Indra Sistemas, S.A.
And Subsidiaries

Consolidated Financial Statements
for the year ended 31 December 2019
and Consolidated Directors' Report,
together with Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel: +34 915 14 50 00
Fax: +34 915 14 51 80
www.deloitte.es

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INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Indra Sistemas, S.A.,

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Indra Sistemas, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2019, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª.
C.I.F.: B-79104469. Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of revenue by reference to stage of completion

Description

The Group recognises revenue by applying the percentage of completion method to certain contracts.

This revenue recognition method affects a highly significant amount of total consolidated revenue and requires Group management to make highly significant estimates relating mainly to the expected outcome of the contract, the amount of costs to be incurred at the end of the construction work, the measurement of work completed in the period and the accounting for modifications to the initial contract, all of which impact the revenue recognised in the year.

These judgements and estimates are made by the persons in charge of performing the contracts, are subsequently reviewed at the various levels of the organisation, and are submitted to controls designed to ensure the consistency and reasonableness of the criteria applied.

The information relating to the revenue recognised by reference to the stage of completion is disclosed in Notes 4-v and 28 to the consolidated financial statements.

Accordingly, the situation described was considered to be a key matter in our audit.

Procedures applied in the audit

Our audit procedures included a combination of tests to verify the operating effectiveness of the controls that mitigate the risks identified in the process for recognising contract revenue by reference to the stage of completion, together with substantive procedures, such as a detailed, case-by-case analysis of the main contracts in order to evaluate the reasonableness of the estimates made by the Group in relation to total project costs and total project revenue, the remaining costs to complete the contracts, contract risks and other parameters including, among others, the accounting treatment of the contract modifications approved by the customer.

In this connection, for a representative sample of contracts, we reviewed whether the revenue recognised by the Group is consistent with the terms and conditions of those contracts, verifying the price agreed on under those contracts, the reasonableness of the cost budgets considered, and whether the future milestones will be achieved on the basis of comparable historical information and inquiries made of the Group's technical personnel. In addition, we analysed the reasonableness of the percentage of completion reached at year-end, performing a review after the reporting period to verify the absence of any unexpected variances in costs or in the stage of completion of the contract, and of any modifications to the price initially agreed upon. We also reviewed the consistency of the estimates made by the Group in 2017 with the actual data for the contracts in 2018.

Recognition of revenue by reference to stage of completion	
Description	**Procedures applied in the audit**
	Lastly, we checked that the disclosures included in Notes 4-v and 28 to the accompanying consolidated financial statements in connection with this matter are in conformity with those required by the applicable accounting regulations.

Recovery of goodwill and other intangible assets	
Description	**Procedures applied in the audit**
The Group has recognised goodwill amounting to EUR 885 million and intangible assets amounting to EUR 373 million, as presented in the consolidated statement of financial position as at 31 December 2019 and as indicated in Notes 8 and 9 to the consolidated financial statements. The valuation of goodwill and other intangible assets requires management to make significant judgements, including the projection of cash flows from operating activities and the determination of appropriate discount rates and long-term growth rates, and, therefore, this issue was considered to be a key matter in our audit.	Our audit procedures used to address this matter included, among others, tests to verify the operating effectiveness of the controls that mitigate the risks identified in the impairment analysis process. Also, we were assisted by in-house valuation specialists in assessing the reasonableness of the models and the key assumptions used. We assessed the reasonableness of the cash flow projections and the discount rates by comparing the assumptions with data obtained from internal and external sources, and performed a critical assessment of the key inputs of the models used. Specifically, we compared the revenue growth rates with the latest approved strategic plans and budgets and checked that they are consistent with market information. We also assessed the historical accuracy of management in its budgeting process and questioned the discount rates by measuring the cost of capital of the Group and comparable organisations, as well as the perpetuity growth rates, among other information. In addition, we assessed whether the Group's disclosures in relation to the impairment test meet the requirements of EU-IFRSs, and whether the disclosures relating to the sensitivity of the impairment test to changes in the key assumptions adequately reflect the risks inherent to the assumptions. These issues are described in Note 8 to the accompanying consolidated financial statements.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2019, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the information contained in the consolidated directors' report is defined in the audit regulations in force, which establish two distinct levels of responsibility in this regard:

a) A specific level that applies to the consolidated non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report (ACGR), as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report, or, as the case may be, that the consolidated directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the non-financial information described in section a) above is presented in the separate report, "Corporate Social Responsibility Report" to which a reference is included in the consolidated directors' report, that the information in the ACGR, discussed in the aforementioned section, is included in the consolidated directors' report and that the other information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2019 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and Audit and Compliance Committee of the Parent for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit and compliance committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix 1 to this auditor's report. This description, which is on pages 7 and 8, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit and Compliance Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit and compliance committee dated 23 March 2020.

Engagement Period

The Annual General Meeting held on 24 June 2019 appointed us as auditors of the Group for a period of three years from the year ended 31 December 2018.

Previously, we were appointed as auditors by the Annual General Meeting, for a period of three years, and we have been auditing the consolidated financial statements continuously since the year ended on December 31, 2015

DELOITTE, S.L.
Registered in ROAC under no. S0692

F. Javier Peris Álvarez
Registered in ROAC under no. 13.355

23 March 2020

Appendix 1 to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.

- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's audit and compliance committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit and compliance committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's audit and compliance committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Notes to the Condensed Consolidated Financial Statements for the year ended 31 December 2019

CONTENT

Appendices

Indra Sistemas, S.A. and Subsidiaries
Consolidated Statements of Financial Position as at 31 December 2019 and 2018

(Thousand euro)

Assets	**Note**	**2019**	**2018**
Property, plant and equipment	6	117.163	108.378
Investment property		1.302	1.394
Right-of-use assets	7	129.592	-
Goodwill	8	884.911	811.927
Other intangible assets	9	372.585	373.494
Investments accounted for using the equity method	11	10.895	10.618
Non-current financial assets	12	141.898	185.879
Long-term contract assets	13	65.431	52.789
Deferred tax assets	37	151.095	160.385
Total non-current assets		**1.874.872**	**1.704.864**
Assets held for sale	14	13.378	14.112
Inventories and short-term contract assets	15	401.173	311.649
Other current assets	16	86.927	75.340
Derivatives	16	2.910	2.082
Current tax assets	37	31.994	34.556
Trade and other receivables	17	1.050.707	980.832
Cash and cash equivalents	18	854.509	917.825
Total current assets		**2.441.598**	**2.336.396**
Total assets		**4.316.470**	**4.041.260**
Equity and Liabilities			
Issued capital	19	35.330	35.330
Share premium	19	523.754	523.754
Reserves	19	(1.057)	(1.553)
Other own equity instruments	19	6.763	3.446
Cash flow hedges	19	(16.559)	(13.955)
Treasury shares	19	(2.788)	(3.663)
Currency translation differences	19	(81.966)	(79.852)
Retained earnings	19	313.808	193.319
Equity attributed to the owners of the parent company		**777.285**	**656.826**
Non-controlling interests	19	23.468	20.861
Total equity		**800.753**	**677.687**
Financial liabilities due to the issuance of debentures and other marketable securities	21	594.625	593.533
Non-current bank borrowings	21	784.931	765.116
Other non-current financial liabilities	22	202.514	128.757
Dividends paid by companies to non-controlling interests (Note 19)	23	12.427	4.492
Provisions for liabilities and charges	24	55.209	65.639
Other non-current liabilities		1.406	2.501
Deferred tax liabilities	37	1.601	2.687
Total non-current liabilities		**1.652.713**	**1.562.725**
Liabilities held for sale	14	2	2
Financial liabilities due to the issuance of debentures and other marketable securities	25	8.872	7.920
Current bank borrowings	25	17.837	34.429
Other current financial liabilities	27	85.248	16.708
Trade and other payables	26	1.358.679	1.321.541
Current tax liabilities	37	22.289	21.885
Other current liabilities	27	347.366	377.619
Derivatives	39	22.711	20.744
Total current liabilities		**1.863.004**	**1.800.848**
Total equity and liabilities		**4.316.470**	**4.041.260**

The notes to the accounts and the accompanying appendices are an integral part of the Consolidated Annual Accounts

Indra Sistemas, S.A. and Subsidiaries

Consolidated Income Statement as at 31 December 2019 and 2018

(Thousand euro)

	Note	2019	2018
Revenue	28	3.203.939	3.103.735
Own work capitalised		69.825	61.294
Other operating income	29	21.104	24.045
Change in inventories of finished goods and work in progress		68.119	22.282
Materials consumed and other supplies	30	(795.394)	(751.166)
Staff costs	31	(1.757.701)	(1.606.877)
Other operating expenses	32	(461.912)	(561.279)
Other gains/(losses) on fixed assets	33	(1.734)	1.005
Depreciation and amortisation	6, 7 & 9	(125.224)	(93.699)
Operating profit/(loss)		**221.022**	**199.340**
Financial income	10	5.416	7.301
Financial expenses	10	(48.268)	(42.361)
Other financial results	34	(1.338)	332
Net financial income/(expense)		**(44.190)**	**(34.728)**
Results of companies carried under the equity method	11	731	(724)
Profit/(loss) before tax		**177.563**	**163.888**
Corporate income tax	37	(51.461)	(41.659)
Profit/(loss) for the year		**126.102**	**122.229**
Profit/(loss) attributed to the parent company		**121.364**	**119.760**
Profit/(loss) attributed to non-controlling interests	19	4.738	2.469
Basic earnings per share (euro)	20	0,6883	0,6797
Diluted earnings per share (euro)	20	0,6396	0,6247

The notes to the accounts and the accompanying appendices are an integral part of the Consolidated Annual Accounts

Indra Sistemas, S.A. and Subsidiaries

Consolidated Statement of Comprehensive Income as at 31 December 2019 and 2018

(Thousand euro)

	Note	2019	2018
Profit/(loss) for the year		126.102	122.229
Other comprehensive income:			
Items that will be reclassified to profit or loss:			
Income and expense attributed directly to equity		**(2.472)**	**(25.191)**
Currency translation differences		(1.538)	(7.121)
Cash flow hedges	19	(1.246)	(24.094)
Tax effect	19	312	6.024
Transfers to the consolidated income statement		**(1.669)**	**300**
Cash flow hedges	19	(2.226)	399
Tax effect	19	557	(99)
Other comprehensive income for the year, net of tax		**(4.142)**	**(24.891)**
Total comprehensive income for the year		121.960	97.338
Total comprehensive income attributed to the parent company		**116.646**	**94.900**
Total comprehensive income attributed to non-controlling interests		5.314	2.438

The notes to the accounts and the accompanying appendices are an integral part of the Consolidated Annual Accounts

Indra Sistemas, S.A. and Subsidiaries
Consolidatd Statements of Changes in Equity for the years ended 31 December 2019 and 2018

(Thousand euro)

							Other comprehensive income				
	Share capital	**Share premium**	**Reserves**	**Retained earnings**	**Treasury shares**	**Other equity instruments**	**Curr. trans. differences**	**Cash flow Hedges**	**Total**	**Non-controlling interests**	**Total**
Balance at 01.01.18	**35.330**	**523.754**	**(755)**	**59.591**	**(9.432)**	**28.695**	**(72.762)**	**3.816**	**568.237**	**17.508**	**585.745**
Distribution of 2017 profit/(loss):											
- Dividends	-	-	-	-	-	-	-	-	**-**	(100)	**(100)**
Dealings in treasury shares (Note 19)	-	-	(798)	-	5.769	-	-	-	**4.971**	-	**4.971**
Acquisitions from non-controlling interests (Note 19)	-	-	-	(1.015)	-	-	-	-	**(1.015)**	1.015	**-**
Issuance of compound instruments	-	-	-	16.999		(16.999)			**-**		**-**
Other increases and decreases	-	-	-	(2.016)	-	(8.250)	-	-	**(10.266)**	-	**(10.266)**
Other comprehensive income for the year	-	-	-	-	-	-	(7.090)	(17.771)	**(24.861)**	(31)	**(24.892)**
Profit/(loss) for the year	-	-	-	119.760	-	-	-	-	**119.760**	2.469	**122.229**
Balance at 31.12.18	**35.330**	**523.754**	**(1.553)**	**193.319**	**(3.663)**	**3.446**	**(79.852)**	**(13.955)**	**656.826**	**20.861**	**677.687**
Adjusted balance at 01.01.2019	**35.330**	**523.754**	**(1.553)**	**193.319**	**(3.663)**	**3.446**	**(79.852)**	**(13.955)**	**656.826**	**20.861**	**677.687**
Distribution of 2018 profit/(loss):											
- Dividends	-	-	-	-	-	-	-	-	**-**	(2.923)	**(2.923)**
Dealings in treasury shares (Note 19)	-	-	496	-	875	-	-	-	**1.371**	-	**1.371**
Acquisitions from non-controlling interests (Note 19)	-	-	-	-	-	-	-	-	**-**	-	**-**
Issuance of compound instruments	-	-	-	-	-	-	-	-	**-**	-	**-**
Other increases and decreases	-	-	-	(875)	-	3.317	-	-	**2.442**	216	**2.658**
Other comprehensive income for the year	-	-	-	-	-	-	(2.114)	(2.604)	**(4.718)**	576	**(4.142)**
Profit/(loss) for the year	-	-	-	121.364	-	-	-	-	**121.364**	4.738	**126.102**
Balance at 31.12.19	**35.330**	**523.754**	**(1.057)**	**313.808**	**(2.788)**	**6.763**	**(81.966)**	**(16.559)**	**777.285**	**23.468**	**800.753**

