
INDRA ANNUAL REPORT ON COMPENSATION OF DIRECTORS AND SENIOR MANAGERS

april 2009

COMPENSATION OF DIRECTORS AND SENIOR MANAGERS OF INDRA ANNUAL REPORT

This Report has been prepared by the Board of Directors of INDRA and agreed by the Appointment, Compensation and Corporate Governance Committee, in accordance with the provisions of article 29.4 of the Board Regulations.

1.- Compensation policy, structure and amounts of the Directors compensation

In accordance with the provisions of the Bylaws, directors compensation consist of a fixed allowance, the maximum amount of which is determined by the Annual General Shareholders Meeting, and profit sharing of the Company. It may also consist on the allocation of shares or stock options, subject to prior agreement of the Annual General Shareholders Meeting.

The General Shareholders Meeting agreed in 2005 to establish the maximum fixed allowance at €600,000 and to limit the profit sharing, fixed by the Bylaws at 1% of net consolidated profits, to a maximum of 1.4 times the amount of the fixed allowance, establishing that 50% of its gross amount will be received in shares of the parent company. This amount was based on a board of twelve members, which implied an average annual amount per director of € 50,000 by way of fixed allowance, and € 70,000 per year by way of profit sharing. This agreement is valid and applicable for 2005, 2006 and 2007. The remuneration scale approved excluded the stock options as a form of retribution of the members of the Board of Directors.

In 2007, the General Ordinary Shareholders Meeting resolved to increase the number of directors to 15, agreeing also to adjust the total amount of the Board's remuneration fixed by the Shareholders Meeting for the period 2005-2007 to the new number of directors, and thus increasing in the same proportion as the growth of the number of directors. However, since in the first half of financial year 2007 there were only fourteen directors, the Shareholders Meeting exceptionally established the maximum amount of the fixed allowance for that year at € 725,000 and the limit for profit sharing at 1.4 times that amount, or € 1,015,000.

In accordance with the Board of Directors agreement, which is statutorily empowered to distribute amongst its members the global compensation set by the General Shareholder Meeting, during the period 2005-2007 this amount are distributed in the following manner:

(i) Fixed allowance of € 27,000 for membership of the Board of Directors, €15,000 for belonging to the Executive Committee, €20,000 for being a member of the Audit and Compliance Committee and €15,000 for being on the Appointment, Compensation and Corporate Governance Committee. The

chairman of each committee – except in the case of the Executive Committee – receives an amount equal to 1.5 times the amounts indicated above.

(ii) The profit sharing was distributed equally amongst the directors, in proportion to the effective time they have been in office during the financial year, being the 50% of its gross amount paid in shares at market value. The directors have been committed to keep the shares while they remain in office.

In the 2008 financial year, the Shareholders Meeting approved the Board's remuneration for a new period of years (2008, 2009 and 2010). For a Board of Directors integrated by 15 members, it was established a maximum amount of the annual fixed allowance at €875,000 and the limit of 1.4 times this amount for the profit sharing, i.e. €1,225,000.

The Board distributed amongst the directors the above amounts as follows:

(i) Fixed allowance of €32,000 for membership of the Board of Directors, €18,000 for belonging to the Executive Committee, €24,000 for being a member of the Audit and Compliance Committee and €18,000 for being on the Appointment, Compensation and Corporate Governance Committee. The chairman of each committee – except in the case of the Executive Committee – receives an amount equal to 1.5 times the amounts indicated above.

(ii) Profit sharing continues being distributed equally among board members, in proportion to effective time in office during the financial year. The Board has the possibility to change the distribution if it is justified under the circumstances.

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

The General Meeting also agreed that 50% of the gross amount of the profit sharing is to be received in Company shares at the market price at the time of payment. This implies that for a natural person director only 23% of the profit sharing is received in cash and only 55% of the total average remuneration. The Board has asked the directors to commit to maintain during the time that they remain in office the ownership of the shares and all of them have stated such compromise.

The above explained remuneration scale means an annual average remuneration per directors of approximately €140,000 compared to approximately €120,000 which has been received since 2005. This significant increase means that the average remuneration per director in 2010 will be increased at an average annual

rate since 2005 of 3.1%. Likewise, the maximum compensation of the Board, almost 60% will not be of fixed nature, being linked to profit generation on the part of the Company.

