immediately distribute the additions and new proposals.

b) Publish the model attendance credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.

c) Submit all of these agenda items or alternate proposals to a vote and apply the same voting rules to them as are applied to those drafted by the board of directors including, particularly, assumptions or default positions regarding interpretation of votes.

d) That after the Annual Shareholder Meeting, a breakdown of the results of said additions or alternative proposals be communicated.

Complies [ ] Complies Partially [ ] Explanation [ ] Not applicable [x]

11. That, in the event the company intends to pay for attendance at the Annual Shareholders' Meeting, that it establish in advance a general policy of long term effect regarding such payments.

Complies ☐ Complies Partially ☐ Explanation ☐ Not applicable ☑

12. 12. That the Board of Directors complete its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it be guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximization of the business' economic value.

And that in pursuit of the company's interest, that in addition to complying with applicable law and rules and in engaging in behaviour based in good faith, ethics and a respect for commonly accepted best practices, that it seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies ☑ Complies Partially ☐ Explanation ☐

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

Complies ☑ Explanation ☐

14. That the Board of Directors approve a selection policy for directors that:

i) Is concrete and verifiable.

ii) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the board of directors.

iii) Favours diversity in knowledge, experience and gender.

That the resulting prior analysis of the needs of the board of directors is recompiled in the supporting report from the appointment committee published upon call of the annual shareholders' meeting submitted for ratification, appointment or re-election of each director.

And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors represent, at a minimum, 30% of the total number of members of the board of directors.

The appointment committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Report on Corporate Governance.

Complies ☑ Complies Partially ☐ Explanation ☐

15. That proprietary and independent directors constitute a substantial majority of the board of directors and that the number of executive directors be the minimum necessary, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

Complies ☑ Complies Partially ☐ Explanation ☐

16. That the percentage of proprietary directors divided by the number of non-executive directors not be greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

This criterion may be relaxed:

a) In companies with high market capitalization in which interests that are legally considered significant are minimal.

b) In companies where a plurality of shareholders represented on the board of directors are not related to one another.

Complies ☑ Explanation ☐

17. That the number of independent directors represent at least half of the total number of directors.

Nonetheless, when the company is not a high market capitalization company or in the event that it be a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represent at least a third of the total number of directors.

Complies ☑ Explanation ☐

18. That companies publish and update the following information regarding directors on the company website:

i) Professional profile and biography.

ii) Any other boards to which the director belongs, regardless of whether the companies are listed, as well as any other compensated activities engaged in, regardless of type.

iii) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.

iv) The date of their first appointment as a director of the company's board of directors, and any subsequent re-election.

v) The shares and options they own.

Complies ☑ Complies Partially ☐ Explanation ☐

19. That the annual report on corporate governance, after verification by the appointment committee, explain the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

Complies ☐ Complies Partially ☐ Explanation ☐ Not applicable ☑

20. That proprietary directors representing significant shareholders must resign from the board if the shareholder they represent alienates its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

Complies ☑ Complies Partially ☐ Explanation ☐ Not Applicable ☐

21.That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the bylaws unless the Board of Directors finds just cause and a prior report has been prepared by the appointment committee. Specifically, just cause is considered to exist if the director takes on new duties or obligates himself or herself to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her position, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar transaction entailing a change in the shareholding structure of the company, provided that such changes in the structure of the board are the result of the proportionate representation criteria set forth in Recommendation 16.

Complies ☑ Explanation ☐

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

And that should a director be indicted or tried for any of the crimes set out in corporate law, the board of directors must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her position. And that the board of directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

Complies ☑ Complies Partially ☐ Explanation ☐

23. That all directors clearly express their opposition when they consider any proposal submitted to the board of directors to be against the company's interests. This applies especially to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the board of directors.

Furthermore, when the board of directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next Recommendation.

This recommendation also applies in the case of the secretary of the board of directors, despite not being a director.

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☑

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

Complies ☑ Complies Partially ☐ Explanation ☐ Not Applicable ☐

25. That the Appointment Committee ensure that non-executive directors have sufficient time in order to properly perform their duties.

And that the board rules establish the maximum number of company boards on which directors may sit.

Complies ☑ Complies Partially ☐ Explanation ☐

26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the fiscal year and allowing each director individually to propose agenda items which do not appear originally.

Complies ☑ Complies Partially ☐ Explanation ☐

27. That director absences occur only when absolutely necessary and be quantified in the annual report on corporate governance. And when absences occur, that the director deliver a proxy with instructions.

Complies ☑ Complies Partially ☐ Explanation ☐

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the board of directors, that upon request by the protesting party such concerns be included in the minutes.