The notes to the accounts and the accompanying appendices are an integral part of the Consolidated Annual Accounts

Indra Sistemas, S.A. and Subsidiaries

Consolidated Cash Flow Statement for the years ended 31 December 2019 and 2018

(Thousand euro)

	2019	2018
Profit/(loss) for the year	126.102	122.229
Corporate income tax (Note 37)	51.461	41.659
Profit/(loss) before tax	177.563	163.888
Adjustments for:		
Grants (Note 29)	(10.942)	(11.781)
Provisions for trade and other receivables (Note 17)	504	6.228
Change in trade provisions (Notes 24 & 27)	(20.763)	(34.179)
Gains/(losses) on fixed assets (Note 33)	1.734	(1.005)
Other	(155)	(848)
	(29.622)	(41.585)
- Fixed asset depreciation (Notes 6, 7 & 8)	125.224	93.699
- Profit/(loss) from associates (Note 11)	(731)	724
- Net financial income/(expense) (Notes 10 & 34)	44.190	34.728
+ Dividends collected	343	1.338
Operating profit before changes in working capital	**316.967**	**252.792**
Change in trade and other receivables	36.869	6.805
Change in inventories and contract assets	(100.658)	(24.240)
Change in trade and other payables	(67.194)	45.377
Cash flows from operating activities	**(130.983)**	**27.942**
Corporate income tax paid	(36.481)	(16.715)
Net cash flows from operating activities	**149.503**	**264.019**
Payments for acquisition of fixed assets:		
Property, plant and equipment (Note 6)	(30.816)	(24.683)
Intangible assets (Note 9)	(63.907)	(63.483)
Financial assets (Notes 5 & 11)	(68.484)	(47.319)
Collections from sale of fixed assets:		
Financial assets	(62)	-
Interest collected	3.644	5.568
Government grants collected (Note 9 & 23)	18.717	8.750
Cash absorbed by investing activities	**(140.908)**	**(121.167)**
Acquisition of treasury shares (Note 19)	(71.540)	(103.192)
Sale of treasury shares (Note 19)	72.727	99.553
Dividends paid by companies to non-controlling interests (Note 19)	(2.923)	(100)
Repayment and redemption of other borrowings (Note 27)	(35.351)	-
Increase/(decrease) in bank borrowings, other Group companies (Note 21)	(13.482)	(63.868)
Increase in payables due to issuance of debentures and other marketable securities (Note 21)	-	323.916
Issuance of bank borrowings, parent company (Note 21)	130.449	119.244
Repayment and redemption of debentures and other marketable securities (Note 21)	(13.870)	(161.511)
Repayment and redemption of bank borrowings, parent company (Note 21)	(98.234)	(110.983)
Interest paid (Note 10)	(34.250)	(22.640)
Other collections/(payments) from financing activities	(5.535)	71
Net cash absorbed by financing activities	**(72.009)**	**80.490**
Net increase/(decrease) in cash and cash equivalents	**(63.414)**	**223.342**
Opening balance of cash and cash equivalents	917.825	699.116
Effects of exchange differences on cash and cash equivalents	98	(4.633)
Net increase/(decrease) in cash and cash equivalents	(63.414)	223.342
Closing balance of cash and cash equivalents (Note 18)	**854.509**	**917.825**

The notes to the accounts and the accompanying appendices are an integral part of the Consolidated Annual Accounts

1) The Group's Nature, Composition and Activities

The Group's parent company, Indra Sistemas, S.A. (the parent company) took its current name in the Extraordinary General Shareholders' Meeting held on 9 June 1993. Its registered office for mercantile and tax purposes is located at Avenida Bruselas 35, Alcobendas (Madrid).

The parent company's shares are listed on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges (see Note 19) and are currently included in the selective IBEX 35 index.

The parent company's corporate purpose is the design, development, production, integration, operation, maintenance, repair and marketing of systems, solutions and products that make use of information technologies, as well as any part or component thereof and any kind of services related thereto, including the civil works necessary for the installation thereof, in any field or industry; the provision of business consultancy and management, technology consultancy and training services in any field or industry, and the provision of business and process outsourcing services in any field or industry.

On 23 November 2017, the Board of Directors of Indra Sistemas, S.A. approved the 2018-2020 Strategic Plan, which included the Group's future corporate reorganisation based on the Segregation of the IT business unit. In this respect, on 26 April 2018, the Company submitted the common plan for the Segregation, vertical merger and total spin-off of the parent company (as the Demerged Company), Tecnocom Telecomunicaciones y Energía, S.A.U., Tecnocom España Solutions, S.L.U.,Tecnocom Telefonía y Redes, S.L.U. and Gestión Sexta Avenida, S.A.U. (as the target companies), Indra Software Labs, S.L.U. (as the totally spun-off company), Indra Soluciones Tecnologías de la Información, S.L.U. (as the Segregation beneficiary, acquiring company and partial beneficiary of the total spin-off) and Indra Producción Software, S.L.U. (as the partial beneficiary of the total spin-off).

The common plan for Segregation, vertical merger and total spin-off (the "Common Plan for Structural Changes") was drawn up in order to reorganise the information technologies ("IT") business that the Indra Group then carried on through a number of companies.

The IT business comprises the provision of applications outsourcing, consultancy, implementation and maintenance services, development of in-house technologies and solutions for the energy, industry and consumption, public authorities and healthcare, telecommunications and media, financial services and election processes sectors.

By means of the structural modifications set out in the Common Plan for Structural Changes, a corporate restructuring process was undertaken in the business units forming the IT business so as to assure specialised risk, commercial, economic and financial management of each unit.

One of the Indra Group's essential objectives is efficient, rational business management when providing services. The goal of the operations set out in the Common Plan for Structural Changes was therefore to streamline the corporate structure of the Indra Group's IT business. The financial and operational reasons that justified the operations included in the Common Plan for Structural Changes were as follows:

- (i) Centralise the Indra Group's IT business development so as to benefit from integrated management.
- (ii) Promote the continuous improvement of the service levels provided.
- (iii) Streamline and simplify the organisational structures of the IT business in particular and the Indra Group in general.
- (iv) Enhance the consistency and effectiveness of processes and systems.
- (v) Improve the approach to management and responsibility by separating business lines to achieve greater specialisation and define the responsibilities of each business line.
- (vi) Implement a more agile approach to commercial management.
- (vii) Increase strategic flexibility and simplify the management structure, decision-making and execution, bringing the processes into line with the individual needs of each business line.
- (viii) Facilitate strategic partnerships, joint ventures and integration processes with other IT companies.

The restructuring process envisaged in the Common Plan for Structural Changes was implemented through the following corporate operations:

(i) In October 2018, the IT business unit then owned by Indra Sistemas, S.A. ("Indra Sistemas") was demerged to the wholly-owned subsidiary Indra Soluciones Tecnologías de la Información, S.L.U. ("Indra Soluciones TI"). That business unit is formed by the assets and liabilities owned by Indra Sistemas S.A. used in the IT business, comprising the following activities: (a) offering and selling proprietary solutions (technologies and solutions developed in-house by Indra Sistemas and subsequently sold to third parties) and third-party solutions (technologies and solutions developed by third parties which Indra Sistemas has the capacity to implement and manage), including The Consultancy Division of Indra Sistemas known as Minsait, which specialises in digital solutions to help customers successfully overcome the digital transformation; (b) the Global Development Centre – Information Technology Outsourcing ("GDC ITO"), which encompasses all aspects of IT service outsourcing; and (c) the Global Development Centres ("GDCs"), which are engaged in developing software as an industrial process that is definable, repeatable and measurable, in a high-productivity environment (the "Segregation").

Through the Segregation, the above-mentioned assets and liabilities of Indra Sistemas S.A., forming a business unit, were transferred en bloc, by way of universal succession, to Indra Soluciones TI in exchange for shares in Indra Soluciones TI. The equity demerged amounted to €326,912 thousand.

(ii) In October 2018, the following companies, all subsidiaries directly or indirectly Entirely owned by Indra Sistemas S.A., were merged into Indra Soluciones TI (the "Acquiring Company""): (a) Tecnocom Telecomunicaciones y Energía, S.A.U. ("Tecnocom"), a company wholly owned by Indra Sistemas; (b) Tecnocom España Solutions, S.L.U. ("Tecnocom España Solutions"), a company wholly owned by Tecnocom; (c) Tecnocom Telefonía y Redes, S.L.U. ("Tecnocom Telefonía y Redes"), a company wholly owned by Tecnocom; and (d) Gestión Sexta Avenida, S.A.U. ("Gestión Sexta Avenida"), a company wholly owned by Tecnocom. This operation resulted in the cancellation of the investment that the Parent Company had in Tecnocom Telecomunicaciones y Energía, S.A., for the amount of €335,239 thousand and a recognition in Indra Soluciones TI for the amount of €333,076 thousand.

As a result of the merger, Tecnocom, Tecnocom España Solutions, Tecnocom Telefonía y Redes and Gestión Sexta Avenida (the "Target Companies") were extinguished and integrated into Indra Soluciones TI through the en bloc transfer of the Target Companies' assets and liabilities to Indra Soluciones TI, which acquired the rights and liabilities thereof by way of universal succession. The Target Companies are engaged in the following activities, among others: (i) provision of services to financial industry companies, from licencing to proprietary solutions, outsourcing options or advanced BPO models; (ii) provision of consultancy services, value-added solutions and network solutions for the telecommunications industry; (iii) provision of transformation services and customer and business operations in the energy industry, particularly the oil, gas, electricity, renewable energies and water sectors; (iv) public sector contracting, offering solutions to Public Authorities in the framework of their relationship with citizens through different channels; and (v) outsourcing activities using Datacenter, Workplace, Field Services and Service Desk capabilities.

(iii) In October 2018, the total spin-off of Indra Software Labs, S.L.U. ("Indra Software Labs"), a company wholly owned by Indra Sistemas, was completed, entailing the dissolution of Indra Software Labs and the division of its assets and liabilities into two parts, each of which was transferred en bloc, by way of universal succession, to Indra Producción Software, S.L.U. ("Indra Producción Software") and Indra Soluciones TI, both wholly owned by Indra Sistemas S.A.,. The spin-off will be referred to hereinafter as the "Total Spin-Off" and, together with the Segregation and the Merger, the "Structural Changes".

(iv) The following business units of Indra Software Labs were transferred en bloc by way of universal succession to the beneficiaries in the Total Spin-Off:

a. to Indra Producción Software: the business unit formed by the part of Indra

Software Labs' assets and liabilities used in the activities of the software factory, the main purpose of which is to develop software for Indra Sistemas' projects.

b. to Indra Soluciones TI: the business unit formed by the part of Indra Software Labs' assets and liabilities used in the activity known as "Integrated Technology Services", consisting of user attention center (UAC) tasks, microcomputing, system monitoring and control, application implementation support and hardware and software systems and infrastructure maintenance and technical support.

The distribution of the Spun-Off Company's assets and liabilities between the two Beneficiaries of the Total Spin-Off amounted to €23,447 thousand for Indra Soluciones TI and €16,886 thousand for Indra Producción Software.

Furthermore, the framework for the transfer of the Indra Group's information technologies business ("IT Business") to subsidiaries was approved by the Board of Directors and by the General Shareholders' Meeting of the Company's sole shareholder, Indra Sistemas, S.A. (the "Sole Shareholder"), in the meetings of 26 April 2018 and 28 June 2018, respectively, the ultimate purpose being for Indra Holding Tecnologías de la Información, S.L.U. (a company wholly owned by the Sole Shareholder) to be the holding company for all the Indra Group companies engaged in the said IT Business. Following the Segregation, merger and total spin-off operations agreed by the Sole Shareholder's General Shareholders' Meeting on 28 June 2018, the Sole Shareholder in execution of what was approved, in December 2018 the Company proceeded to provide several of itssubsidiaries conducting IT business to Indra Soluciones Tecnologías de la Información by means of capital increasesin said Company.

In 2019, the Company continued with the corporate reorganisation process, focusing on the international area. At the end of the current year, only a small part of the Group's international IT Business is pending transfer.

Appendix I, which forms an integral part of the Group's Consolidated Annual Accounts for the financial year ended 31 December 2019, indicates the companies forming part of the scope of consolidation, their address and activity, and the ownership interest held.

During the year ended 31 December 2019, the Group set up the following subsidiaries:

* On 11 March 2019, the parent company set up Indra Factoría Tecnológica, S.L.U., subscribing and paying up 100% of share capital in the amount of €3 thousand.

* On 29 May 2019, the Group company Indra Holding Tecnologías de Información, S.L.U. set up the company Minsait Payments Systems, S.L.U., subscribing and paying up 100% of share capital in the amount of €3 thousand.

* On 3 June 2019, the company Indra T&D, S.A.C. was set up with a share capital of PEN 1,000. The parent company owns a total of 999 shares (99.9% stake) and the Group company Indra Advanced Technology, S.L.U. holds one share (0.1% stake).

* On 3 June 2019, the company Indra Servicios Perú, S.A.C. was set up with a share capital of PEN 1,000. The Group company Indra BPO, S.L.U. owns a total of 999 shares (99.9% stake) and the Group company Indra Perú, S.A. holds one share (0.1% stake).

* On 6 August 2019, the company Indra Sistemas Transporte y Defensa, S.A. de C.V. was set up with a share capital of MXN 50,000. The parent company owns a total of 49,999 shares (99.998% stake) and the Group company Indra Advanced Technology, S.L.U. holds one share (0.002% stake).