The Board considers that the compensation scheme, in its global quantity as well as the average per director, is reasonable considering the comparative analysis carried out by the Appointment, Compensation and Corporate Governance Committee on market practices, in companies of the Ibex 35 comparable to INDRA as in other assimilated international markets, and equates to the characteristics of the Company, to the professional profiles it demands from its directors and the availability and dedication demanded for the diligent performance of the role.

The Appointment, Compensation and Corporate Governance Committee and the Board consider that the compensation approved by the General Shareholders Meeting complies with that set out in the Board Regulations being the remuneration of external directors adequate and of an incentive nature to compensate their dedication, qualification and responsibility, but does not constitute, in the case of the independent directors, an obstacle for their independence, as well as with the criteria that the assignation fixes relating to the total compensation is maintained within moderate amounts, its distribution attending to the different dedication required by each Board Committees.

The Board, through the Appointment, Compensation and Corporate Governance Committee, has asked the independent firm Egon Zehnder, with well known experience in this field, its opinion on the remuneration policy of the Company, stating to this respect that it considers it “adequate, prudent and in a compensation level adjusted to the characteristics and to the Company trajectory”, considering likewise “that setting the remuneration for three year periods is convenient”.

The individualized breakdown of the total remuneration paid for each one of the members of the Board of Directors during the 2008 financial year, in their status as directors of the Company is indicated in the following chart:

Director's Remuneration (€) 2008							
DIRECTOR	Fixed Allowance				TOTAL FIXED ALLOWANCE	PROFIT SHARING (50% in shares)	TOTAL
	BOARD	EXECUTIVE COMMITTEE	AUDIT AND COMPLIANCE COMMITTEE	APPOINTMENT, COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE			
ADM. VALTENAS ⁽¹⁾	32,000	--	--	--	32,000	81,666	113,666
I. AGUILERA	32,000	18,000	12,000	--	62,000	81,666	143,666
CASA GRANDE DE CARTAGENA	32,000	--	--	--	32,000	81,666	113,666
F. CONSTANS ⁽³⁾	16,000	9,000	18,000	--	43,000	40,833	83,833
MEDIACION Y DIAGNOSTICOS ⁽²⁾	32,000	18,000	--	18,000	68,000	81,666	149,666
L. LADA	32,000	--	--	18,000	50,000	81,666	131,666
H. LOPEZ ISLA	32,000	18,000	24,000	--	74,000	81,666	155,666
P. LOPEZ JIMENEZ	32,000	--	--	18,000	50,000	81,666	131,666
J. MONZON	48,000	18,000	--	--	66,000	81,666	147,666
R. MORANCHEL	32,000	18,000	--	--	50,000	81,666	131,666
J. MOYA-ANGELER	32,000	9,000	--	27,000	68,000	81,666	149,666
M. ORIOL	32,000	9,000	24,000	9,000	74,000	81,666	155,666
PART. Y CARTERA DE INVERSION ⁽²⁾	32,000	--	24,000	--	56,000	81,666	137,666
P. RAMON Y CAJAL	32,000	18,000	--	--	50,000	81,666	131,666
M. SOTO	32,000	--	30,000	9,000	71,000	81,666	152,666
R. SUGRAÑES ⁽⁴⁾	16,000	9,000	--	--	25,000	40,833	65,833
TOTAL	496,000	144,000	132,000	99,000	871,000	1,225,000	2,096,000
Average remuneration per Director (15 Directors)					58,067	81,666	139,733

(*) 50% of the indicated amount will be paid out in shares.