Complies ☑ Complies Partially ☐ Explanation ☐ Not Applicable ☐

29. That the company establish adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, outside advice at company expense.

Complies ☑ Complies Partially ☐ Explanation ☐

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require

Complies ☑ Complies Partially ☐ Explanation ☐

31. That the agenda for meetings clearly indicate those matters about which the Board of Directors are to make a decision or resolution so that the directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the board of directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall by duly recorded in the minutes.

Complies ☑ Complies Partially ☐ Explanation ☐

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies ☑ Complies Partially ☐ Explanation ☐

33. That the Chairman, as the one responsible for the efficient workings of the board of directors, in addition to carrying out his duties required by law and the bylaws, should prepare and submit to the board of directors a schedule of dates and matters to be considered; organize and coordinate the periodic evaluation of the board as well as, if applicable, the chief executive of the company; be responsible for leading the board and the effectiveness of its work; ensure that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.

Complies ☑ Complies Partially ☐ Explanation ☐

34. That when there is a coordinating director, the bylaws or the board rules should confer upon him the following competencies in addition to those conferred by law: preside over the board of directors in the absence of the chairman and vice chairs, should there be any; reflect the concerns of non-executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the Chairman.

Complies ✔ Complies Partially ☐ Explanation ☐ Not Applicable ☐

35. That the secretary of the Board of Directors pay special attention that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the Company.

Complies ✔ Explanation ☐

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

i) The quality and efficiency of the Board of Directors' work.

ii) The workings and composition of its committees.

iii) Diversity of membership and competence of the Board of Directors.

iv) Performance of the Chairman of the Board of Directors and the chief executive officer of the Company.

v) Performance and input of each director, paying special attention to those in charge of the various committees of the Board.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointment committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the Appointment Committee.

Business relationships between the consultant or any member of the consultant's group and the company or any company within its group shall be broken down in the Annual Report on Corporate Governance.

The process and the areas evaluated shall be described in the Annual Report on Corporate Governance.

Complies ✔ Complies Partially ☐ Explanation ☐

37. That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ✔

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

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ✔

39. That the members of the Audit Committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and that the majority of its members be independent directors.

Complies ✔ Complies Partially ☐ Explanation ☐

40. That under the supervision of the Audit Committee, there be a unit which is in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chair of the board or of the Audit Committee.

Complies ✔ Complies Partially ☐ Explanation ☐

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

Complies ☑ Complies Partially ☐ Explanation ☐ Not Applicable ☐

42. That in addition to that contained in applicable law, the Audit Committee be responsible for the following::

i) With regard to information systems and internal control:

a) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.

b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

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

ii) With regard to the external auditor:

a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.

b) Ensure that the compensation paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.

c) Insist that the company file a Report of Material Fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.

d) Ensure that the external auditor hold an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.

e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding auditors' independence.

Complies ☑ Complies Partially ☐ Explanation ☐

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

Complies ☑ Complies Partially ☐ Explanation ☐

44. That the Audit Committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☑

45. That the risk management and control policy identify, at a minimum:

i) The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including among financial or economic risks, contingent liabilities and other off balance sheet risks.

ii) Fixing of the level of risk the company considers acceptable.

iii) Means identified in order to minimize identified risks in the event they come to pass.

iv) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks.

Complies ☑ Complies Partially ☐ Explanation ☐

46. That under the direct supervision of the Audit Committee or, if applicable, of a specialized committee of the Board of Directors, there exists an internal control and management function delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:

i) Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.

ii) Actively participate in the creation of the risk strategy and in important decisions regarding risk management.

iii) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.

Complies ☑ Complies Partially ☐ Explanation ☐

47. That members of the Appointment and Compensation Committee -- or of the Appointment Committee and the Compensation Committee if they are separate – are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to complete and that the majority of said members are independent directors.

Complies ☑ Complies Partially ☐ Explanation ☐

48. That high market capitalization companies have formed separate Appointment and Compensation committees.

Complies ☐ Explanation ☑ Not Applicable ☐

The Company has not considered it convenient to separate the current Nomination, Compensation and Corporate Governance Committee into two committees for the following reasons:

- It isn't justified by the volume of annual work they are called upon to do.
- It would unnecessarily increase the number of committee meetings and the corresponding compensation paid to members.

49. That the Appointment Committee consult with the Chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director may ask the Appointment Committee to consider potential candidates he or she considers appropriate to fill a vacancy on the board of directors.