In addition to the above-mentioned project, the Group has deregistered other companies, as summarised below:

* In June 2019, the Group company Indra Emac, S.A.U. was merged into the parent company with effect for accounting purposes as from 1 January 2019.

* On 27 June 2019, the parent company wound up and liquidated its investee Indra Kazakhstan Engineering limited.

* On 31 May 2019, the subsidiary Indra Technology South Africa, PTY, LTD went into liquidation.

During the year ended 31 December 2019, the Group acquired the following subsidiaries (see Note 5):

* On 20 September 2019, the Group company Indra Tecnologías de la Información, S.L.U. acquired 100% of the company Morpheus Aiolos, S.L. for €1,414 thousand.

* On 31 December 2019, the parent company acquired 100% of the company Sistemas Informáticos Abiertos, S.A. for €72,896 thousand. In addition, the parent company recognised a liability of €7,534 thousand in respect of guarantees in the form of price retentions that are expected to be released in 2020 in accordance with the sale and purchase agreement.

During the year ended 31 December 2018, the Group set up the following subsidiaries:

* On 23 January 2018, the parent company set up the company Indra Soluciones Tecnologías de la Información, S.L.U., subscribing and paying up 100% of share capital in the amount of €3 thousand. In 2018, when the "IT Business" subsidiaries were contributed, capital increased by €23,371 thousand and was contributed to Indra Holding Tecnologías de la Información, S.L.U.

* On 23 January 2018, the parent company set up Indra Holding Tecnologías de Información, S.L.U., subscribing and paying up 100% of share capital in the amount of €3 thousand. In December 2018, when the "IT Business" subsidiaries were contributed, capital increased by €28,297 thousand.

* On 23 January 2018, the parent company set up Indra Producción Software, S.L.U., subscribing and paying up 100% of share capital in the amount of €3 thousand. In 2018, when Software Labs, S.L.U. was contributed, capital increased by €1,000 thousand and was contributed to Indra Soluciones Tecnologías de la Información, S.L.U.

* On 27 March 2018, the parent company set up Indra Corporate Services Philippines, subscribing and paying up 100% of share capital in the amount of €170 thousand.

During the year ended 31 December 2018, the Group deregistered the following subsidiaries:

* On 1 January 2018, the Group company Tecnocom USA, Inc. was merged into the Group company Indra Usa, Inc.

* In October 2018, the Group company Tecnocom Telecomunicaciones y Energía, S.A. was merged into the Group company Indra Soluciones Tecnologías de la Información, S.L.U. with accounting effects as from 1 January 2018.

* In October 2018, the Group company Tecnocom Telefonía y Redes, S.L. Unipersonal was merged into the Group company Indra Soluciones Tecnologías de la Información, S.L.U. with accounting effects as from 1 January 2018.

* In October 2018, the Group company Tecnocom España Solutions, S.L.U. was merged into the Group company Indra Soluciones Tecnologías de la Información, S.L.U. with accounting effects as from 1 January 2018.

* In October 2018, the Group company Gestión Sexta Avenida, S.A. Unipersonal was merged into the Group company Indra Soluciones Tecnologías de la Información, S.L.U. with accounting effects as from 1 January 2018.

* In October 2018, the company Indra Software Labs, S.L.U. was totally spun off to Indra Producción Software, S.L.U. and Indra Soluciones Tecnologías de la Información, S.L.U.

* On 29 June 2018, the Group company Tecnocom Gestión y Servicios, A.I.E. was merged into the Group company Indra Corporate Services, S.L.U.

* On 30 April 2018, the Group company Indra USA, Inc. wound up and liquidated its investee Indra Puerto Rico, Inc.

During the year ended 31 December 2018, the Group acquired the following subsidiaries:

* On 21 August 2018, the Group company Indra USA, Inc. acquired 100% of the holding company North American Transmission & Distribution Group Inc., the parent company of Advanced Control Systems, INC., for USD 46 billion.

* On 30 October 2018, the Group company Indra Italia S.P.A. acquired 100% of Softfobia, S.R.L., the parent company of Unclick, S.R.L. and Riganera, S.R.L., for €2,244 thousand.

Additionally, during the year ended 31 December 2018 the Group increased its ownership interest in the following subsidiary in which it already exercised control:

* On 26 April 2018, the parent company acquired an additional 30% stake in the company Indra Technology South Africa PTY. (LTD) for USD 20 thousand. It is a wholly-owned subsidiary as a result of this acquisition.

There were no other significant scope changes affecting these consolidated financial statements at the date of authorisation for issue.

2) Basis of presentation and comparability

The consolidated annual accounts have been prepared by the parent company's directors on the basis of the accounting records of Indra Sistemas, S.A. and the other Group companies. The consolidated annual accounts for 2019 have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU) which are in force at 31 December 2019 and other provisions of the applicable financial reporting regulatory framework in order to present fairly the consolidated equity and consolidated financial position of Indra Sistemas, S.A. and subsidiaries at 31 December 2019 and the Group's consolidated financial performance, consolidated cash flows and changes in consolidated equity for the year then ended.

The Group first-time adopted IFRS-EU on 1 January 2004.

The parent company's directors consider that the 2019 consolidated annual accounts, which were authorised for issue on 23 March 2020, will be approved by the General Shareholders' Meeting without changes.

The 2018 consolidated annual accounts were approved by the General Shareholders' Meeting on 24 June 2019.

Presentation approach and formats

These consolidated annual accounts are presented in thousand euro and rounded to the nearest thousand (€ thousand), the euro being the parent company's functional and presentation currency. Transactions completed abroad are recognised in accordance with the policies described in Note 4.w.

Critical measurement issues and estimates of uncertainty

The preparation of consolidated annual accounts in accordance with IFRS-EU requires significant accounting estimates, judgements and assumptions when applying the Group's accounting policies. The estimates and assumptions employed are based on experience, good faith, best estimates and other historical factors which assure that the results are reasonable in the circumstances. Nonetheless, the results could differ should other estimates be used or events unforeseen by the Group occur, or in other circumstances. There follows a summary of aspects that have entailed a greater degree of judgement or complexity, or in which the assumptions and estimates are significant to the preparation of the consolidated annual accounts:

- The Group's core business is based on executing projects contracted with customers. The Group recognises revenue in accordance with IFRS 15. For certain contracts, Indra applies the so-called percentage-of-completion method to account for sales so as to assure the fairest presentation. The contract margin is recognised on a straight-line basis over the contract term and in accordance with the correlation between income and expenses. Group management continuously reviews all project estimates and adjusts them accordingly (see Note 17).
- Costs incurred in development projects are capitalised in the account "Development expenses" when they are likely to generate economic benefits in the future that will offset the cost of the asset recognised. Development projects in progress are analysed for impairment using forecast discounted cash flows over the estimated useful life of the project. Intangible assets are amortised based on the best estimates of their useful lives. The estimation of these useful lives requires a certain degree of subjectivity, so they are determined on the basis of analyses performed by the relevant technical departments so that the estimates are duly supported (see Note 9).
- The Group performs annual goodwill impairment tests. Management uses estimates in order to determine the recoverable amount of a division to which goodwill is assigned. The recoverable amount is the higher of fair value less costs to sell or otherwise dispose of an asset and value in use. The Group generally employs cash flow discounting methods to determine such values. Discounted cash flow calculations are based on five-year projections taking into account past experience and represent management's best estimate of future market trends. Cash flows beyond year five are extrapolated applying individual growth rates. The key assumptions when determining these values include growth rates, weighted average cost of capital, tax rates and working capital levels (see Note 8).
- The Group estimates the useful life of property, plant and equipment and intangible assets so as to calculate the depreciation or amortisation charged on fixed assets. Useful life is determined using estimates of expected technological developments, entailing a significant degree of judgement. The need to assess potential impairment means taking into consideration factors such as technological obsolescence, cancellation of certain projects and other changes to circumstances estimated (see Notes 6 and 9).
- The Group records provisions for liabilities and charges. The final cost of litigation and contingencies may vary depending on the interpretations of legislation, opinions and final evaluations. Any change to these circumstances could have a material effect on the amounts recognised under the heading Provisions for liabilities and charges (see Note 24).
- Deferred tax assets are reflected for all deductible temporary differences, tax-loss carryforwards and tax credits pending application for which the Company is likely to record sufficient future taxable income. The Group must make estimates to determine the amount of deferred tax assets that may be recognised, taking into account the amounts and dates on which the future taxable income will be obtained and the reversal period of taxable temporary differences (see Note 37).
- The Group is involved in regulatory and legal proceedings and government inspections in a number of jurisdictions. A provision is posted if it is likely that there will be an obligation at the year end which will give rise to an outflow of resources, provided that the amount can be reliably measured. Legal processes usually involve complex legal matters and are subject to considerably uncertainty. As a result, management uses significant judgement when determining whether it is likely that the process will result in an outflow of resources and when estimating the amount (see Note 24).
- Measurement adjustments for bad debts require a high degree of judgement on the part of management and the review of individual balances based on the credit quality of customers, current market trends and historical analysis of bad debts at the aggregate level (see Note 17). A provision is recorded for the expected loss, in accordance with IFRS 9, based on a number of parameters:
    - Segmentation of trade receivables by maturity
    - Large customers and other customers
    - Project debt by country based on credit ratings.

  Past debt performance is also analysed on the basis of:

    - Impairment rates for billings

- Debt ageing rates
- Impairment rates for past-due balances receivable.

- The calculation of provisions for onerous contracts is subject to a high degree of uncertainty. The Group records provisions for onerous contracts when estimated total costs exceed expected contract revenue. These estimates are subject to changes based on new percentage-of-completion information (see Note 24).

Although these estimates are based on the best information available at the date these consolidated annual accounts are authorised for issue, future events could give rise to adjustments in the coming years, which would be made prospectively, recognising the effects of the change of estimate in the relevant future consolidated annual accounts.

Standards and interpretations approved by the European Union, in force and applicable to the consolidated annual accounts for the financial year ended 31 December 2019

The following standards have been first-time adopted in the consolidated annual accounts for the year ended 31 December 2019:

IFRS 16 "Leases": This standard supersedes IAS 17 and current associated interpretations. It is mandatory for periods commencing on or after 1 January 2019. The main new development is that IFRS 16 brings in a single accounting approach for lessees, which reflect in the balance sheet all leases (with some limited exceptions) having an impact similar to that of finance leases. The standard provides that lessees must recognise a financial liability in the consolidated balance sheet for the present value of the payments to be made over the remaining life of the lease and an asset for the right to use the underlying asset, which is valued based on the amount of the associated liability to which the initial direct costs incurred are added. In addition, there is a change in the policy for recognising the lease expense, which is recorded as a depreciation expense for the relevant asset and a financial expense due to the revaluation of the lease liability. In terms of the current accounting treatment of the lessor, the standard does not vary substantially and the lease must continue to be classified as an operating or finance lease depending on the degree of material transfer of the risks and rewards of ownership.

Under IFRS 16, the Indra Group has decided to apply the modified retrospective approach, on the basis of which no comparative figures from previous years will be restated.

The following criteria, policies and estimates have been applied:

i. Contracts and agreements have been reviewed to determine whether they contain a lease.

ii. For each contract, the five steps indicated by the standard have been followed to properly identify whether it contains a lease.

iii. It has been decided not to apply IFRS 16 to short-term leases (expiring in 12 months or less) or leases in which the underlying asset has a low value.

iv. For each contract, the standard requires the interest rate implicit in the lease to be applied. In cases in which this rate cannot be determined, the standard allows the application of the incremental borrowing rate, which has been used by the Company, taking into account the lease term and the country, in order to properly measure the liability at inception. A weighted average interest rate of 4.5% has been applied.

v. For each liability, a right-of-use asset has been recognised taking into account any amounts that the Company should add to the asset value under IFRS 16, such as prepayments, decommissioning costs and initial direct costs.

The effects of first-time adoption are described below:

	1 January 2019
Non-current assets	
Right-of-use assets	151,840
Non-current liabilities	
Other non-current financial liabilities	119,254
Current liabilities	
Other current financial liabilities	32,586

The impact of the adoption of IFRS 16 on the 2019 consolidated income statement is as follows:

Effect of IFRS 16 on the income statement	**Thousand euro**
Decrease in other operating expenses	(35,497)
Increase in depreciation charges	32,273
Increase in financial expenses	6,099
Decrease in 2019 income statement	**(2,875)**

The reconciliation of the operating lease commitments disclosed in the notes to the 2018 consolidated annual accounts and the initial impact of the finance lease liabilities is as follows:

	Thousand euro
Operating lease commitments disclosed in the 2018 consolidated annual accounts	178,738
Discounted using the weighted average incremental interest rate on borrowings	150,711
Adjustment due to different treatment of renewal and termination options	1,129
Finance lease liabilities recognised at 1 January 2019	**151,840**

Detailed information on Right-of-use assets is provided in Note 7 to these consolidated annual accounts.

The effect of this impact on the consolidated cash flow statement is an increase in cash flows from operating activities and a decrease in net cash flows absorbed by financing activities in the amount of €35,351 thousand, without any net impact on cash flows.

As regards prior finance leases, there are no changes to the accounting treatment with respect to IAS 17, although the Group reclassified the carrying amount of the finance leases to the new heading "Right-of-use assets" (see Note 7) at 1 January 2019.