- (1) Representing Caja Asturias
- (2) Representing Caja Madrid
- (3) Director from July 2007 to June 2008
- (4) Director since July 2008

Remuneration accrued in the 2007 financial year under the same headings was:

Director's Remuneration (€) 2007							
DIRECTOR	Fixed Allowance				TOTAL FIXED ALLOWANCE	PROFIT SHARING (50% in shares)	TOTAL
	BOARD	EXECUTIVE COMMITTEE	AUDIT AND COMPLIANCE COMMITTEE	APPOINTMENT, COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE			
ADM. VALTENAS ⁽¹⁾	13,500	--	--	--	13,500	35,000	48,500
I. AGUILERA	27,000	15,000	--	--	42,000	70,000	112,000
M. AZPILICUETA ⁴	13,500	7,500	--	7,500	28,500	35,000	63,500
CASA GRANDE DE CARTAGENA ³	13,500	--	--	--	13,500	35,000	48,500
F. CONSTANS	27,000	15,000	28,333	--	70,333	70,000	140,333
H FIGAROLA ⁴	13,500	--	--	--	13,500	35,000	48,500
MEDIACION Y DIAGNOSTICOS ⁽²⁾	27,000	15,000	--	15,000	57,000	70,000	127,000
L. LADA ³	13,500	--	--	7,500	21,000	35,000	56,000
H. LOPEZ ISLA	27,000	7,500	20,000	--	54,500	70,000	124,500
P. LOPEZ JIMENEZ	27,000	7,500	--	15,000	49,500	70,000	119,500
J. MONZON	40,500	15,000	--	--	55,500	70,000	125,500
R. MORANCHEL	27,000	15,000	--	--	42,000	70,000	112,000
J. MOYA-ANGELER	27,000	--	--	22,500	49,500	70,000	119,500
M. ORIOL ³	13,500	7,500	10,000	--	31,000	35,000	66,000
PART. Y CARTERA DE INVERSION ⁽²⁾	27,000	--	20,000	--	47,000	70,000	117,000
P. RAMON Y CAJAL	27,000	15,000	--	--	42,000	70,000	112,000
M. SOTO	27,000	--	21,667	15,000	63,667	70,000	133,667
J.C. URETA ⁽⁴⁾	13,500	--	10,000	--	23,500	35,000	58,500
TOTAL	405,000	120,000	110,000	82,500	717,500	1,015,000	1,732,500
Average remuneration per Director (14,5 Directors)					49,500	70,000	119,500

(*) 50% of the indicated amount will be paid out in shares.

- (1) Representing Caja Asturias
- (2) Representing Caja Madrid
- (3) Director from July 2007 to June 2008
- (4) Director since July 2008

The total compensation of the directors in 2008 represented 0.77% of Net Consolidated Earnings and 0.83% of Consolidate Earnings before Tax of the said year, according to the annual accounts, representing 0.77% and 0.82% respectively in the 2007 financial year.

During the 2008 and 2007 financial years no Company stock options have been granted in favor of the members of the Board of Directors due to their status as directors, nor have they exercised during the said financial years, in the referred condition any stock options. At the close of the 2008 and 2007 financial years the members of the Board of Directors were not, in their condition as directors, holders of any share options of the Company.

The directors who are at the same time members of the Senior Management of the Company (executive directors) received additionally the corresponding salary in virtue of the labor relationship with the Company, which is independent, in accordance with that set out in the Bylaws, of the compensation received as directors. The amounts of the said salaries are taken into account in the following section.

2.- Remuneration policy, structure and amounts of senior managers compensation

Remuneration of members of the Company senior management is determined, individually by the Board of Directors based on the recommendations of the Appointment, Compensation and Corporate Governance Committee.

The Board has set the remuneration of the senior management since 2002 for three-year periods. In the 2007 the Appointment, Compensation and Corporate Governance Committee understood it necessary to analyze if, after the acquisitions of Azertia and Soluziona, because of the great importance of the same and due to the size and complexity of the activities of the Company, the Senior Management was adequately dimensioned and remunerated. In relation to the first, the Board proposed to appoint five new General Managers, to approve the new remuneration conditions and to apply the labor framework in force to the new members that would amount fourteen compared to the nine previously in office. Relating to the second, acting with the assessment from the firm of independent experts Egon Zehnder, it reviewed the remuneration conditions of the senior management to verify if they compare with market levels, as well as with the previously mentioned criteria. The said review stated the existence of mismatches in the remuneration amounts, being relevant in some cases; the Committee, expecting a general review of the remuneration framework of senior management in the 2008 financial year, proposed to the Board to maintain the concepts and remuneration amounts set in 2005 unchanged and take these circumstance into account at the time of determining the amount the variable quantities corresponding to the 2007. The Board of Directors approved all of the proposals

referred to and raised by the Appointment, Compensation and Corporate Governance Committee.

