

**2012 ANNUAL REPORT ON
REMUNERATION OF
DIRECTORS AND SENIOR MANAGERS**

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This report was issued by the Board of Directors at Indra at its meeting of 9 May, 2013 upon recommendation by the Nomination, Remuneration and Corporate Governance Committee and in accordance with Article 29.4 of the Rules of the Board of Directors, as well as the Economic Sustainability Act and the Spanish Securities Exchange Act.

1. Director Remuneration

1.1. Policies and Remuneration Criteria

Remuneration for members of the Board of Directors (hereafter the "Board") is determined in accordance with provisions contained in the Bylaws and the Board Rules as well as resolutions adopted at Annual Shareholder Meetings (individually, "Meeting").

It has been Company practice to periodically review the remuneration amounts and criteria for members of the Board (hereafter "Directors") in order to maintain them at market levels and consonant with best practices and recommendations in the field, taking into account Company characteristics, professional profiles of Directors, the dedication demanded for diligent performance of their duties and the responsibility they take on, as well as fulfilment of the requirement contained in the Board Rules that remuneration of External Directors be sufficient incentive for their dedication, qualifications and responsibility, but not so much that it undermines the independence of Independent Directors.

The current remuneration system was established in 2011 after taking into account prevailing corporate governance criteria regarding remuneration as well as the most widespread practices in similarly situated companies, and after consultation with the independent firms of experts in this field Egon Zehnder and PwC. The system incorporates the following criteria:

- The remuneration plans for Directors other than Executive Directors shall not incorporate components tied to profits and stock price, with the goal of divorcing remuneration from short term variables and objectives, and payment of that remuneration in cash.
- Taking into account the high attendance rate of Directors at Board and Committee meetings and the fact that such posts demand dedication and availability of the highest order, remuneration is to be based exclusively on fixed amounts determined by the responsibilities taken on by each Director.

In accordance with the provisions of Article 27 of the Bylaws, at the **2011** Annual Shareholders Meeting it was resolved that the maximum annual amount paid the Board be 2,400,000 € which amount will remain in effect until modified at a Meeting. Thus, it is anticipated that Board remuneration will remain the same for a period of three years unless there is a relevant change in circumstances.

The annual amount of 2,400,000 € approved at the Meeting was derived by multiplying the maximum number of Directors provided for in the Bylaws (16) by 150,000 €, which is considered to be a reasonable average annual amount per Director.

Subject to this maximum annual amount and as provided for in the Bylaws, the Board resolved to distribute fixed remuneration among the Directors in the following fashion, taking into account the responsibility and dedication required for each post: 100 m€ for membership on the Board; 30 m€ for membership on the Executive Committee; 50 m€ for membership on the Audit and Compliance Committee; and 30 m€ for membership on the Nomination, Remuneration and Corporate Governance Committee with each chairman receiving 1.5 times the amounts indicated for each committee.

The board also resolved that, should objectives made public by the Company not be met in any given fiscal year, remuneration amounts shall be revisited and the Annual Shareholders Meeting be informed.

The Board, through the Nomination, Remuneration and Corporate Governance Committee, sought the advice of the firms of independent experts PwC and Egon Zehnder, which issued opinions regarding the new remuneration scheme applicable beginning fiscal 2011 and approved at the Meeting and by the Board itself saying “the remuneration criteria and amounts are adequate, at market level” and that they “follow the best practice and most recent recommendations in these matters”. In its fiscal 2012 evaluation of the Board, Egon Zehnder opined that its evaluation expressed above remains true.