The following amendments and interpretations were also adopted by the European Union in 2019 and are in force as from 1 January 2019:

- **IFRS annual improvements, Cycle 2015-2017**: The most significant aspects of these improvements are described below:

Standards	Amendment
IFRS 3 Business combinations and IFRS 11 Joint ventures	The amendments to IFRS 3 clarify that when an entity obtains control over a business previously recognised as a joint operation, it will be deemed a business combination achieved in stages. Conversely, the amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
IAS 12 Income tax	The amendment clarifies that the tax effects of payments on financial instruments classified as equity must be recognised in the income statement.
IAS 23 Borrowing costs	The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

These improvements have not had any material impact on the Group.

- **Amendments to IFRS 9: "Prepayment features with negative compensation"**. This amendment allows the measurement at amortised cost of some financial assets that may be prepaid for an amount lower than the outstanding principal and interest. This amendment has no material impact on the Group.

- **Amendments to IAS 19: "Plan amendment, curtailment or settlement"**. This standard clarifies how to calculate cost of service for the current period and net interest for the remainder of an annual period where there is an amendment, curtailment or settlement of a defined benefit plan. The adoption of these amendments has not had any material impact.

- **Amendments to IAS 28: "Long-term interests in associates and joint ventures**". This standard clarifies that IFRS 9 is applicable to investments in long-term interests in associates and joint ventures, but only those that are not equity consolidated, in which case IAS 28 will continue to apply. The adoption of these amendments has not had any material impact.

- **IFRIC 23: "Uncertainty over income tax treatments"**. This standard explains how to recognise and measure deferred and current income tax assets and liabilities when there is uncertainty as regards the tax treatment. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements related to interest and penalties associated with uncertain tax treatments. The Group has not identified any significant impacts due to the adoption of this interpretation.

Standards and interpretations issued, approved by the European Union and to be adopted by the Group as from 1 January 2020 (not early adopted):

- **Amendments to IAS 1 AND IAS 8: "Definition of material"**. These amendments are designed to make the IAS 1 definition of material easier to understand and are not intended to change the underlying concept of materiality. The concept of obscuring material information with immaterial information has been included.

  The IAS 8 definition of material has been replaced by a reference to the IAS 1 definition.

- **Amendments to References to the Conceptual Framework in IFRS Standards**. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC

12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32, which are mainly intended to ensure that the standards are consistent.

- **Amendments to IFRS 9, IAS 39 and IFRS 7: "Interest rate benchmark reform".** Certain specific hedge accounting requirements are amended to mitigate the possible effects of the uncertainty caused by the IBOR reform.

The Group does not expect any significant impacts due to the adoption of these amendments.

Standards and interpretations issued by the International Accounting Standards Board (IASB), pending approval by the European Union:

Standards	**Proposed effective date**
IFRS 17 "Insurance contracts"	1 January 2021
Amendments	**Proposed effective date**
"Amendment to IFRS 3: Business combinations"	1 January 2020
"Amendment to IAS 1: Classification of liabilities as current or non-current"	1 January 2022
"Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture"	No date defined

The application of the amendments and the revised standards included in the table above will not have any material impact on the Group's consolidated annual accounts. However, they will result in the disclosure of broader information in the consolidated annual accounts.

Comparability of information

As required under IFRS-EU, these 2019 consolidated annual accounts include, for comparative purposes, the corresponding figures for the previous year.

Changes to accounting policies

Except for the adaptation of the Group's accounting policies due to the adoption of the new accounting standards referred to previously, the Group's accounting approach has not changed with respect to the previous year.

3) Application / distribution of results

The Board of directors of the parent company Indra Sistemas S.A. will propose to the General Shareholders' Meeting that the profit of €38,778,333.96 be used to offset prior-year losses.

The proposals for the distribution of the Group companies' 2019 results have been drawn up by their respective directors and are pending approval by the corresponding General Shareholders' Meetings.

4) Accounting principles

The consolidated annual accounts have been prepared in accordance with the International Financial Reporting Standards and interpretations adopted by the European Union (IFRS-EU).

The accounting policies described below have been applied consistently during the financial years presented in these consolidated annual accounts.

The most relevant are as follows:

a) Subsidiaries and business combinations

Subsidiaries, including structured entities, are entities over which the parent company exercises control directly or indirectly. The parent company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to influence those returns through its power over the subsidiary. The parent company has power over a subsidiary when there are substantive rights in force that give it the ability to direct the relevant activities. The parent company is exposed, or has the right, to variable returns from its involvement with the subsidiary when the returns obtained have the potential to vary as a result of the subsidiary's business performance.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate only to administrative tasks and the relevant activities are directed by means of contractual arrangements.

Subsidiaries are consolidated as from the acquisition date and deconsolidated as from the date control is lost.

Subsidiaries are consolidated using the full consolidation method. All their assets, liabilities, income, expenses and cash flows are included in the consolidated annual accounts following the relevant adjustments and eliminations to allow for intra-group transactions.

The Group applies the acquisition method for business combinations.

The acquisition date is the date on which the Group obtains control of the business acquired.

The consideration in a business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, liabilities incurred or assumed, equity instruments issued and any consideration contingent on future events or compliance with certain conditions in exchange for control of the acquiree.

The consideration transferred excludes any payment that does not form part of the exchange for the acquiree. As from 1 January 2010, acquisition costs are recognised as an expense when incurred.

Contingent liabilities are recognised until they are settled, cancelled or expire in the higher of the amount initially recorded, less any amounts that must be taken to the consolidated income statement in accordance with the revenue recognition standard, and the amount calculated applying the provisioning standard.

At the acquisition date, the Group recognises the assets acquired, the liabilities assumed and any non-controlling interest at fair value. Non-controlling interests in the acquiree are recognised in the proportionate part of the fair value of the net assets acquired. These criteria are only applicable for non-controlling interests which carry a current share of economic benefits and entitlement to the proportionate part of the net assets of the acquiree in the event of liquidation. Otherwise, non-controlling interests are measured at fair value or at a value based on market conditions. The liabilities assumed include contingent liabilities to the extent that they represent present obligations arising from past events and fair value may be reliably measured. The Group also recognises indemnification assets provided by the seller at the same time and following the same measurement approach as for the related indemnified item of the acquiree, considering any risk of insolvency and any contractual limit on the amount indemnified.

The assets and liabilities assumed are classified and designated for subsequent measurement on the basis of the contractual agreements, financial conditions, accounting and operating policies and other conditions applicable at the acquisition date, except for leases and insurance contracts.

The excess of the consideration paid, plus the value attributed to non-controlling interests, over the net amount of assets acquired and liabilities assumed, is recognised as goodwill. If applicable, any shortfall is taken to the income statement after assessing the consideration paid and the value attributed to non-controlling interests, and identifying and measuring the net assets acquired.

(i) Non-controlling interests

Non-controlling interests are reflected in consolidated equity separately from the equity attributed to the parent company's shareholders. Non-controlling interests in consolidated results for the year (and in total consolidated comprehensive income for the year) are also presented separately in the consolidated income statement and the consolidated statement of comprehensive income.

The Group's interest and non-controlling interests in the subsidiaries' consolidated results for the year (total consolidated comprehensive income for the year) and changes in equity, after consolidation adjustments and eliminations, are determined based on the ownership interests at the year end, without considering the possible exercise or conversion of potential voting rights and after discounting the effect of dividends, agreed or otherwise, on cumulative preference shares that have been classified in equity accounts. However, the Group's interest and non-controlling interests are calculated taking into account the possible exercise of potential voting rights and other derivative financial instruments which, in substance, currently allow access to the economic benefits associated with the ownership interests held, that is the entitlement to a share in future dividends and changes in the value of the subsidiaries.

The excess losses attributable to non-controlling interests generated prior to 1 January 2010, which cannot be attributed thereto due to exceeding the amount of the relevant equity interest in the subsidiary, are recognised as an increase in equity attributable to the parent company's shareholders, except for cases in which the non-controlling interests have a binding obligation to assume a part or all of the losses and have the capacity to make the necessary additional investment. Profits obtained in subsequent years are taken to equity attributable to the parent company's shareholders until the amount of the losses absorbed in prior accounting periods, with respect to non-controlling interests, is recovered.

As from 1 January 2010, the results and each component of other comprehensive income are allocated to equity attributable to the parent company's shareholders and to non-controlling interests in proportion to their ownership interest, even if this results in a debtor balance in non-controlling interests. Agreements entered into between the Group and non-controlling interests are recognised as a separate transaction.

The increase and reduction in non-controlling interests in a subsidiary while control is maintained is recognised as an transaction involving equity instruments. Therefore, no new acquisition cost arises from the increases and no results are recognised as a result of the reductions, the difference between the consideration paid or received and the carrying amount of the non-controlling interests being recognised in the reserves of the investing entity, notwithstanding the reclassification of consolidation reserves and the re-allocation of other comprehensive income among the Group and the non-controlling interests. When the Group's interest in a subsidiary decreases, the share of non-controlling interests in consolidated net assets, including goodwill, is recognised.

The Group recognises options to sell interests in subsidiaries granted to non-controlling shareholdings on the acquisition date of a business combination as a pre-acquisition of the shares, recording a financial liability for the present value of the best estimate of the amount payable, which forms part of the consideration paid.

In subsequent years, the change in the financial liability, including the financing component, is taken to the income statement. Any discretionary dividends paid to the non-controlling interests to the option exercise date are recognised as a distribution of results. If the options are not finally exercised, the transaction is recognised as a sale of shares to the minority shareholders.

Instruments containing options to sell and embodying settlement obligations which qualify to be classified as equity instruments in the subsidiaries' separate financial statements are carried as financial liabilities in the consolidated annual accounts and not as non-controlling interests.

(ii) Other aspects related to the consolidation of subsidiaries

Intragroup balances and transactions and any unrealised gains or losses are eliminated on consolidation. However, unrealised losses are seen as an indication of the impairment of the transferred assets.

The subsidiaries' accounting policies have been adapted to the Group's policies for transactions and other events that are similar and have taken place in similar circumstances.

The annual accounts or financial statements of the subsidiaries used in the consolidation process relate to the same presentation date and same period as those of the parent company.

b) Jointly-controlled operations and assets

Joint arrangements are considered to be those in which there is a bylaw or contractual agreement to share control of an economic activity, such that strategic business decisions on both financial and operating matters require the unanimous consent of the Company and the other investors.

For jointly-controlled operations and assets, the Group recognises in the annual accounts the assets under its control, the liabilities it has incurred and the proportionate part, based on its equity interest, of the jointly-controlled assets and jointly-incurred liabilities, as well as the portion of the revenue obtained from the sale of goods or provision of services, and the expenses incurred by the joint arrangement. The statement of changes in equity and the cash flow statement also reflect the proportionate part pertaining to the Group under the arrangements made.

Reciprocal transactions, balances, income, expenses and cash flows are eliminated in proportion to the Group's share of the joint arrangements.

Unrealised gains or losses on the Group's non-monetary contributions or downstream transactions with the joint arrangements are recognised based on the substance of the transactions. In the event that the assets transferred remain in the joint arrangements and the Group has transferred the significant risks and rewards inherent in the ownership of the assets, only the proportionate part of the gains or losses pertaining to the other investors is recognised. Unrealised losses are not eliminated provided they are evidence of the impairment of the asset transferred.

Gains or losses on transactions between the joint arrangements and the Group are only recognised in the proportionate part corresponding to the other investors, applying the same recognition approach described in the previous paragraph in the case of losses.

The Group has made the value and timing adjustments necessary to include the joint arrangements in the annual accounts.

The information on jointly-controlled business activities in the form of temporary consortia (UTEs) is presented in Appendix II.

(i) Joint operations

For joint operations, the Group recognises the assets in the consolidated annual accounts, including its share of the jointly-controlled assets; the liabilities, including its share of the liabilities incurred jointly with the other operators; the revenue obtained from the sale of its share of the products of the joint venture; and the expenses, including its share of joint expenditure.

For sales or contributions by the Group to the joint operations, only the results relating to the shares of the other operators are recognised, unless losses reflect the decline in value or impairment of the assets transferred, in which case the entire amount is recognised.

In the case of purchases made by the Group from the joint operations, the results are only recognised when the assets acquired are sold to third parties, unless losses reflect the decline in value or impairment of the assets acquired, in which case the Group recognises the full amount of its share of the losses.

The Group's acquisition of the initial and subsequent interests in a joint operation is recognised using the same approach as for business combinations, based on its ownership interest in the individual assets and liabilities. Nonetheless, when an additional interest in a joint operation is subsequently acquired, the prior interest in the individual assets and liabilities is not restated.

c) Investments accounted for using the equity method

Associates are entities over which the Group directly or indirectly exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Potential voting rights that may be exercisable or convertible at the end of each reporting period, including potential voting rights held by the Group or another entity, are considered when assessing whether there is significant influence.

Investments in associates are carried under the equity method from the date significant influence is exercised to the date on which the Group can no longer prove this influence exists.

The Group's share of the profits or losses of an associate obtained as from the date of acquisition is recognised as an increase or decrease in the value of the investment, credited or debited to the consolidated income statement heading "Results of equity-consolidated companies".

d) Intangible assets

(i) Goodwill

Goodwill (see Note 8) on business combinations completed as from the transition date (1 January 2004) is initially recognised at an amount equivalent to the difference between the cost of the business combination and the Group's share in the net fair value of the assets acquired and the liabilities and contingent liabilities assumed with respect to the subsidiary or joint venture acquired.

Goodwill is not amortised. However, goodwill is analysed to identify any impairment annually or as soon as there are signs of a potential loss of value. To this end, goodwill arising on a business combination is allocated to each cash-generating unit (CGU) that is expected to benefit from the combination synergies, applying the approach described in letter g) of this note. Following initial recognition, goodwill is stated at cost less accumulated impairment losses.