As was expected, according to that previously indicated in the **2008 financial year** the said Committee proposed to the Board, and this was agreed, to review the remuneration framework of the higher management for a new three-year period, comprising the financial years **2008, 2009 and 2010**. To elaborate its proposal the Appointment, Compensation and Corporate Governance Committee took on the external assessment of the independent firm of experts Mercer to contrast with the market levels facilitated in 2007 by the firm Egon Zehnder previously referred to. The aim of this review was to assure that the concepts and remuneration amounts, as well as other elements that compose the labor relationship with the senior management, are in accordance at all times with market practices and allow to motivate their permanence and guide their management properly and competitively in function of the current situation, perspectives and objectives of the Company.

The compensation approved has similar components to those existing in the previous three-year period, some of an annual and others of a multi-annual nature.

The annual remuneration is composed of: a fixed cash compensation; a variable one, equally in cash, in function of the level of meeting annual objectives set and of the assessment of the management carried out by each senior manager; and payment in kind. The criteria of the Board is that the fixed remuneration is kept unchanged for the three year period indicated, except if specific circumstances recommend its review. The annual variable remuneration is determined at the close of each financial year on the basis of a percentage of the fixed annual remuneration set each year for each senior manager for a satisfactory evaluation on the part of the Board in meeting the budget and objectives, as well as their individual management, situating the central value of the said percentage in a range of between 10% and 2/3rds of the fixed annual retribution referred to.

The medium term remuneration is of a variable nature and is conditioned to remaining in the senior management of the Company until the end of the period that the same refers to and consists of an incentive linked to the evolution of the Company and on meeting the objectives and evaluation of the management of each senior manager, as well as the handover of shares and the stock options granting.

The following criteria have been maintained in order to determine the terms and amounts of the said components: that the variable remuneration represents a substantial part of the total compensation; that the medium term remuneration has a relevant weighting; and that referencing to stock market value will be significant, but not excessive.

At the end of the last financial year the labour relation between the General Managers Mr. Otero and Mr. Vilá and the Company finished. On December 31st, 2008 the Company senior managers are the following:

Name	Position
Mr. Javier Monzón	Chairman and Chief Executive Officer
Mr. Regino Moranchel	Managing Director
Mr. Javier de Andrés	General Manager – Corporate Control
Mr. Juan Carlos Baena	General Manager – Finance and Corporate Development
Ms Emma Fernández	General Manager - Talent, Innovation and Strategy
Mr. Rafael Gallego	General Manager- Transactions
Mr. Ángel Lucio	General Manager - Transactions
Mr. Cristóbal Morales	General Manager - International
Mr. Javier Piera	General Manager- Transactions
Mr. Santiago Roura	General Manager- Transactions
Mr. Joaquín Uguet	General Manager- Transactions

The Chairman and the Managing Director also have the condition of members of the Board of Directors, and as such executive directors (in 2007 the Managing Vice-president also, who was in office until June 30th). The compensation that corresponds to them in their condition as senior management is independent, in accordance with that set by in the Bylaws, of the remuneration received for their condition as directors. The amounts reported under this second heading of the present report refer only to this compensation.

In accordance with the above, amounts of annual remuneration for the financial years 2008 and 2007 were as follows:

	2008	2007
Fixed remuneration	5,637 € (thous.)	4,446€ (thous.)
Variable remuneration	3,815 € (thous.)	5,048€ (thous.)
Remuneration in kind	280 € (thous.)	241€ (thous.)
Total remuneration of senior managers	9,732 € (thous.)	9,735€ (thous.)
Number of senior managers	13	14
Total average remuneration per senior manager	749 € (thous.)	695€ (thous.)

- (1) 1,818€ (thous.) were effective, for its net amount after the application of the withholding tax, by way of the handover of shares at market value of the parent Company.

Of the amounts indicated, a total remuneration in 2008 of €3,487 (thous.) corresponds to executive directors and €4,502 (thous.) in 2007 (€ 1,228 (thous.), in their net amount, by handover of shares) representing the variable remuneration the 50% of whole amount in 2008 and 64% in 2007. The referred annual compensation represents 1.29% of Net Consolidated Earnings and 1.39% of consolidated Earnings before Tax in the financial year 2008 and 2,01% and 2,12%, respectively, in the financial year 2007.