1.2. Remuneration Amounts

An individualized breakdown of remuneration received by each member of the Board of Directors during fiscal 2012 and 2011, in their capacity as Directors of the parent Company, is indicated in the following charts:

DIRECTOR REMUNERATION (€) 2012					
DIRECTOR	FIXED AMOUNT				
	BOARD	EXECUTIVE COMMITTEE	AUDIT AND COMPLIANCE COMMITTEE	NOMINATION, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	TOTAL
ADM, VALTENAS ⁽¹⁾	100,000	30,000	--	--	130,000
I, AGUILERA	100,000	17,500	29,167	12,500	159,167
J, DE ANDRÉS	100,000	31,250	--	--	131,250
CASA GRANDE DE CARTAGENA	100,000	--	50,000	--	150,000
D, GARCÍA-PITA	100,000	30,000	--	45,000	175,000
MEDIACIÓN Y DIAGNÓSTICOS ⁽²⁾	100,000	30,000	--	30,000	160,000
L, LADA	100,000	30,000	20,833	--	150,833
J, MARCH	100,000	30,000	--	30,000	160,000
J, MONZÓN	150,000	--	--	--	150,000
R, MORANCHEL ⁽³⁾	91,667	41,250	--	--	132,917
M, ORIOL	100,000	12,500	--	17,500	130,000
PARTICIPACIONES Y CARTERA DE INVERSIÓN ⁽²⁾	100,000	--	50,000	--	150,000
I, SANTILLANA	100,000	--	50,000	--	150,000
R, SUGRAÑES	100,000	30,000	--	30,000	160,000
A, TEROL	100,000	--	75,000	--	175,000
TOTAL	1,541,667	282,500	275,000	165,000	2,264,167
Average Remuneration per Director (14.9 Directors)					151,957

(1) Representing Liberbank

(2) Representing Banco Financiero y de Ahorros

(3) Director until November, 2012

DIRECTOR REMUNERATION (€) 2011					
DIRECTOR	FIXED AMOUNT				
	BOARD	EXECUTIVE COMMITTEE	AUDIT AND COMPLIANCE COMMITTEE	NOMINATION, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	TOTAL
ADM. VALTENAS ⁽¹⁾	100,000	30,000	--	---	130,000
I. AGUILERA	100,000	30,000	50,000	--	180,000
J. DE ANDRÉS ⁽²⁾	50,000	15,000	--	--	65,000
CASA GRANDE DE CARTAGENA	100,000	--	50,000	--	150,000
D. GARCÍA-PITA	100,000	30,000	--	45,000	175,000
MEDIACIÓN Y DIAGNÓSTICOS ⁽³⁾	100,000	30,000	--	30,000	160,000
L. LADA	100,000	30,000	--	--	130,000
J. MARCH	100,000	30,000	--	30,000	160,000
J. MONZÓN	150,000	--	--	--	150,000
R. MORANCHEL	100,000	45,000	--	--	145,000
M. ORIOL	100,000	--	--	30,000	130,000
PARTICIPACIONES Y CARTERA DE INVERSIÓN ⁽³⁾	100,000	--	50,000	--	150,000
I. SANTILLANA ⁽²⁾	50,000	--	25,000	--	75,000
M. SOTO ⁽⁴⁾	50,000	--	37,500	--	87,500
R. SUGRAÑES	100,000	30,000	--	30,000	160,000
A. TEROL	100,000	--	62,500	--	162,500
TOTAL	1,500,000	270,000	275,000	165,000	2,210,000
Average Remuneration per Director (14.5 Directors)					152,414

(1) Representing Liberbank

(2) Director since July, 2011

(3) Representing Banco Financiero y de Ahorros

(4) Director until June, 2011

Total remuneration for Directors in 2012 represented 1.04% of consolidated operating income and 1.39% of consolidated income before taxes for the fiscal year according to the Annual Financial Statements issued by the Board and for fiscal 2011 represented 0.82% and 0.95% respectively.

During fiscal 2012 and 2011 no Company stock options were given to any of the members of the Board nor were any options of the parent company exercised by any Director during the same period. At the close of fiscal 2012 and 2011 no Director owned any stock options in the parent company.

No Director received during 2012 or 2011 any profit or income by virtue of his or her position as Director other than that described above; neither has Indra nor any company within its consolidated group undertaken any pension obligations or given any loans or advances to any Director.