Goodwill impairment losses recognised are not reversed in subsequent years.

(ii) Other intangible assets

Intangible assets are recognised at acquisition or production cost. They are adjusted annually to reflect any decline in value, as described in letter g) of this note. The assets included under this heading are as follows:

* Development expenses: They include direct costs incurred in specific individual developments by project.

  Expenses related to research, development and innovation (R&D&i) projects are recognised directly in the consolidated income statement for the relevant period, except in the case of costs incurred in development projects, which are capitalised in the account "Development expenses", provided the following conditions are met:

  - The outlay attributable to the project may be reliably measured.
  - Project costs are clearly assigned, allocated and time-apportioned.
  - There are sound reasons for the project's technical success, both in the case of direct operations and for the sale of the project's results to a third party on completion, where there is a market.
  - The project's economic and commercial profitability is reasonably assured.
  - The funding to complete the project and availability of adequate technical or other resources to complete it and to use or sell the intangible are reasonably assured.
  - Management intends to complete the intangible asset for use or sale.

  Development expenses are only capitalised where there is certainty that future income will be obtained to offset the capitalised project costs.

  The Group analyses development projects to identify impairment and make any value adjustments. Development expenses are recognised directly under this heading as the asset definition is fulfilled. Once completed, they are transferred to computer software and amortisation begins.

  Amortisation of development expenses transferred to computer software begins when the asset is available for use following the development process, tests and quality controls applicable in each case.

* Computer software: Amounts paid to acquire ownership or the right of use of computer programs, as well as costs of programs developed by the Group, are capitalised when the software contributes to the generation of income for the Group.

  The amounts capitalised do not in any case include costs incurred to modify or upgrade programs in use in the Group, nor those relating to review work, consultancy or staff training provided by other companies in order to implement the software.

  Computer software arising from business combinations is carried at the fair value of the identifiable asset acquired on the date of exchange.

The cost of completed development projects that are transferred to computer software is taken to the income statement through the amortisation account, applying an amortisation rate based on the estimated useful life.

* Industrial property: It is presented at acquisition cost and amortised over the period in which the rights inherent in ownership of the industrial property are exercised.

  Industrial property arising from business combinations is carried at the fair value of the identifiable asset acquired on the date of exchange.

  Industrial property having an indefinite useful life is not amortised. Instead, it is tested annually for impairment, or earlier if there are indications of a potential decline in value.

* Contractual relationships: They include the portfolio of customer relationships derived from business combinations. The amortisation of contractual relationships is charged to the consolidated statement of comprehensive income over a useful life of between nine and 10 years. Impairment testing is carried out to adjust the carrying amount to reflect the fulfilment of commitments made.

Useful life and amortisation charges: The Group assesses whether the useful life of each intangible asset is finite or indefinite. For such purposes, an intangible asset is understood to have an indefinite useful life when there is no foreseeable limit to the period during which it will generate net cash inflows.

Intangible assets with finite useful lives are amortised by distributing the amortisable amount systematically over the assets' useful lives at the following rates:

	Depreciation method	Years of estimated useful life
Industrial property	Straight-line	10 years
Computer software	Straight-line	From 1 to 10 years
Contractual relationships	Straight-line	From 9 to 10 years

Acquisition cost less any residual value is deemed to be the amortisable amount.

The Group reviews the useful life and amortisation method of intangible assets at each year end. Changes to the approach initially adopted are recognised as changes in estimates.

The Group records no asset with a residual value.

e) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and cumulative impairment losses. Costs of expansion, upgrade or improvement that lead to an increase in productivity, capacity or efficiency, or an extension in the useful life of assets, are capitalised. Repair and maintenance costs are taken to the consolidated income statement when incurred.

Depreciation is calculated on the basis of cost values or values allocated by independent, third-party experts using the straight-line method over the following average estimated useful lives:

	Years of useful life
Buildings	50
Plant, machinery and other installations	10
Furnishings	10
Data-processing equipment	4
Vehicles	7
Other PPE	10

The Group reviews the useful life and depreciation method of property, plant and equipment at each year end. Changes to the approach initially adopted are recognised as changes in estimates.

f) Investment property

Investment properties reflect the values of land, buildings and other structures held for rent or to obtain a capital gain on their sale as a result of future increases in market prices.

These assets are carried applying the same approach indicated in letter e) on property, plant and equipment.

g) Impairment of non-financial assets subject to amortisation or depreciation

The Group looks for signs of the possible impairment of non-financial assets subject to amortisation or depreciation so as to check whether their carrying amount exceeds their recoverable amount.

Similarly, and irrespective of the existence of any indication of impairment, the Group tests, at least annually, for potential impairment that may affect goodwill, intangible assets with an indefinite useful life and intangible assets that are not yet ready for use.

The recoverable amount is the higher of fair value less costs to sell or otherwise dispose of an asset and value in use.

The asset's value in use is calculated on the basis of future cash flows expected to arise from the use of the asset, expectations about possible variations in the amount or timing of cash flows, the time value of money, the cost to be paid for bearing the uncertainty linked to the asset and other factors that market participants take into consideration when assessing future cash flows relating to the asset.

Negative differences identified by comparing the carrying amounts of the assets with their recoverable amounts are taken to the consolidated income statement.

Recoverable amounts must be calculated for each individual asset, unless the asset does not generate cash inflows that are largely independent from those of other assets or asset groups. If this is the case, the recoverable amount is determined for the cash-generating unit (CGU) of which the asset forms part.

In the current year, the Group uses detailed calculations made in a prior year of the recoverable amount of a CGU in which an intangible asset with an indefinite useful life, or goodwill, has been included, provided the following requirements are met:

a) The assets forming that CGU have not changed significantly since the most recent recoverable amount calculation;

b) The most recent recoverable amount calculation gave rise to an amount that exceeded the carrying amount of the CGU by a considerable margin; and

c) Based on an analysis of events and on the circumstances that have changed since the most recent recoverable amount calculation, the probability that the CGU's current recoverable amount is lower than the carrying amount is remote.

If there are signs of impairment in a CGU to which it has not been possible to allocate goodwill, the Group first verifies the CGU's impairment without including goodwill and, if applicable, recognises the impairment loss at the CGU level. The Group then analyses impairment at the level of the group of CGUs to which goodwill has been allocated and, if applicable, recognises the impairment loss at the level of the group of CGUs.

On verifying the impairment of a CGU, the Group identifies the related common assets. If a part of the common assets can be allocated reasonably and consistently to the CGU, the Group compares the CGU's carrying amount, including the common assets, with the recoverable amount and, if applicable, recognises the impairment loss at the CGU level. If the Group cannot allocate a part of the common assets reasonably and consistently to the CGU, the Group compares the CGU's carrying amount, without the common assets, with the recoverable amount and, if applicable, recognises the impairment loss at the CGU level. The Group then identifies the smallest group of CGUs to which the carrying amount of the common assets may be reasonably and consistently allocated, compares the carrying amount of the group of CGUs, including the common assets, with the recoverable amount and, if applicable, recognises the impairment loss at the level of the group of CGUs.

Impairment losses on CGUs initially reduce the goodwill allocated to the CGU, if applicable, and then the CGU's other assets, pro rata with each asset's carrying amount, up to the limit in each case of the higher of fair value less costs to sell or otherwise dispose of the assets, value in use and zero.

At each year end, the Group looks for signs that the impairment loss recognised in previous years no longer exists or may have decreased. Impairment losses on goodwill are not reversible. Impairment losses on other assets are only reversed if there is a change in the estimates used to determine the asset's recoverable amount.

Reversals of impairment losses are credited to the income statement. Nonetheless, the reversal of the loss cannot increase the asset's carrying amount over the amount at which it would have been carried, net of amortisation or depreciation, had the impairment loss not been recognised.

A reversal of an impairment loss for a CGU is allocated to the non-current assets of each unit, except goodwill, pro rata with the carrying amounts of those assets. The carrying amount of an asset may not be increased above the lower of its recoverable amount and the carrying amount that would have been disclosed, net of amortisation or depreciation, had no impairment loss been recognised.

h) <u>Leases</u>

The Group recognises whether a contract is or contains a lease at inception. The Group recognises a right-of-use asset and the corresponding financial liability in relation to all leases in which the Group is the lessee, except for short-term leases (expiring in 12 months or less) and leases in which the underlying asset has a low value. For these leases, the Group recognises payments as an operating expense on a straight-line basis over the lease term.

The financial liability is initially measured at the present value of the payments to be made during the remaining life of the lease, discounted at the implicit interest rate. In cases in which it cannot be determined, the standard allows the application of the incremental borrowing rate, which has been used by the Company, taking into account the lease term and the country.

Lease payments included in the measurement of financial liabilities include the following:

- fixed payments to be made less any lease incentives;
- variable payments depending on an index or rate, initially measured in accordance with the index or rate at inception;
- residual value guarantees expected to be incurred;
- exercise price of a purchase option if it is expected to be exercised;
- lease termination penalty payments, if the lease term reflects that the lessee will exercise an option to terminate the lease.

The financial liability arising from the lease will subsequently increase in the amount of interest accruing and reduce as a result of the payments made. The liability will be reassessed if changes are made to the amounts payable and lease terms.

The cost of right-of-use assets includes the initial amount of the lease liability, any initial direct cost, lease payments made before or on the inception date, and any cost of decommissioning. Subsequently, the right-of-use asset is measured at cost less accumulated depreciation and any associated impairment losses, and is adjusted to reflect any subsequent amendment of the lease.

Right-of-use assets are depreciated over the shorter of the lease term and the underlying asset's useful life. If ownership of the underlying asset is transferred or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Depreciation begins on the lease inception date.

i) Financial instruments

I. Financial assets

Classification

The classification depends on the measurement category determined on the basis of the business model and the features of the contractual cash flows. Financial assets are only reclassified when the business model used to manage the assets changes.

The Group classifies its financial assets in the following categories:

a) at fair value through equity;

b) at fair value through profit or loss; and

c) at amortised cost.

Measurement

Interest income on financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive it is established.

As stated in Note 10, the Group company has divided its financial assets into the following categories:

a) Equity instruments

Equity instruments are initially recognised at fair value plus transaction costs directly attributable to the purchase.

Following initial recognition, financial assets carried in this category are measured at fair value, any loss or gain being taken to other comprehensive income. The amounts recognised in other comprehensive income are taken to reserves when the financial assets are written off or impaired, if applicable.

Equity investments the fair value of which cannot be reliably estimated and related derivatives that must be settled by delivering the unlisted equity instruments are carried at cost. However, if the Group is able to obtain at any time a reliable measurement of the financial asset, it is then recognised at fair value and subsequent gains or losses are taken to equity.

b) Debt instruments

The subsequent measurement of debt instruments depends on the Group's business model for managing the asset and on the features of the asset's cash flows. The Group classifies debt instruments in three measurement categories:

- Amortised cost: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those carried in other financial asset categories. These assets are initially recognised at fair value, including transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method.

  Following initial recognition, payables are measured at amortised cost using the effective interest rate, provided they have a fixed term of maturity exceeding one year.

- Fair value through other comprehensive income: assets that are held to collect contractual cash flows and to sell the financial assets, where cash flows from the assets consist only of principal and interest payments, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except impairment gains or losses, interest income and exchange gains or losses, which are taken to the income statement. When the financial asset is derecognised, the gain or loss previously accumulated in other comprehensive income is reclassified from equity to profit or loss under the heading "Other financial income/(expense)".
- Fair value through profit or loss: assets that do not qualify to be carried at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on debt instruments that are subsequently measured at fair value through profit or loss is presented net in the income statement under the heading "Other financial income/(expense)" in the period it arises.

<u>Impairment</u>

Financial assets carried at amortised cost, finance lease receivables, trade receivables pending collection and financial guarantee contracts will be subject to the impairment provisions of IFRS 9.

The Group applies the simplified approach to recognise the expected credit loss over the life of trade receivables, finance lease receivables and contract assets under the scope of IFRS 15.

The IFRS 9 approach is based on the following method:

- Segmentation of trade receivables by maturity and of "Accounts Receivable for Billable Production", distinguishing between:
    1. Large customers.
    2. Project debt in countries with investment-grade credit ratings as compared with other countries.
- Analysis of past debt performance: Based on:
    1. Impairment rates for billings.
    2. Debt ageing rates.
    3. Impairment rates for past-due balances receivable.
- Application to the previous two points of an "Expected credit loss provision rate".

<u>Derecognition</u>

The Group applies financial asset derecognition criteria to a part of a financial asset or a part of a group of similar financial assets, or to a financial asset or to a group of similar financial assets.

<u>Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Where the Group retains the contractual rights to receive cash flows, financial assets are only derecognised when contractual obligations have been assumed which determine the payment of such flows to one or more recipients and the following requirements are met:</u>

- payment of the cash flows is conditional upon prior collection;
- the Group cannot sell or pledge the financial asset; and
- the cash flows collected on behalf of eventual recipients are remitted without material delay and the Group is not entitled to reinvest the cash flows. Investments in cash or cash equivalents made by the Group during the settlement period from the collection date to the date of required remittance to the eventual recipients are excluded from this approach, provided that interest earned on such investments is passed to the eventual recipients.

For transactions in which a financial asset is fully written off, the financial assets obtained or financial liabilities, including the liabilities relating to the administration services incurred, are recognised at fair value.