The medium term remuneration in force during 2008 is, as has been previously indicated, that will be applicable for three years. It consists of, as has been signalled of an incentive in cash and the handover of shares and stock options granting.

The medium term cash compensation is paid and received once the 2010 financial year is closed and has been set with an average central value, for the whole of the senior management, of twice the annual fixed remuneration for a satisfactory evaluation from the Board on the evolution of the Company in the period 2008-2010 and the management carried out by each one of the senior management, attending not only to meeting annual objectives but also, in a special manner, on the development and consequences of the strategic objectives in the medium term. The Board will take into consideration in order to evaluate the strategic objectives, the comparative evolution of the Company with respect to the markets in which it operates and of the principle comparable companies of the sector. The Company has set aside in 2008 for this concept €3,640 (thous.), of which €1,710 (thous.) corresponds to executive directors.

The medium term remuneration will be paid by the handover of shares and the grant of stock options having a joint equivalent value limited to the net amount that corresponds to a percentage of between 10 and 20% of the total gross remuneration of all the senior management in the period. The Ordinary General Shareholders Meeting of 2008 approved the terms and conditions of the said

medium term compensation in favor of the senior management, agreeing (i) that the handover of shares is carried out in each one of the years 2008, 2009 y 2010, at the share market value at the time of the handover, being the senior management obliged to maintain the ownership of the said shares during 3 year period; and (ii) that the grant of the stock options will take place in the first year of the period—that is, in 2008- with a price equal to the market value at the granting date and a total duration of 3 years and 6 months. The exercising period will last 12 months starting once 2 years and 3 months have passed (exclusion period) from the granting date. According to the General Shareholders Meeting authorization, the Board of Directors, on the proposal of the Appointment, Compensation and Corporate Governance Committee, agreed:

- (i) To hand a total of 43,022 shares (19,978 corresponding to executive directors) on September 30th, 2008 to the group of senior managers with a value per share of €16.78, market price at the moment of the handover (this handover of shares forms part of that made in favor of a group of 150 managers and professionals for a total of 143,589 shares in the framework of The “Share Plan 2008-2010.”); and
- (ii) To grant 934,959 options (463,415 corresponding to executive directors) on October 1st, 2008 to the group of senior managers on an equal number of Company shares, equivalent to 0.57% of the share capital of the same. The exercising price amounts €16.82, the market price at the granting date, calculated according to that set out in the General Shareholder Meeting, as the average price between July 27th and September 26th 2008.

During the financial year 2007 no stock options have been granted to the senior managers.

During the financial year 2008 the senior managers did not exercise any stock options of the parent Company. In 2007 they exercised 39,916 options in the framework of the 2002 Stock Option Plan. Those options had an average exercise price of 6, 93€ (market price at the granting date).

The Appointment, Compensation and Corporate Governance Committee has been recommended to the managers the acquisition of the Company shares by their own means in a way that they reach and maintain a stable shareholding in the capital equivalent at least to their annual remuneration. At the end of the 2008 financial year, the members of the Senior Management hold 360,759 shares, with a market value on the said date equivalent to 1.1 times their annual global fixed remuneration.

The Board has requested through the Appointment, Remuneration and Corporate Governance Committee, to the independent and recognized prestigious firm in this area Egon Zehnder its opinion on the remuneration of the senior management stating that is “adequate, with a moderate fixed remuneration and a highly weighted variable retribution as well as the relevance of medium term retribution, mainly linked to the evolution of the business”, likewise considering “very convenient the fact of setting the criteria and remuneration framework for three year periods”.

3.- Other benefits and compensations

Neither members of the Board of Directors nor senior managers received during 2008 and 2007 any other benefits, compensation or remuneration additional to those previously indicated, nor does the parent Company or any of the companies in the Group have any contractual obligation with them with regard to pensions, or any loans or advances granted to them.

4.- Contractual framework of Senior Managers terms of employment

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

As has been previously explained, the general managers Mr. Otero and Mr. Vilá terminated their labour relationship with the Company at the end of the 2008 financial year, and the terms established for such events were applied in both cases.