Directors who are at the same time members of Senior Management of the Company ("Executive Directors") received additionally their corresponding salaries by virtue of their labour relationship with the Company which, according to Article 27.3 of the Bylaws, is independent of the remuneration they received as Directors. Their salaries and the bases for them are referenced in Section 2 which follows.

1.3 Acquisition of Shares by Directors

Without affecting that all fixed Board remuneration be paid entirely in cash, all of the Directors have communicated their decision to the Company to dedicate a significant portion of monies received (one-third of gross remuneration, which amounts to about 50% of net pay for a natural person Director) to the purchase of Indra shares and have promised as well to maintain ownership of those shares until the end of their terms in office. This decision by the Directors was made known to the *Comisión Nacional del Mercado de Valores* ("National Securities and Exchange Commission" or "CNMV") by means of communication of a Relevant Fact on 28 July, 2011 and was accomplished in fiscal 2012 and 2011.

This means that during fiscal 2012 Directors acquired a total of 88,800 Company shares, investing a total of 751,193 €, an amount equal to 33% of their gross remuneration and 51% of net remuneration during the fiscal year; for natural person Directors such investment amounts to 55% of net remuneration.

At the close of fiscal 2012, Directors owned a total of 627,218 Company shares with a market value on that date of 6,284,724 €.

1.4 Fiscal 2013

The remuneration framework for Directors for fiscal 2013 will remain the same as that used for fiscal 2011 and 2012, and will use the same line items, criteria, and caps as

described in Section 1.1 above for fixed remuneration and Section 2 as regards additional remuneration for Executive Directors.

Notwithstanding the above, the Board, upon proposal by the Nomination, Remuneration and Corporate Governance Committee, and applying best practices in corporate governance, has decided to propose at the 2013 Meeting that Article 27 of the Bylaws be amended so that remuneration paid to Executive Directors for the exercise of powers delegated by the Board to manage the Company are considered for all purposes as part of remuneration for membership on the Board and subject to approval of the Shareholders. The proposals that the Board will make at the Meeting will not involve any change in the amounts of remuneration of directors.

2. - REMUNERATION OF SENIOR MANAGERS

2.1. Remuneration System and Contractual Framework

2.1.1 Remuneration Policies and Criteria

Remuneration of Senior Management of the Company, which consist of Executive Directors and General Managers, is determined individually by the Board of Directors based on recommendations made by the Nomination, Remuneration and Corporate Governance Committee.

It has been Company practice since 2002 to establish a remuneration framework for senior management for the medium term, normally three years, during which fixed remuneration remains invariable.

In fiscal 2011, based upon a recommendation by the Nomination, Remuneration and Corporate Governance Committee, the Board established the remuneration plans of senior management for a new triennial period to include fiscal 2011, 2012 and 2013. The Committee and the Board considered advice from the independent firm of experts Egon Zehnder. The aim of this review was to fix criteria and remuneration amounts, as well as other elements that make up Senior Managers' employment conditions; remain in line with best market practices; help motivate long term employment; and guide management of the Company in a proper and competitive fashion considering the station, corporate culture, and goals of the Company.

The current remuneration framework includes annual as well as multiannual components.

Annual remuneration is composed of: (i) a fixed cash component; (ii) a variable cash component which varies depending upon the Senior Manager's success in meeting annual objectives and a performance assessment carried out on each Senior Manager; and (iii) non-cash remuneration.

- (i) Fixed remuneration remained unchanged for the triennium except for those senior managers who might see their responsibility level change or unless specific circumstances warrant review.
- (ii) Annual variable remuneration is determined at the close of each fiscal year based on the percentage of fixed annual remuneration to be received by the Senior Manager for a satisfactory evaluation on the part of the Board in making budget and meeting objectives, as well as individual management, putting the target value of said percentage between 50% and 100% of the fixed annual remuneration referred to above.