In transactions in which a financial asset is partially derecognised, the carrying amount of the entire financial asset is allocated to the part sold and to the part retained, including assets pertaining to administrative services, in proportion to the fair value of each part.

The full derecognition of a financial asset entails the recognition of results in the amount of the difference between its carrying amount and the sum of the consideration received, net of transaction costs, including assets obtained or liabilities assumed and any loss or gain deferred through other comprehensive income.

The derecognition of financial assets in operations in which the Group neither assigns nor retains substantially all the risks and rewards of ownership is based on an analysis of the degree of control retained.

Accordingly:

- If the Group does not retain control, the financial asset is derecognised and any rights or obligations created or retained due to the assignment are recognised separately as assets or liabilities.
- If control is retained, the Group continues to recognise the financial asset due to its ongoing commitment and reflects an associated liability. The ongoing commitment in relation to the financial asset is determined based on exposure to changes in its value. The associated asset and liability are measured on the basis of the rights and obligations recognised by the Group. The associated liability is recognised such that the carrying amount of the asset and the associated liability is equal to the amortised cost of the rights and obligations retained by the Group, where the asset is carried at amortised cost, or at the fair value of the rights and obligations held by the Group, if the asset is carried at fair value. The Group continues to recognise income from the asset on the basis of its ongoing commitment and the expenses arising from the associated liability. Changes in the fair value of the asset and associated liability are recognised consistently in profit or loss or in equity, following the general recognition criteria described above, and they may not be netted.

Transactions in which the Group retains substantially all the risks and rewards inherent in the ownership of a financial asset are reflected by recognising the consideration received in liability accounts.

II. Financial liabilities

Classification

The Group classifies its financial liabilities in the following categories:

a) at amortised cost;

b) at fair value through profit or loss.

Financial liabilities, including trade and other payables, that are not classified at fair value through profit or loss are initially recognised at fair value less any transaction costs directly attributable to the issuance of the financial liability. After initial recognition, liabilities classified in this category are measured at amortised cost using the effective interest method.

Measurement

As described in Note 10, financial liabilities are divided into the following categories:

a) Financial liabilities at amortised cost

Loans and payables are non-derivative financial liabilities with fixed or determinable collections that are not quoted in an active market, other than those carried in other financial liability categories. These assets are initially recognised at fair value, including transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method.

Following initial recognition, payables are measured at amortised cost using the effective interest rate, provided they have a fixed term of maturity exceeding one year.

Borrowings are initially recognised at fair value, net of any transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the repayment value is recognised in the income statement over the life of the borrowings using the effective interest method.

When issuing convertible bonds, the parent company analyses whether it is an issue of compound financial instruments or a liability issue.

When compound financial instruments including liability and equity components are issued, the parent company determines the equity component as the residual amount obtained, after deducting the amount of the liability component, including any derivative financial instrument, from the fair value of the instrument as a whole. The liability component is measured at the fair value of a similar instrument that does not have an associated equity component. Transaction costs related to the issuance of compound financial instruments are distributed on the basis of the carrying amount of each component at the time of classification.

The Company has contracted reverse factoring facilities with a number of financial institutions to manage payments to suppliers. Trade payables settled under the management of financial institutions are recognised under the balance sheet heading "Trade and other payables" until they are settled, repaid or have expired.

Income received from the financial institutions in return for the assignment of business through the acquisition of customer invoices or payment documents is recognised at the date of accrual in the income statement.

Amounts payable to the financial institutions as a result of the assignment of trade payables are recognised as trade payables prepaid by credit institutions under the balance sheet heading "Trade and other payables".

b) Financial liabilities at fair value through profit or loss

These liabilities are acquired in order to be sold in the short term. Derivatives are included in this category unless they are designated as hedging instruments. These financial liabilities are carried at fair value, both on initial recognition and on subsequent measurement, and any changes in that value are reflected in the consolidated income statement for the year.

Derecognition

The Group writes off a financial liability or a part of it when the obligation contained in the liability has been fulfilled or it is legally exonerated from the primary responsibility contained in the liability, whether by a court proceeding or by the creditor.

The exchange of debt instruments between the Group and the counterparty or substantial changes to the liabilities initially recognised are accounted for by writing off the original financial liability and recording a new financial liability, provided the instruments have substantially different terms.

The Group considers that the terms are substantially different if the present value of the cash flows discounted under the new terms, including any commission paid net of any commission received, and using the original effective interest rate for the discount, differs by at least 10% from the discounted present value of the cash flows still remaining from the original financial liability.

The Group recognises the difference between the carrying amount of the financial liability, or the part of it, settled or assigned to a third party and the consideration paid, including any non-cash asset assigned or liability assumed, in the income statement.

III. Netting principles

A financial asset and a financial liability may be netted only when the Group has the legally enforceable right to offset the amounts recognised and has the intention to settle the net amount or to realise the asset and cancel the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the ordinary course of business and in the event of the default, insolvency or bankruptcy of the company or counterparty.

IV. Hedges

Derivative financial instruments which qualify for hedge accounting are initially measured at fair value, plus any transaction costs that are directly attributable to the acquisition, or less any transaction costs directly attributable to the issuance of the financial instruments. Nonetheless, transaction costs are subsequently recognised in profit or loss, as they do not form part of the effective change in the hedge. Those that do not qualify are classified and measured as financial assets or liabilities at fair value through profit or loss.

The Group recognises hedges of foreign currency risk under firm commitments as cash flow hedges.

At hedge inception, the Group formally designates and documents hedging relationships, purposes and strategies. Hedge accounting is only applicable when the hedge is expected to be highly effective at inception and in subsequent years in offsetting changes in the fair value or cash flows attributable to the hedged risk, throughout the designated hedging period (prospective analysis).

For cash flow hedges of forecast transactions, the Group assesses whether the transactions are highly probable and if they present an exposure to variations in cash flows that could ultimately affect profit or loss for the year.

The Group has arranged currency forward call/put contracts. These insurance contracts are treated as derivative financial instruments that qualify for hedge accounting.

The portion of any changes in the fair value of effective derivatives is recognised directly in equity, net of taxes, until the committed or expected transaction is completed, when they are reclassified to the consolidated statement of comprehensive income. The ineffective portion is taken directly to the consolidated statement of comprehensive income under the heading “Financial income/(expense)”.

The fair value of foreign exchange insurance is calculated based on the currency price at the end of each accounting period (hierarchy level 2).

As the new hedge accounting requirements are consistent with the Group’s risk management policies, the Group’s current hedging relationships have been assessed and meet conditions to continue to be classed as hedging relationships under IFRS 9.

V. Fair value hierarchy for financial assets and liabilities and non-financial assets and liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Measurement is based on the premise that the transaction occurs in the principal market, that is the market with the greatest volume and level of activity for the asset or liability. In the absence of a principal market, the transaction is assumed to occur in the most advantageous market, which is the market that maximises the amount that would be received to sell the asset or minimises the amount that would be paid to transfer the liability.

The fair value of the asset or liability is determined by applying the assumptions that the market participants would use when pricing the asset or liability, on the premise that the market participants act in their own best economic interests. The market participants are mutually independent, informed, able to enter into a transaction with the asset or liability and interested in completing the transaction, but are not obligated or by any other means forced to do so.

The assets and liabilities measured at fair value can be classified at the following levels:

- Level 1: fair value is calculated taking into consideration quoted prices in active markets for identical assets or liabilities.
- Level 2: fair value is calculated taking into account inputs other than quoted market prices included within Level 1 that are observable in the market for the asset or liability, either directly or indirectly. The methods and assumptions used to determine fair values at this level by type of assets or liabilities take into consideration estimated future cash flows discounted to present value applying the zero-coupon interest rate curves for each currency on the last business day of each period, and converting the amount calculated to euro using the exchange rate on the last business day of each period. All the measurements described are made by means of internal tools.
- Level 3: fair value is calculated taking into consideration unobservable inputs for the asset or liability. When measuring assets and liabilities at fair value, the Indra Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The fair value of derivative financial instruments is calculated as follows:

- The fair value of derivatives quoted on an organised market is their year-end market price.

- In the case of derivatives not quoted on organised markets, the Indra Group calculates fair value taking into consideration observable market inputs, estimating future cash flows discounted to present value applying the zero-coupon interest rate curves for each currency on the last business day of each period, and converting the amount calculated to euro using the exchange rate on the last business day of each period. These measurements are made by means of internal tools. Once the gross market value is obtained, a debt valuation adjustment (DVA) or a credit valuation adjustment (CVA) is made. The credit valuation adjustment (CVA) or debt valuation adjustment (DVA) is measured based on the instrument's potential future exposure (credit or debtor position) and the risk profile of the counterparties and the Indra Group itself. During 2019 and 2018, the value of the credit valuation adjustments (CVA) and debt valuation adjustments (DVA) made was immaterial.

The fair value of non-financial assets and liabilities is determined, in the case of properties, in accordance with appraisals prepared by independent experts and, for other assets and liabilities, based on available market prices or by discounting future cash flows if a market cannot be identified.

Financial instruments are classified at the time of initial recognition as a financial asset, a financial liability or an equity instrument, in accordance with the economic substance of the contractual agreement and the definitions of financial asset, financial liability or equity instrument contained in IAS 32 "Financial instruments: Presentation".

j) <u>Parent company's treasury shares</u>

The Group's acquisition of the parent company's equity instruments is recognised separately at cost of acquisition in the consolidated statement of financial position as a reduction in equity, irrespective of the reason for the purchase. No gains or losses are recognised in respect of transactions with own equity instruments.

The subsequent redemption of the parent company's instruments entails a capital reduction equivalent to the par value of the shares and the positive or negative difference between the acquisition price and the par value is debited or credited to reserves.

Transaction costs related to own equity instruments, including issuance costs related to a business combination, are accounted for as a reduction in equity, net of any tax effect.

k) <u>Non-current assets and disposal groups held for sale</u>

The Group carries a non-current asset or disposal group as held for sale when the decision has been taken to sell and the sale is highly probable and expected to take place within the coming 12 months.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or group of assets) and an active programme to locate a buyer and complete the plan must have been initiated.

Events and circumstances could delay the sale beyond one year. This extension does not prevent the held-for-sale classification if the delay is caused by events or circumstances outside the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or group of assets). Such circumstances are as follows:

- On the date on which the entity commits to a plan to sell the asset, there is a reasonable expectation that third parties (other than the purchaser) will impose conditions on the transfer of the assets that will extend the period necessary to complete the sale and that actions in response to such conditions cannot be initiated until the firm purchase commitment has been obtained, it being highly probable that the commitment will be obtained within a year.

- The entity obtains a firm purchase commitment that will extend the period required to complete the sale, provided the necessary actions have been taken on a timely basis to respond to the conditions imposed and the factors giving rise to the delay are expected to be resolved favourably.

- During the initial one-year period, circumstances arise that were previously deemed improbable and, as a result, the non-current asset previously classified as held for sale has not been sold by the end of that period, provided that:

- During the initial one-year period, the entity took the necessary steps to respond to the change of circumstances;
- The non-current assets are being actively sold at a reasonable price due to the change of circumstances; and
- The above-mentioned criteria relating to the likelihood of the sale and management's commitment are fulfilled.

These assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets held for sale are not depreciated but the necessary measurement adjustments are made at each balance sheet date to ensure that the carrying amount does not exceed fair value less costs to sell.

Income and expenses generated on non-current assets and disposal groups held for sale that do not meet requirements to be classed as discontinued operations are recognised in the relevant consolidated income statement item by nature.

l) <u>Inventories</u>

Inventories are initially carried at acquisition or production cost. The cost of inventories is based on the FIFO method. Work in progress includes direct labour, materials and other services acquired for projects. The direct acquisition of the materials or services necessary for the project is recognised at acquisition cost, while labour is reflected at standard cost, which does not different significantly from actual cost.

The cost of inventories is adjusted where cost exceeds net realisable value. For such purposes, net realisable value is:

- Replacement price, in the case of raw materials. The parent company does not recognise the measurement adjustment where the finished products that include the raw materials and other supplies are expected to be sold at a value equal to or above production cost.
- Estimated selling price less necessary selling expenses in the case of goods purchased for resale.
- Estimated selling price less estimated costs necessary to complete production and sell the products, in the case of work in progress.

The measurement adjustment previously recognised is reversed against results if the circumstances that caused the impairment no longer exist or when there is clear evidence of an increase in net realisable value as a result of a change in economic circumstances. The reversal of the measurement adjustment is limited to the lower of cost and the new net realisable value of inventories.

Measurement adjustments and reversals of inventory impairment losses are recognised in differences between opening and closing balances of finished products and work in progress, depending on the type of inventories.

In addition, the Indra Group recognises contract assets, that is costs of work in progress for which the performance obligations are pending fulfilment under the new revenue recognition standard (see Note 4v).

m) <u>Cash and cash equivalents</u>

Cash and cash equivalents include cash and demand bank deposits with credit institutions. This heading also includes other highly-liquid short-term investments provided that they are easily convertible to specific cash amounts and the risk of changes in value is immaterial. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

n) Government grants

Non-repayable grants received by the Group to fund research and development are recognised by reducing the value of the grant-related assets and are released to the consolidated income statement at the same rate as the projects capitalised as other intangible assets are amortised. Where the amount of the grant exceeds the carrying amount of the related asset because it is in the development stage, the maximum amount to be offset will be the amount capitalised, the difference being recorded in liabilities as deferred income.

