

ANNUAL REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE REGARDING THE INDEPENDENCE OF THE EXTERNAL AUDITOR

I. Introduction

The Audit and Compliance Committee (the “Committee”) is responsible for evaluating the progress and results of the external auditors’ work, paying particular attention to those issues that may put their independence at risk and any other issues related to the process of auditing the financial statements.

Every year, the Committee receives from the external auditors written confirmation of their independence from the Company or entities directly or indirectly related to it, as well as information regarding additional services of any kind rendered to them by the auditors or by related persons or entities, in accordance with the provisions of the *Ley de Auditoría de Cuentas* (“Financial Statement Auditing Act”).

Additionally, pursuant to Article 529.14 4(f) of the *Ley de Sociedades de Capital* (“Spanish Corporations Act”) and Article 18 of the Board Rules, every year prior to issuance of the auditors’ report regarding financial statements, the Committee issues a report in which it expresses an opinion regarding the independence of the Company’s external auditors. This report must contain a discussion regarding the provision of services additional to the audit.

It is to this end that this report describes the analysis and verification carried out by the Committee regarding the above mentioned matters and issues the Committee’s opinion regarding the independence of the auditors.

II. Analysis of the independence of the external auditor

The Committee has received from the external auditors written confirmation of their independence by means of a letter attached to this report dated 20 March 2018 and signed by the Partner responsible for Indra Sistemas, S.A. and its consolidated group. This statement of independence means that the Company’s financial statements auditor has not found during 2017 any cause of incompatibility which would prevent it from exercising its functions with independence, as defined in the Financial Statement Auditing Act.

The Committee has analyzed compliance with the criteria contained in the Financial Statement Auditing Act in order to guarantee the auditor’s independence, and in particular it has verified that:

a) the auditor is not involved in any of the circumstances, relationships or situations that may compromise its independence, and it has the necessary safeguards in place to ensure its independence and permit detection of threats to its independence, evaluate them, reduce them and, where appropriate, eliminate them.

b) regarding the terms of its contract, given that this is the second year that Deloitte, S.L. (hereinafter "Deloitte") has audited the financial statements of Indra and its consolidated group, the requirement regarding periodic rotation is being complied with under applicable law.

c) the fees paid to the auditing firm for all items do not represent a significant percentage of the total income of the company during the last fiscal year. In this regard, it has been confirmed that the total fees paid by Indra to Deloitte in 2017 (2,209m€) accounted for 0.296% of the gross income of Deloitte, S.L. in Spain and 0.007% of its worldwide income.

III. Fees for Services Apart from Audit

The amount of these fees and their relation to total billing for 2017 is as follows:

Other Services	379m€
Total Fees	2.209m€
Percentage	17.16%

IV.- Conclusion

The information provided by the external auditors regarding policies, procedures and tools used by the team conducting the Company's audit, as well as the confirmation carried out by the Committee regarding matters included in this report show that Deloitte possesses the independence necessary to act as auditor for Indra Sistemas, S.A. and its consolidated group.

As a result, the Committee drafted the present report after unanimous agreement during its meeting held 15 March 2018.

20 March 2018

Indra Sistemas, S.A.
Avenida de Bruselas 35
28108 Madrid

To the Audit Committee of Indra Sistemas, S.A.

Ladies and Gentlemen:

As regards the audit of the annual consolidated financial statements of Indra Sistemas, S.A. and its affiliates (Indra Sistemas Group) for the fiscal year ended 31 December 2017, we confirm to you that, to the best of our knowledge and understanding:

1. The team in charge of the audit and Deloitte, S.L., with any applicable extensions, have complied with the requirements of independence applicable in accordance with the provisions of Ley 22/2015 of 20 July, regarding Financial Auditing, and Regulation (EU) nº 537/2014 of 16 April.
2. For the purposes of easier evaluation as they regard our independence, the fees charged to Indra Sistemas, S.A. and companies directly or indirectly controlled by it, broken down by item, for auditing services as well as services other than auditing during the fiscal year ended 31 December 2017 are the following:

Item	Fees in thousands of euros
Auditing Services	1,830
Other Verification Services	318
Total Auditing and Related Services	2,148
Tax Advisory Services	38
Other Services	23
Total Professional Services	2,209

“Other Verification Services,” “Tax Advisory Services,” and “Other Services” are detailed in Annex 1.

3. We have designed and implemented internal procedures for the purpose of identifying and evaluating threats which may arise from circumstances related to audited entities, including those which might involve causes of incompatibility and, when applicable, the application of necessary prophylactic measures [which may be found in the Deloitte Transparency Report available at www.deloitte.es] , and as regards the audit indicated, and for the period covered by the financial statements up to the issuance of this letter. No circumstances have been identified, either

individually or in the aggregate, which might involve a significant threat to our independence and which, as a consequence, would require the application of prophylactic measures or which would give rise to causes of incompatibility.

This letter is informational and for the exclusive use of the Audit Committee of Indra Sistemas, S.A. and subsidiaries (Grupo Indra Sistemas) for the purposes mentioned above and, therefore, may not be used by any other persons or for any reasons other than those mentioned.

Sincerely yours,

DELLOITTE, S.L.

/s

F. Javier Peris Álvarez

Partner

Annex 1 – BREAKDOWN OF SERVICES

What follows is a breakdown of regarding all other additional services referenced in point 2 of the confirmation of independence:

Other Verification Services

Number of Projects	Description	Fees in Euros (1000's)
1	Reports and other tasks which, while not required by law, are standard practice for auditors (Limited Half-Year Review)	186
1	Review of Corporate Responsibility Reports	41
1	Auditor's Report regarding information regarding internal control system on financial reporting	71
6	Reports and other tasks which, while not required by law, are standard practice for auditors	20
Total		318

Tax Advisory Services

Number of Projects	Description	Fees in Euros (1000's)
2	Tax Services	10
6	Tax Services regarding VAT, income tax and company tax	28
Total		38

Other Services

Number of Projects	Description	Fees in Euros (1000's)
1	Other Consulting Services	23
Total		23