Determination of the goals for each senior manager includes overall goals of the Company made public at the beginning of the fiscal year, as well as individual quantitative and qualitative objectives specific to each Director's area of responsibility.

Among the overall goals of the Company are the following quantitative parameters: sales, contracting, profit, investment, working capital and net debt.

Individual goals referenced to the manager's respective area of responsibility are of two types:

- Quantitative: sales, contracting, contribution margin and profit, investment and working capital.
- Qualitative: development in important geographic areas, attainment of goals to generate new business, acquisition and integration of acquired businesses, implementation of new global delivery processes, cost reductions and improvements in management with emphasis on the quality of human resources and project execution.

The setting of general as well as individual goals is done considering their importance and relevance to the goals of the entire Company and its important vertically and/or geographically integrated business sectors, as well as the creation of sustainable value.

Achievement of the objectives described above is evaluated as follows:

- Quantitative goals, which are given majority weight, are evaluated using a scale which ties remuneration amounts to completion or achievement of goals. Adjustments are made by comparing market developments and behaviour of leading companies in the sector predicted at the beginning of the fiscal year against that which actually occurred.

Predictions and market parameters are based upon information and analysis from consultants and specialty publications such as Gartner, IDC and Jane's as

well as organizations in the sector (in the case of Spain, Ametic, AEC and Afarmade). The chief comparable businesses in the sector are Cap Gemini, Atos Origin, Lógica CMG (up until its acquisition by CGI), Tietoenator, Sonda (for Latin America), Accenture and IBM when providing information in the fields in which the Company does business, as well as Thales, EADS-Cassidian and BAE Systems.

- Qualitative goals are tied to the annual evaluation of the work of the senior manager for each predetermined criteria.
- Evaluation of the level of achievement of goals does not take into account the occurrence of extraordinary results.

Determination of goals as well as their measurement and evaluation are done annually by the Board upon recommendation by the Nomination, Remuneration and Corporate Governance Committee.

(iii) Non cash remuneration consists primarily of a life insurance policy which pays out in the event of death or disability as well as health insurance.

All **medium term remuneration** is variable and is intended to promote retention among senior managers. It is therefore conditioned upon the recipient's remaining on the Senior Management team of the Company during a defined period, and consists of: (i) a cash incentive tied to Company performance, the meeting of objectives, and a performance evaluation of each Senior Manager; and (ii) the delivery of shares, with the goal of indexing a portion of remuneration with changes in Company share price.

(i) Medium term cash remuneration has been established within a range of between 1.9 and 3 times the annual fixed remuneration for a satisfactory evaluation by the Board regarding the progress of the Company and the performance of each Senior Manager for the period 2011 to 2013, considering the achievement of medium term strategic objectives, and taking equally into consideration the relative progress of the Company with respect to the markets in which it operates and of the most important players in the sector.

Specific quantitative and qualitative criteria associated with strategic medium term goals and objectives established during the fiscal year immediately preceding the beginning of the triennium are used to evaluate achievement of medium term goals, and these goals are reassessed and updated each year. Medium term remuneration vests at the end of the three year period and may be received upon the close of fiscal 2013.

Medium term strategic goals established for the current triennium are based upon: organic growth; new business; international development, primarily in Latin America, Asia and the Middle East; management of the Company in the Spanish market; investment parameters, working capital, cash flow and debt; the number and

distribution of global clients and major accounts; key organisational processes (human resources development, production centres and centres for excellence); succession plans for management and executive teams; and reputation, brand recognition and corporate responsibility.

Although the metrics for evaluating compliance with quantitative medium term objectives are distinct in their specifics from those used for annual goals, the methodology for applying them is similar as it relates to comparison with general and sector specific business trends as well as similarly situated companies.

- (ii) Medium term remuneration made by means of delivery of shares comprises between 15% and 25% of gross remuneration set for each senior manager for the period 2011-2013, assuming remuneration amounts which correspond to a satisfactory evaluation of variable remuneration items.