Financial liabilities that include implicit aid in the form of below-market interest rates are initially recognised at fair value. The difference between that value, adjusted for financial liability issuance costs and the amount received, if appropriate, is reflected as a government grant based on the nature of the grant awarded.

o) Provisions and contingencies

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, there is likely to be an outflow of funds including future economic benefits to settle the obligation and the amount of the obligation may be reliably estimated.

Obligations at the year end arising from past events that could be detrimental to the Group's assets, the amount and settlement date of which are uncertain, are recognised in liabilities in the consolidated statement of financial position as provisions for liabilities and charges, at the present value of the most probable amount that the Group is estimated to be required to disburse to settle the obligation.

The amount of these provisions is quantified at each accounting close based on the best information available on the consequences of the event that gave rise to them.

The amounts recognised in the consolidated statement of financial position reflect the best estimate at the year end of the payments necessary to settle the present obligation, after taking into account risks and uncertainties affecting the provision and, where material, the financial effect of the discount, provided the payments to be made in each period may be reasonably determined. The discount rate is a pre-tax rate and takes into account the time value of money and specific risks not considered in the cash flows related to the provision at each closing date.

Separate obligations are measured based on the most likely individual outcome. If the obligation implies a significant population of consistent items, it is measured by weighing up the probability of each possible outcome. If there is a continuous range of possible outcomes and each point in the range shows the same probability as the rest, the obligation is measured at the average amount.

The financial effect of provisions is recognised as a financial expense in the income statement.

The tax effect and gains on the expected disposal of assets are not taken into account in measuring a provision.

Provisions are reversed against the income statement when an outflow of funds to settle the obligation is unlikely. They are reversed against the income statement item in which the corresponding expense was recorded and any excess is recognised in other income.

i. Provisions for restructuring

Restructuring-related provisions are recognised when the Group has a constructive obligation under a detailed formal plan and there is a valid expectation on the part of those affected that the plan will be carried out, either because the Group has already started to implement the plan or its main features have been announced. Restructuring provisions only include outlays directly related to the process and not associated with the Group's continuing operations.

ii. Provisions for onerous contracts

The amount of provisions for onerous contracts is based on the present value of unavoidable costs, determined as the lower of the contract costs, net of any income that could be generated, and the cost of compensation or penalties payable for breach of contract.

iii. Trade provisions

They reflect the amount of expense estimated to carry out repair or review work during the warranty period of completed projects.

iv. Contingent liabilities

Contingent liabilities are possible obligations arising from past events, the materialisation of which is conditional on the occurrence of future events that are not entirely under the Group's control, and present obligations resulting from past events in respect of which there is not likely to be an outflow of funds to settle the obligations or which cannot be reliably measured. These liabilities are not recorded in the accounts but are described in the notes.

p) Termination benefits

Unless there is a justified cause, current legislation requires companies to pay indemnities to employees whose employment relationship is terminated under certain conditions. The Group accounts for the indemnities payable when the decision to terminate the employment relationship is approved and the affected parties have been notified.

q) R&D loans

R&D loans are granted to assist with the Group's R&D activities, are generally repayable over more than five years and accrue explicit interest at a rate equal to zero.

They are initially recognised in liabilities in the consolidated statement of financial position at the present value of future cash flows, discounted at the market interest rate, the difference with respect to face value reducing the expense accrued. They are treated as an operating grant if the expense has been incurred or as a capital grant if the expense has not been incurred or has been capitalised.

In subsequent years, the loan is remeasured in financial expense or income.

r) Classification of assets and liabilities

Assets and liabilities are presented in the consolidated statement of financial position based on the following classification reflecting the term of the balances:

- Non-current: payables due after more than 12 months as from the statement of financial position date, this being the Group's normal operating cycle, as well as assets that are not expected to be realised, sold or consumed within that period of time.

- Current: assets that are expected to be realised, sold or consumed during the Group's normal operating cycle and payables due in less than 12 months as from the statement of financial position date.

s) Income tax

Income tax expense or income includes both current and deferred tax.

Current tax is the amount of income tax payable or recoverable in relation to consolidated taxable profit or loss for the year. Current tax assets or liabilities are measured in the amounts expected to be paid to or recovered from the tax authorities, using tax rates and laws that have been enacted or substantively enacted by the year end.

Current or deferred income tax is recognised in the income statement, unless it arises from a transaction or economic event that has been recognised in the same period or in a different period against equity, or from a business combination.

Deferred tax liabilities are amounts of income taxes payable in future periods in respect of taxable temporary differences, while deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carryforward of unused tax losses and the carryforward of unused tax credits. A temporary difference is the difference between the carrying amount of an asset or liability and its tax base.

The Group recognises tax credits for investment applying the recognition and measurement policies for current or deferred tax assets, unless they have the nature of a grant. If the tax credits have the nature of a grant, they are recognised, presented and measured applying the corresponding accounting policy. To this end, the Group considers that tax credits have the nature of a grant when they may be used whether or not gross tax payable is recognised and are substantively operational beyond the investment that is made or held.

(i) Recognition of deferred tax liabilities

The Group recognises deferred tax liabilities in all cases, except where they:

- Arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, on the transaction date, does not affect either the reported result or the tax base.
- Represent differences relating to investments in subsidiaries, associates and joint ventures in which the Group has the ability to control the timing of reversal and reversal is not likely in the foreseeable future.

(ii) Recognition of deferred tax assets

The Group recognises deferred tax assets provided that:

- There are likely to be sufficient future taxable profits to offset them or when tax legislation provides for the possibility of converting the deferred tax assets into a balance receivable from the tax authorities in the future. Nonetheless, assets that rise from the initial recognition of assets or liabilities in a transaction that is not a business combination and, on the transaction date, does not affect either the reported result or the tax base are not recognised.
- They represent temporary differences relating to investments in subsidiaries, associates and joint ventures to the extent that the temporary differences will reverse in the foreseeable future and future taxable profits are expected to be obtained against which to offset the differences.

The Group recognises the conversion of a deferred tax asset into a balance receivable from the tax authorities where applicable under prevailing tax legislation. To this end, the deferred tax asset is written off against deferred income tax expense and the receivable is credited to current income tax. The Group also recognises the exchange of a deferred tax asset for government securities at the acquisition date.

The Group recognises the corresponding payment obligation as an operating expense credited to the balance payable to the authorities.

It is considered probable that the Group will generate sufficient taxable profits to recover the deferred tax assets where there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which are expected to reverse in the same tax period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from a deductible temporary difference can be carried back or forward. If the only future taxable profit is derived from taxable temporary differences, the recognition of deferred tax assets arising from tax losses carried forward is limited to 70% of the deferred tax liabilities recognised.

In order to determine future taxable profits, the Group takes into account tax planning opportunities, provided it intends or is likely to adopt them.

(iii) Measurement of deferred tax assets and liabilities

Deferred tax assets and liabilities are valued at the tax rates to be applied in the years in which assets are expected to be realised or the liabilities settled, using tax rates and laws that have been enacted or substantively enacted and taking into account the tax consequences that will derive from the manner in which the Group expects to recover the assets or settle the liabilities. The Group has treated the deduction for the reversal of temporary measures introduced by Transitional Provision 37 of Law 27/2014 of 27 November on Corporate Income Tax as an adjustment to the tax rate applicable to the deductible temporary difference associated with the non-deductibility of depreciation charged in 2013 and 2014.

The Group reviews the carrying amount of deferred tax assets at the reporting date and reduces this amount to the extent that it is not probable that sufficient taxable profit will be available against which to recover them.

Deferred tax assets that do not meet the above-mentioned conditions are not recognised in the consolidated statement of financial position. The Group reassesses at the year end whether the conditions to recognise the deferred tax assets that were not been previously recognised are met.

(iv) Classification

Deferred tax assets and liabilities are recognised in the consolidated statement of financial position as non-current assets or liabilities, irrespective of the expected realisation or settlement date.

t) Earnings per share

The Group calculates basic earnings per share using the weighted average number of shares outstanding during the year. Shares outstanding refers to the difference between issued shares and treasury shares held. The calculation of diluted earnings per share also includes the dilutive effect of instruments convertible into shares or having a capital component.

u) Segment reporting

“Operating segments” arise from the grouping together of the vertical markets in which the Group operates. The Group’s operating segments are as follows:

* Transport and Defence (“T&D”). The vertical markets grouped together in this segment are the “Defence and Security” market, the “Transport” market and the “Air Traffic” market.
* Information Technologies (“IT”). The vertical markets grouped together in this segment are the “Energy and Industry” market, the “Financial Services” market, the “Telecommunications and Media” market and the “Public Authorities and Healthcare” market.

For consolidation purposes, the assets and liabilities (non-current assets, goodwill, net working capital, payables to and receivables from public authorities, etc.) have been distributed based on the business area in which they were generated. Additionally, debt and associated finance costs, as well as other assets not directly attributable to the business segments, such as cash and cash equivalents, are allocated to other non-segment activities disclosed in the Corporate (non-attributable) column.

The following geographical segments have been identified based on the geographical areas in which the Group does business: Spain, the Americas, Europe and Asia, Middle East and Africa. These notes provide details by geographical segment only at the level of external sales, investments and assets employed.

v) Revenue recognition

The Group recognises revenue primarily from its construction and maintenance projects as the performance obligations stipulated in the contracts with customers are progressively satisfied over time, in accordance with the International Financial Reporting Standard 15 Revenue from contracts with customers. As indicated in this standard, the most appropriate measurement method is determined to reasonably measure progress based on the nature of the contract, which may be the input method or the output method, referred to as ”percentage of completion” or “certified milestones”, respectively.

For "percentage-of-completion" contracts, the Group recognises revenue based on the estimated proportion of the total contract completed at the closing date. Using this method, the expected total profit is apportioned in the accounts over the years in which the contract is executed, based on percentage of completion at each closing date.

The percentage of completion of a transaction used to recognise the Company's ordinary revenue is determined in proportion to the contract costs incurred in the work already carried out to date, in relation to the estimated total contract costs.

For "certified milestone" contracts, the Group recognises revenue based on customer acceptance of the work completed (certification of the milestone reached).

During execution, the Group capitalises the costs incurred to the date of milestone certification by the customer, provided they are recoverable, under the headings "Inventories", "Short-term contract assets" and "Long-term contract assets" in the consolidated statement of financial position. Once the Group obtains acceptance of the work carried out (milestone certification), the revenue is recognised as the sum of the capitalised cost and the associated mark-up.

This revenue recognition method requires a plan indicating the milestones that must be certifiable by the customer. These certifiable milestones will include the amount of the revenue or sale to be recognised once the milestone is reached and certified.

Should the billings have an implicit financial component such that they exceed the revenue obtained with respect to the percentage of completion of costs or customer acceptance of work, the excess is recognised as advance payments from customers. Conversely, the amount of revenue not billed (in contracts in which billings are below the revenue obtained with respect to percentage of completion or the certification of an unbilled milestone) is recognised under "Trade and other receivables" in the consolidated statement of financial position.

w) Transactions and balances denominated in foreign currencies

Foreign currency transactions are translated to the functional currency by applying spot exchange rates between the functional and foreign currency on the dates on which the transactions are completed.

Monetary assets and liabilities denominated in foreign currency are translated to the functional currency by applying the year-end exchange rate, while non-monetary assets and liabilities carried at historical cost are translated by applying the exchange rates on the date the transaction took place. Lastly, non-monetary assets carried at fair value are translated to the functional currency by applying the exchange rate on the date on which they were quantified.

When presenting the consolidated cash flow statement, flows from foreign currency transactions are translated to euro by applying the exchange rates on the date they arose. The effect of exchange rate fluctuations on cash and cash equivalents denominated in foreign currency is presented separately in the consolidated cash flow statement as "Effect of exchange differences on cash".

Exchange gains or losses related to monetary financial assets or liabilities denominated in foreign currency are taken to the income statement.

Monetary financial assets denominated in foreign currency held for sale are deemed to be recognised at amortised cost in the foreign currency and therefore the exchange differences associated with changes in the amortised cost are recognised in profit or loss and the remainder of the fair value change is recognised as explained in letter i).

(i) Translation of foreign operations

The Group availed itself of the exemption permitted by IFRS 1 "First-time Adoption of IFRS" relating to accumulated translation differences, so translation differences recognised in the consolidated annual accounts generated prior to 1 January 2004 were recognised in reserves under "Retained earnings". As of that date, foreign operations whose functional currency is not the currency of a hyperinflationary economy have been translated to euro as follows:

- Assets and liabilities, including goodwill and adjustments to net assets deriving from the acquisition of the businesses, as well as comparative balances, are translated at the year-end exchange rate at each statement of financial position date;
- Income and expenses, including comparative amounts, are translated at the exchange rates prevailing at each transaction date; and
- The resulting exchange differences are recognised as translation differences in other comprehensive income.

This same approach is applicable to the translation of the financial statements of equity-consolidated companies, translation differences on the equity interest being recognised in other comprehensive income.

Currency translation differences carried in other comprehensive income are taken to the income statement as an adjustment to the gain or loss on the sale, applying the approach described for subsidiaries and associates.

(ii) Entities located in high-inflation countries

Since 1 July 2018, in accordance with IAS 29 "Financial reporting in hyperinflationary economies", the Argentinian economy has been regarded as hyperinflationary with retrospective effect to 1 January 2018. The financial information presented in prior years was not restated.

The inflation rates used are the internal wholesale price index (*IPIM*) to 31 December 2016 and the consumer price index (*IPC*) as from 1 January 2017.