Complies ☑ Complies Partially ☐ Explanation ☐

50. That the Compensation Committee exercise its functions independently and that, in addition to the functions assigned to it by law, that it be responsible for the following:

i) Propose basic conditions of employment for senior management.

ii) Verify compliance with Company compensation policy.

iii) Periodically review the compensation policy applied to directors and senior managers, including compensation involving the delivery of stock, as well as guaranteeing that individual compensation be proportional to that received by other directors and senior managers.

iv) Watch out that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.

v) Verify information regarding compensation paid to directors and senior managers contained in the various corporate documents, including the annual report on director compensation.

Complies ☑ Complies Partially ☐ Explanation ☐

51. That the Compensation Committee consult with the Chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies ☑ Complies Partially ☐ Explanation ☐

52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they be consistent with those which apply to legally mandated committees in accordance with the recommendations above, including:

i) That they be comprised exclusively of non-executive directors, with a majority of them independent.

ii)That their chairmen be independent directors.

iii) That the Board of Directors select members for these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the board of directors occurring after the committee's last meeting.

iv) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.

v) That their meetings be recorded and the minutes be made available to all directors.

Complies ☑ Complies Partially ☐ Explanation ☐ Not Applicable ☐

53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the board of directors, which may be the audit committee, the appointment committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the board of directors pursuant to its powers of self-organization, to which shall be specifically given at a minimum the following responsibilities:

i) Verification of compliance with internal codes of conduct and the company's corporate governance rules.

ii) Supervision of the communication strategy and relationship with shareholders and investors, including small and medium sized shareholders.

iii) The periodic evaluation of the adequacy of the company's corporate governance system, with the goal that the company promote social interest and take into account, where appropriate, the legitimate interests of other stakeholders.

iv) Review of the company's corporate responsibility policy, ensuring that it is oriented towards value creation.

v) Follow-up of social responsibility strategy and practice, and evaluation of the degree of compliance.

vi) Supervision and evaluation of the way relationships with various interest groups are handled.

vii) valuation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.

viii) Coordination of the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmarks.

Complies ☑ Complies Partially ☐ Explanation ☐

54. That the corporate social responsibility policy include principles or commitments which the company voluntarily assumes regarding specific interest groups and identifies at a minimum:

i) The objectives of the social corporate responsibility policy and the development of tools to support it.

ii) Corporate strategy as it relates to sustainability, the natural environment and social issues.

iii) Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of illegal behaviour.

iv) Means or systems for monitoring the results of application of specific practices described in the immediately preceding paragraph, associated risks, and their management.

v) Means of supervising non-financial risk, ethics, and business behaviour.

vi) Communication channels, participation and dialogue with interested groups.

vii) Responsible communication practices which impede the manipulation of data and protect integrity and honour.

Complies ☑ Complies Partially ☐ Explanation ☐

55. That the company reports, in a separate document or within the management report, regarding matters related to corporate social responsibility, following internationally recognized methodologies.

Complies ☑ Complies Partially ☐ Explanation ☐

56. That director compensation be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors.

Complies ☑ Explanation ☐

57. That only executive directors receive compensation linked to corporate results or personal performance, as well as compensation in the form of delivery of shares, options or rights to shares or instruments whose value is indexed to share value, or long term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be delivered to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The forgoing shall not apply to shares which the director may of needs sell in order to meet the costs related to their acquisition.

Complies ☑ Complies Partially ☐ Explanation ☐

58. That as regards variable compensation, the policies incorporate limits and administrative safeguards in order to ensure that said compensation is fairly consonant with the work performance of the recipients and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable compensation components:

i) Are linked to predetermined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.

ii) Promote sustainability of the company and include non-financial criteria that are geared toward creating long term value, such as compliance with rules and internal operating procedures and its risk management and control policies.

iii) Are based upon balancing short, medium and long term objectives, permit the reward of continuous achievement during a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-time, seldom occurring or extraordinary events.

Complies ☑ Complies Partially ☐ Explanation ☐ Not Applicable ☐

59. That a material portion of variable compensation components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.

Complies ☑ Complies Partially ☐ Explanation ☐ Not Applicable ☐

60. That compensation related to company results takes into account any reservations which may appear in the external auditors' report which would diminish said results.

Complies ☑ Complies Partially ☐ Explanation ☐ Not Applicable ☐

61. That a material portion of variable compensation for executive directors depend upon the delivery of shares or instruments indexed to share value.

Complies ☑ Complies Partially ☐ Explanation ☐ Not Applicable ☐

62. That once shares or options or rights to shares arising from compensation schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times annual fixed compensation, and the director may not exercise options or rights until a term of at least three years since their delivery has passed.

The forgoing shall not apply to shares which the director may of needs sell in order to meet the costs related to their acquisition.