The Board understands that this remuneration is considered medium term, since beneficial ownership of shares does not vest until the end of the three year period, and the senior manager must maintain ownership of the shares for a minimum of three years from the time of delivery, despite due to legal and tax criteria under Spanish legal framework shares are delivered annually.

The number of shares delivered to each senior manager is derived by dividing the net amount due by the market price of the shares at the time of delivery; the Board having established the additional proviso that receipt of the full amount is dependent upon a satisfactory evaluation in the prior fiscal year, with a proportionate downward adjustment otherwise. The terms and conditions for delivery of shares to senior managers for the three year period 2011-2013 was approved at the 2011 Meeting and has been put into effect as authorized.

Among the ranges determined for variable remuneration, those corresponding to senior managers are the highest level of each range. The goals to be considered to determine senior managers' variable remuneration are overall goals and those concerning the whole of the Company's businesses, although certain partial goal may be considered provided it is decidedly relevant.

The following criteria were used by the Board in order to determine the terms and amounts of variable remuneration explained above: that fixed remuneration remain the same during the period; that the variable remuneration represent a substantial part of the total remuneration, at a relatively high level compared to the average for the market; that medium term remuneration be an important component; and that its connection to stock value be significant, but not excessively so.

The Board believes that this remuneration plan is effective in maintaining Company senior management remuneration consonant with best market practices and conditions; will motivate retention and guide management to focus especially not only on the short

term but the medium term as well; has a reasonable connection with changes exclusively in medium term stock value; and is geared overall toward the current condition, goals and sustainable growth objectives of the Company.

Upon establishing the current remuneration policy, the Board was advised by Egon Zehnder that *"the remuneration policy, structure and amounts for senior management of Indra for the new three year period (fiscal 2011, 2012, and 2013) is in line with those of Ibex 35 companies similar in complexity, geographic diversity and size"* and it is *"notable that total fixed remuneration has remained stable other than for those senior managers who have seen an increase in their responsibility, as only variable remuneration has increased"*.

1.1.2. Contractual Framework of Senior Management's Employment Relationships

Every Senior Manager, including Executive Directors, has signed a contract with the Company governing terms of employment. The Company has published the terms of those contracts annually since 2006, each of which was authorized by the Board of Directors based on a favourable report and proposal by the Nomination, Remuneration and Corporate Governance Committee, and have been submitted to the Annual Shareholders Meetings since 2007. Pursuant to these contracts and in accordance with the Bylaws as they apply to Executive Directors, and consistent with Royal Decree 1382/1985 regarding the special labour relationship for Senior Management, senior managers are entitled to severance payment in the event of termination of their employment relationship with the Company, except for just cause or voluntary resignation. Such severance is determined at the time of contracting under the same terms as established by Spanish labour law for ordinary workers, being fortyfive days' base salary for each year of service in the case of a senior manager, (base salary defined in their respective employment contracts) and taking into account medium term remuneration, with a minimum severance of one year (three years in the case of the Chairman) and a maximum of three and a half years.

Executive Directors and General Managers of Operations have signed non-competition agreements with terms of two years from the end of their working relationship with the Company and with a compensatory amount of 0.75 times their total annual remuneration in the case of Executive Directors and 0.5 times their total annual remuneration for Operations Managers for each year of non-competition. The latter contracts also provide that the non-compete clause is enforceable at the discretion of the Company at the moment of separation.

The Board, consistent with normal practice in the sector in which it operates, noted the high probability that it would be in the Company's interest to terminate employment relationships with senior managers upon reaching 60 years of age, and as a result funds

a reserve for such contingency, and has provided it since then with amounts sufficient to satisfy the Company's severance obligations to former senior managers under their contracts.

2.2 Composition of Senior Management

Other than the last month of the year, for fiscal 2012 Senior Management consisted of the following nine members, as follows:

Chairman of the Board	Javier Monzón
Managing Director	Javier de Andrés
Vice Chairman	Regino Moranchel
Corporate Directors General	Juan Carlos Baena
	Emma Fernández
Operational Directors General	Emilio Díaz
	Rafael Gallego
	Santiago Roura
	Carlos Suárez

In November, 2012, Mr. Regino Moranchel ended his employment relationship with the Company and, as a result, left his posts as Director and as Executive Vice Chairman.

The Chairman, Vice Chairman and Managing Director are also members of the Board of Directors. In accordance with the Bylaws, remuneration they receive as a result of their status as Board members is independent of the salaries they receive as a result of their status as senior managers. It is their remuneration as senior managers only which is included below.

2.3 Remuneration Amounts

After evaluations were done by the Board, the resulting annual remuneration amounts for fiscal 2012 and 2011 were the following:

Annual Remuneration of Senior Managers for Fiscal 2012 (m€)

	Total Senior Managers		Chairman		Vice Chairman ⁽¹⁾		Managing Director ⁽²⁾	
	2012	2011	2012	2011	2012	2011	2012	2011
Fixed Remuneration	4,446	4,475	1,000	1,000	596	650	450	225
Variable Remuneration	3,025	3,128	850	900	596	585	383	203
Payments in Kind	267	238	49	41	38	45	18	11
Total Remuneration	7,738	7,841	1,899	1,941	1,230	1,280	851	439
Average Number of Senior Managers	8.9	9						
Total Average Remuneration per Senior Manager	869	871						

(1) The amounts indicated for fiscal 2012 correspond to 11 months of employment. In addition, he received total gross remuneration of 9.1 M€ for termination of his employment relationship with the Company, as described in more detail below.

(2) Fiscal 2011 includes only the amount which corresponds to the second half of the year (the current Managing Director was appointed to the post in June)

Total remuneration of the three Executive Directors represents 1.83% of Net Consolidated Operating Profit and 2.44% of Consolidated Earnings before Taxes for fiscal 2012 and represented 1.37% and 1.57% respectively for fiscal 2011.

The objectives taken into account during their evaluation for fiscal 2012 and 2011 are indicated in section 2.1 above. For Executive Directors, their evaluation is based primarily on published Company-wide goals:

Metric	2011		2012	
	Published Objective	Result	Published Objective	Result
<i>Sales Growth</i>	> 2%	3%	8%-9%	9%
<i>Sales *</i>	2.675 M€	2.688 M€		
<i>Contracting/sales</i>	1	1,1	1	1,1
<i>Recurring EBIT Margin</i>	10,5%	10,5%	8%-9%	8,5%
<i>EBIT *</i>	10%	10%		
<i>Net Working Capital</i>	-	-	100-110 days	104 days
<i>Net Investment</i>	-	-	65-75 M€	74 M€

* Updated in November 2011 after the acquisition of Politec

Although their evaluations were satisfactory or better for both fiscal years and they were thus entitled to a variable remuneration of 100% of fixed, they proposed to the Nomination, Remuneration and Corporate Governance Committee and to the Board - which agreed - that they should be paid a lesser amount (90% in 2011 and 85% in 2012) due to general economic and social conditions in Spain, where the Company has its headquarters.

Medium term remuneration in effect for 2011-2013 is, as noted above, that which was decided in 2011 for a period of three years. It consists of cash incentives and delivery of stock.

- Medium term cash remuneration will vest and be received, if at all, upon the close of fiscal 2013 once the Board has done its evaluation of objectives for the three year period 2011-2013. Without affecting the actual amount to be dispersed at the end of the triennium, the Company makes annual reserves based upon a reasonable expectation of the amounts that are to be paid with the goal of amortizing the impact of these triennial payments. The Company made reserves during fiscal 2012 in the amount of 3,746 m€; of this sum the following amounts will go to Executive Directors as follows: 1,000 m€ for the Chairman; 596 m€ for the Vice Chairman, and 450 m€ for the Managing Director. The total amount for fiscal 2011 for this item was 3,750 m€ and the amount of which corresponded to Executive Directors: 1,000 m€ to the Chairman, 650 m€ for the Vice Chairman, and 225 m€ (for a six month period) for the Managing Director.