Complies ☑ Complies Partially ☐ Explanation ☐ Not Applicable ☐

63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable compensation components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.

Complies ☑ Complies Partially ☐ Explanation ☐ Not Applicable ☐

64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual compensation and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.

Complies ☑ Complies Partially ☐ Explanation ☐ Not Applicable ☐

H. FURTHER INFORMATION OF INTEREST

1. If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and understandable picture of the structure and governance practices in the company or group, describe them briefly below.

2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

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

3. The company may also indicate whether it voluntarily complies with other ethical or best practice codes, whether international, industry based, or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July, 2010.

This Annual Corporate Governance Report was approved by the Board of Directors of the Company at the meeting held on 17 March 2016..

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

Yes ☐ No ☑

Name of Director not Voting for Approval of this Report	Reasons (opposed, abstention, non-attendance)	Explanation of Reasons
-	-	-

indra

14 de Marzo de 2016

Informe de la Dirección sobre la responsabilidad del Sistema de Control Interno de la Información Financiera

El Consejo de Administración y la Dirección es responsable del establecimiento y mantenimiento de un adecuado Sistema de Control Interno sobre la Información Financiera (SCIIF).

EL SCIIF de Indra Sistemas, S.A. y sociedades dependientes (Grupo Indra) es un proceso diseñado para proporcionar una seguridad razonable respecto a la fiabilidad de la información financiera y la elaboración de las cuentas anuales consolidadas a efectos externos, de acuerdo con el marco normativo de información financiera que resulta de aplicación.

Debido a sus limitaciones inherentes, es posible que el control interno sobre la información financiera no prevenga ni detecte todos los errores y únicamente puedan proporcionar un aseguramiento razonable con respecto a la presentación y preparación de las cuentas anuales consolidadas. Asimismo, las extrapolaciones de una evaluación de su eficacia a ejercicios futuros están sujetas al riesgo de que los controles puedan llegar a ser inadecuados debido a los cambios de condiciones o porque se produzca un deterioro del nivel de cumplimiento de las políticas o procedimientos.

La Dirección ha efectuado una evaluación sobre la eficacia del SCIIF del Grupo Indra a 31 de diciembre de 2015, basada en los criterios establecidos en el Marco Integrado de Control Interno emitido por el Committee of Sponsoring Organizations of the Treadway Commision (COSO).

Como resultado de esta evaluación, y basándose en los mencionados criterios, la Dirección concluye que el Grupo Indra mantenía un SCIIF eficaz a 31 de diciembre de 2015.

El SCIIF de Grupo Indra al 31 de diciembre de 2015 ha sido auditado por los auditores independientes KPMG Auditores, S.L., como se indica en su informe incluido dentro del Informe Anual de Gobierno Corporativo de Grupo Indra del ejercicio 2015.

D. Javier de Andrés González
Consejero Delegado

D. Javier Lázaro Rodríguez
Director General Económico-Financiero

Avda. Bruselas, 35
28108 Alcobendas, Madrid
España

T +34 91 480 50 00
F +34 91 480 50 80
www.indra.es

Indra Sistemas, S.A. Inscrita en el R.M. de Madrid, Tomo 865, folio 28, hoja M-11339 C.I.F.: A-28-599033

KPMG

KPMG Auditores S.L.
Edificio Torre Europa
Pº de la Castellana, 95
28046 Madrid

Informe del Auditor Independiente sobre el Sistema de Control Interno sobre la Información Financiera

A los Administradores de
Indra Sistemas, S.A.

De acuerdo con su solicitud y con nuestra carta de encargo de fecha 16 de septiembre de 2015, hemos examinado el sistema de control interno sobre la información financiera de Indra Sistemas, S.A. (la Sociedad) y sociedades dependientes (el Grupo) al 31 de diciembre de 2015, basado en los criterios establecidos en el Marco Integrado de Control Interno emitido por el Committee of Sponsoring Organizations of the Treadway Commision (COSO). El Consejo de Administración de la Sociedad y la Alta Dirección del Grupo son responsables de adoptar las medidas oportunas para garantizar razonablemente la implantación, mantenimiento y supervisión de un adecuado sistema de control interno sobre la información financiera, así como de la evaluación de su eficacia y del desarrollo de mejoras a dicho sistema, tal y como se señala en el Informe de la Dirección del Grupo sobre el Sistema de Control Interno de la Información Financiera adjunto. Nuestra responsabilidad es expresar una opinión sobre la eficacia del Sistema de Control Interno sobre la Información Financiera del Grupo basada en nuestro examen.