- As regards payment with shares, consistent with the above mentioned authorization made at the Meeting, in 2011 the Board of Directors, upon proposal made by the Nomination, Remuneration and Corporate Governance Committee, agreed to deliver during fiscal 2012 a total of 232,404 shares of stock to Senior Managers at a market price of 7.59 € per share, average price of the day of delivery (of the Executive Directors, 65,125 went to the Chairman, 38,856 to the Vice Chairman and 30,322 to the Managing Director). In fiscal 2011, 174,137 shares went to senior management at a market price of 10.82€ per share, average price of the day of delivery (of the Executive Directors, 51,315 went to the Chairman; 33,529 to the Vice Chairman and 21,183 to the Managing Director).

Consistent with statements made public in the Annual Remuneration Reports for 2010 and 2011, succession plans set forth for the Company have anticipated termination of the employment relationship of the Executive Vice Chairman, who has promised to remain until 2013 in order to ensure satisfactory completion of the transition to a new Managing Director appointed in 2011; a process which the Board considered properly completed at the end of 2012. Therefore, the Company communicated as a Relevant Fact on 30 November, 2012 the end of the employment relationship that the Executive Vice Chairman had maintained with the Company since 1972, entitling him to a gross severance, subject entirely to income tax and already set aside in company reserves, of 9.1M€, as provided for in Article 27.3 of the Bylaws and consistent with his labour contract. After payout, reserve funds described in subparagraph 2.1.2 above for Executive Directors stood at 13.915 M€ at the close of fiscal 2012.

No stock options were given to any Senior Managers during fiscal 2011 and 2012.

No Senior Managers exercised any stock options of the parent company during fiscal 2011 and 2012. This past 31 March, 2012 all options issued on 1 October, 2008 expired by virtue of the expiration of the strike period. No Senior Manager currently possesses any options for Indra stock.

Senior Managers did not receive during 2012 or 2011 any other benefits, remuneration or payments apart from those described in this Report, nor does the parent Company or any of its affiliates have any contractual obligation regarding pensions, loans or advances to their benefit.

Independent of the foregoing, the Nomination, Remuneration and Corporate Governance Committee has recommended that senior managers acquire Company shares for their own account so that they reach and progressively maintain a stake equal to at least one year's fixed remuneration. At the end of fiscal 2012 the members of Senior Management as a group held 664,460 shares with a market value on such date of 1.7 times their fixed annual remuneration (of this total, 387,361 shares are held by

Executive Directors, with a value as of 31 December 2012 equal to 2.7 times their annual fixed remuneration).

The Board, through the Nomination, Remuneration and Corporate Governance Committee, has asked the independent firm Egon Zehner, which has well known experience and expertise in this area, to render an opinion regarding the remuneration of senior managers for fiscal 2011, and they stated that it was *“appropriate, with moderate fixed remuneration and heavily weighted variable remuneration so that medium term remuneration is tied primarily to progress in the business”*.

2.4 Fiscal 2013 and Beyond

The criteria, remuneration rules and amounts for senior management described in this Section 2, which were established for the period 2011 to 2013, will remain in effect for 2013 and apply to everyone during the fiscal year.

Should any proposals described in Section 1.4 above be approved at the Shareholders Meeting after being brought before it, the Board will implement such terms in the contractual relationships with Executive Directors without modifying still applicable criteria, line items and remuneration amounts.

The Board intends to review the compensatory and contractual relationships of senior management for 2014 and the following years upon termination of the current triennial period. Among the items the Board will analyze and take into consideration during this review are: funds deferment and reimbursement in the event data used to determine variable remuneration amounts are later revised; non-cash remuneration, particularly through delivery of shares; severance packages and the balance between them and savings and reserve plans; outsourcing management of money for these items; and non-compete clauses.