El control interno sobre la información financiera de una entidad es un proceso diseñado para proporcionar una seguridad razonable respecto a que la información financiera anual se ha elaborado de conformidad con el marco de información financiera que resulta de aplicación e incluye aquellas políticas y procedimientos que (i) estén dirigidos a la existencia y mantenimiento de registros que recojan fielmente, con un detalle razonable, las transacciones y activos del Grupo; (ii) proporcionen una seguridad razonable de que las transacciones se registran adecuadamente de modo que permitan elaborar las cuentas anuales consolidadas del Grupo de acuerdo con el marco de información financiera que resulte de aplicación; y (iii) proporcionen una seguridad razonable respecto a la prevención o detección oportuna de altas, bajas o un uso no autorizados de los activos del Grupo que pudieran tener un efecto significativo sobre las cuentas anuales consolidadas. En este sentido, hay que tener en cuenta que, debido a las limitaciones inherentes a todo sistema de control interno, con independencia de la calidad del diseño y operatividad del control interno adoptado en relación a la información financiera anual, éste sólo puede permitir una seguridad razonable, pero no absoluta, en relación con los objetivos que persigue.

Hemos llevado a cabo nuestro examen de acuerdo con la norma ISAE 3000 (International Standard on Assurance Engagements 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information) emitida por el International Auditing And Assurance Standards Board (IAASB) de la International Federation of Accountants (IFAC) para la emisión de informes de seguridad razonable. Esta norma requiere que planifiquemos y realicemos nuestro trabajo para proporcionar una seguridad razonable de que el Grupo mantiene, en todos los aspectos significativos, un control interno eficaz sobre la información financiera, e incluyó obtener un entendimiento del Sistema de Control Interno sobre la Información Financiera del Grupo, la comprobación y evaluación en bases selectivas del diseño y eficacia operativa del mismo, y la realización de otros procedimientos que hemos considerado necesarios en las circunstancias. Consideramos que nuestro examen proporciona una base razonable para nuestra opinión.

KPMG aplica la norma ISQC1 (International Standard on Quality Control 1) y de conformidad con la misma mantiene un sistema integral de control de calidad que incluye políticas y procedimientos documentados en relación al cumplimiento de los requerimientos éticos, estándares profesionales y requerimientos legales y regulatorios aplicables.

Hemos cumplido con los requerimientos de independencia y otros requerimientos éticos del Code of Ethics for Professional Accountants emitido por el International Ethics Standards Board for Accountants, el cual está basado en los principios fundamentales de integridad, objetividad, competencia y diligencia profesionales, confidencialidad y comportamiento profesional.

Debido a las limitaciones inherentes a todo sistema de control interno siempre existe la posibilidad de que el Sistema de Control Interno sobre la Información Financiera no prevenga ni detecte los errores o irregularidades que puedan producirse, bien sean debido a errores de juicio, fallo humano o estén causados por actuaciones fraudulentas o irregulares. Asimismo, la extrapolación de la evaluación de su eficacia a ejercicios futuros está sujeta al riesgo de que los controles puedan llegar a ser inadecuados debido a los cambios de condiciones o porque se produzca un deterioro del nivel de cumplimiento de las políticas o procedimientos.

En nuestra opinión, el Grupo mantiene, en todos los aspectos significativos, un sistema de control interno eficaz sobre la información financiera al 31 diciembre de 2015, de acuerdo con los criterios establecidos en el Marco Integrado de Control Interno emitido por el Committee of Sponsoring Organizations of the Treadway Commision (COSO).

Nuestro examen no constituye una auditoría de cuentas ni se encuentra sometido a la normativa reguladora de la actividad de auditoría de cuentas vigente en España, por lo que no expresamos una opinión de auditoría de cuentas en los términos previstos en la citada normativa. No obstante, con fecha 18 de marzo de 2016 hemos emitido, de acuerdo con la normativa reguladora de la actividad de auditoría de cuentas vigente en España, nuestro informe de auditoría acerca de las cuentas anuales consolidadas de Grupo del ejercicio 2015 en el que expresamos una opinión favorable.

Este informe ha sido preparado de acuerdo con su solicitud, en el contexto de los requerimientos establecidos por el artículo 540 del texto refundido de la Ley de Sociedades de Capital y por la Circular 7/2015 de 22 de diciembre de la Comisión Nacional del Mercado de Valores, a los efectos de la descripción del Sistema de Control Interno de la Información Financiera en los Informes Anuales de Gobierno Corporativo. No admitiremos responsabilidad alguna frente a personas distintas de los destinatarios de este informe.

KPMG Auditores, S.L.

Borja Guinea López

18 de marzo de 2016