The main impacts at 31 December 2019 are shown below:

- A decrease in equity of €923 thousand (€1,177 thousand in 2018) as a result of applying the inflation rate to the historical cost of the non-monetary assets and liabilities as from the date of acquisition or recognition in the consolidated balance sheet.
- A restatement of the income and expense items to apply the inflation rate as from the date of inclusion in the income statement and a positive effect on financial income/(expense) due to the net monetary position.
- The adjusted financial statements of the Argentinian subsidiaries have been translated to euro applying the year-end Argentine Peso/Euro exchange rate.

  The main profit and loss impacts of the hyperinflation adjustments in Argentina on the consolidated financial statements at 31 December 2019 are as follows:

	Thousand euro	
	2019	**2018**
Revenue	(1,396)	(2,473)
Operating profit/(loss)	2	130
Net financial income/(expense)	(116)	350
Profit/(loss) for the year	10	337

5) Business combinations

The Group completed the following business combinations during the year ended 31 December 2019:

Sistemas Informáticos Abiertos, S.A.

On 31 December 2019, the parent company acquired 100% of the company Sistemas Informáticos Abiertos, S.A. for €72,896 thousand. In addition, the parent company recognised a liability of €7,534 thousand in respect of guarantees in the form of price retentions that are expected to be released in 2020 in accordance with the sale and purchase agreement. Provisional goodwill on this transaction amounts to €70,896 thousand. The Group has a period of 12 months to allocate the definitive value.

Sistemas Informáticos Abiertos, S.A. specialises in the provision of cybersecurity services, which include services related to electronic signing, access and identity management, integrated risk management, infrastructure security and threat and vulnerability management, as well as the provision of information management and protection services. The company has a workforce of over 700 employees and is headquartered in Alcorcón (Madrid).

Through this acquisition, Indra expects to consolidate a business specialising in cybersecurity with an offering that spans the main and most value-added segments of this market.

Net assets acquired and provisional goodwill resulting from the acquisition are as follows:

Items	Thousand euro
Other intangible assets	38
Property, plant and equipment	1,345
Deferred tax assets	4,911
Non-current financial assets	318
Total non-current assets	**6,612**
Inventories	1,835
Current tax assets	446
Trade and other receivables	25,201
Cash and cash equivalents	6,332
Other current assets	502
Total current assets	**34,316**
Total assets	**40,928**
Bank borrowings	460
Other non-current liabilities	50
Total non-current liabilities	**510**
Bank borrowings	60
Trade and other payables	25,003
Other current liabilities	5,821
Total current liabilities	**30,884**
Total liabilities	**31,394**
Net assets	**9,534**
Acquisition %	**100%**
Total consideration	**72,896**
Earn-out agreement	**7,534**
Goodwill on consolidation	**70,896**

Sistemas Informáticos Abiertos, S.A. did not contribute to revenue or results for the year following inclusion in the consolidation scope to the financial year end on 31 December 2019. These contributions would have amounted to €63,185 thousand and €1,171 thousand, respectively, had Sistemas Informáticos Abiertos been consolidated for the whole of 2019.

Set out below is a breakdown of the fair value of trade and other receivables at the acquisition date:

Thousand euro	Gross contract amount	Impairment adjustment	Preliminary fair value
Trade and other receivables	25,208	(7)	25,201

Morpheus Aiolos, S.L.

On 20 September 2019, Indra Tecnologías de la Información, S.L.U. acquired 100% of the company Morpheus Aiolos, S.L. for €1,414 thousand. Provisional goodwill on this transaction amounts to €944 thousand.

Morpheus Aiolos, S.L. develops software and APIs in a PSD2 context, specialising in obtaining corporate banking information and real-time scoring for digital financing. It operates mainly in Spain and has a workforce of 10 employees.

Through this acquisition, Indra has strengthened its specialised financial sector offering and broadened the value proposition and content of its solutions in areas such as means of payment, data intelligence and financial management for companies.

Net assets acquired and provisional goodwill resulting from the acquisition are as follows:

	2019
	Fair value
	Thousand euro
Non-current assets	89
Current assets	463
Total assets	**552**
Total liabilities	**82**
Net assets	**470**
Acquisition %	100%
Total consideration	1,414
Goodwill	**944**

Morpheus Aiolos, S.L. contributed €166 thousand to revenue from the date of inclusion in the consolidation scope to 31 December 2019. This contribution would have amounted to €503 thousand had Morpheus Aiolos been consolidated throughout 2019. Morpheus Aiolos, S.L. contributed a profit of €13 thousand from the date of inclusion in the consolidation scope to 31 December 2019. A profit of €23 thousand would have been contributed had the company been consolidated for the whole of 2019.

The accounting treatment of the Morpheus Aiolos, S.L. and Sistemas Informáticos Abiertos, S.A. business combinations would be reviewed in the circumstances stipulated in IFRS 3 "Business combinations", as the 12-month period from acquisition has not yet elapsed.

During the year ended 31 December 2019, the Group made the following adjustments to 2018 business combinations:

North American Transmission & Distribution Group Inc.

In 2019, an adjustment was made to the fair value of the assets and liabilities of North American Transmission & Distribution Group Inc, increasing the goodwill calculated in 2018 by €381 thousand. The following assets were restated in the purchase price allocation process:

- The amount of €4,645 thousand relating to computer software.
- The amount of €7,058 thousand relating to contractual relationships.

In addition, intangible assets amounting to €4,131 thousand were derecognised and provisions for trade receivables were posted in the amount of €4,450 thousand.

This business combination is definitive now that the 12-month period as from the acquisition date stipulated in IFRS 3 "Business combinations" has ended. The changes are set out below:

	2018	**Additions**	**2019**
	Fair value	**Fair value**	**Fair value**
	Thousand euro	**Thousand euro**	**Thousand euro**
Non-current assets	6,979	7,571	14,550
Current assets	11,667	(4,450)	**7,217**
Total assets	**18,646**	**3,121**	**21,767**
Total liabilities (1)	**3,252**	**3,502**	**6,754**
Net assets	**15,394**	**(381)**	**15,013**
Acquisition %	100%		
Total consideration	41,577		41,577
Goodwill	**26,183**	**381**	**26,564**

(1) The company recognised the tax effect of the intangible assets generated on the business combination.

These effects occurred at the transaction date. However, the Group decided not to restate its figures because the above-mentioned effects are not material to the consolidated balance sheet, consolidated income statement, consolidated cash flow statement or basic and diluted earnings per share.

6) Property, plant and equipment

Set out below is a breakdown of this heading in the consolidated statements of financial position at 31 December 2019 and 2018:

	Thousand euro						
	Balance at 31.12.18	Scope change	Curr. tran. differences	Additions	Disposals	Transfers	Balance at 31.12.19
Investments:							
Land	10,055	-	-	-	-	(27)	10,028
Buildings	55,715	37	91	112	(128)	(667)	55,160
Plant, mach. & other installations	241,992	792	187	21,909	(1,187)	595	264,288
Furniture	48,469	226	(262)	4,152	(1,178)	1,275	52,682
Vehicles	3,224	68	(139)	11	(494)	(19)	2,651
Data-processing equipment	103,926	1,728	(1,109)	4,493	(4,618)	(5,428)	98,992
Other PPE	10,388	98	(677)	439	(3,117)	(8)	7,123
	473,769	**2,949**	**(1,909)**	**31,116**	**(10,722)**	**(4,279)**	**490,924**
Depreciation:							
Buildings	(24,896)	(27)	(67)	(1,185)	120	89	(25,966)
Plant, mach. & other installations	(196,448)	(555)	81	(11,076)	1,043	10	(206,945)
Furniture	(39,499)	(68)	285	(2,549)	968	(578)	(41,441)
Vehicles	(2,625)	(62)	68	(95)	449	(113)	(2,378)
Data-processing equipment	(93,275)	(853)	1,185	(4,402)	4,605	2,104	(90,636)
Other PPE	(8,648)	(30)	565	(409)	3,090	(963)	(6,395)
	(365,391)	**(1,595)**	**2,117**	**(19,716)**	**10,275**	**549**	**(373,761)**
Net value:							
Land	10,055	-	-	-	-	(27)	10,028
Buildings	30,819	10	24	(1,073)	(8)	(578)	29,194
Plant, mach. & other installations	45,544	237	268	10,833	(144)	605	57,343
Furniture	8,970	158	23	1,603	(210)	697	11,241
Vehicles	599	6	(71)	(84)	(45)	(132)	273
Data-processing equipment	10,651	875	76	91	(13)	(3,324)	8,356
Other PPE	1,740	68	(112)	30	(27)	(971)	728
Total	**108,378**	**1,354**	**208**	**11,400**	**(447)**	**(3,730)**	**117,163**

	Thousand euro						
	Balance at 31.12.17	Scope change	Curr. tran. differences	Additions	Disposals	Transfers	Balance at 31.12.18
Investments:							
Land	10,197	-	(3)	-	(139)	-	10,055
Buildings	55,448	-	(102)	285	(116)	200	55,715
Plant, mach. & other installations	224,780	504	(70)	15,743	(1,988)	3,023	241,992
Furniture	46,916	278	(395)	2,129	(1,561)	1,102	48,469
Vehicles	3,703	-	(199)	18	(297)	(1)	3,224
Data-processing equipment	94,483	4,912	(1,009)	3,983	(1,462)	3,019	103,926
Other PPE	10,575	354	(737)	98	(187)	285	10,388
	446,102	**6,048**	**(2,515)**	**22,256**	**(5,750)**	**7,628**	**473,769**
Depreciation:							
Buildings	(24,016)	-	38	(1,312)	116	278	(24,896)
Plant, mach. & other installations	(184,034)	(472)	28	(13,636)	1,816	(150)	(196,448)
Furniture	(38,114)	(195)	245	(2,543)	1,469	(361)	(39,499)
Vehicles	(2,494)	-	50	(335)	153	1	(2,625)
Data-processing equipment	(85,164)	(2,257)	858	(5,315)	1,450	(2,847)	(93,275)
Other PPE	(8,162)	(19)	496	(708)	187	(442)	(8,648)
	(341,984)	**(2,943)**	**1,715**	**(23,849)**	**5,191**	**(3,521)**	**(365,391)**
Net value:							
Land	10,197	-	(3)	-	(139)	-	10,055
Buildings	31,432	-	(64)	(1,027)	-	478	30,819
Plant, mach. & other installations	40,746	32	(42)	2,107	(172)	2,873	45,544
Furniture	8,802	83	(150)	(414)	(92)	741	8,970
Vehicles	1,209	-	(149)	(317)	(144)	-	599
Data-processing equipment	9,319	2,655	(151)	(1,332)	(12)	172	10,651
Other PPE	2,413	335	(241)	(610)	-	(157)	1,740
Total	**104,118**	**3,105**	**(800)**	**(1,593)**	**(559)**	**4,107**	**108,378**

Scope changes relate to the acquisitions of the companies Morpheus Aiolos, S.L. and Sistemas Informáticos Abiertos, S.A. (see Note 5).

Additions to Plant, machinery and other installations during 2019 are due mainly to the continued refurbishment and extension of the parent company's new offices and investments made in the Group company Metrocall S.A., as a result of the deployment of new projects (completion of Almendra Central, Estadio Metropolitano, Alto de Extremadura and Anillo Metro Sur) and modernisation of the existing network.

Additions to data-processing equipment relate to the technological renewal of equipment, mainly in the parent company.

As a result of the disposals in 2019, a profit of €146 thousand (loss of €351 thousand at 31 December 2018) was recognised in the consolidated income statement (see Note 33).

The Group made payments to acquire property, plant and equipment totalling €30,816 thousand (€24,683 thousand in 2018).

At 31 December 2019, fully-depreciated property, plant and equipment amount to €272,074 thousand (€295,695 thousand at 31 December 2018).

The Group has taken out insurance policies to cover the risks to which its property, plant and equipment are exposed. The coverage provided by these policies is considered to be sufficient.

7) Right-of-use assets

Set out below is a breakdown of this heading in the consolidated statements of financial position at 31 December 2019:

	Thousand euro			
RIGHT-OF-USE ASSETS	**Land and buildings**	**Vehicles**	**Data-processing equipment**	**Total**
Carrying amount at 31 December 2018	-	-	-	-
Cost				
Reclassification of property, plant and equipment from finance leases	-	398	1,116	1,514
Operating leases (first-time adoption of IFRS 16)	151,840	-	-	151,840
Depreciation				
Reclassification of property, plant and equipment from finance leases	-	(255)	(692)	(947)
Operating leases (first-time adoption of IFRS 16)	-	-	-	-
Carrying amount at 1 January 2019	**151,840**	**143**	**424**	**152,407**
Cost				
Additions	13,127	34	-	13,161
Scope change	1,433	-	-	1,433
Disposals	(6,873)	(27)	-	(6,900)
Transfers	-	(290)	(461)	(751)
Currency translation differences	988	(38)	-	950
Depreciation				
Depreciation	(32,273)	(70)	(221)	(32,564)
Disposals	969	12	-	981
Transfers	-	281	461	742
Currency translation differences	124	9	-	133
Total	**129,335**	**54**	**203**	**129,592**

The average lease term for Land and buildings is four years.

The amount recognised in the Group's income statement in relation to these right-of-use assets is analysed in Note 2. Cash outflows recognised under the cash flow statement heading "Repayment and redemption of other borrowings" total €35,351 thousand.

8) Goodwill

Set out below is a breakdown of this heading in the consolidated statements of financial position at 31 December 2019 and 2018:

	Thousand euro			
	31.12.18	**Additions**	**Translation differences**	**31.12.19**
Transport and Defence (T&D)	116,129	-	(92)	116,037
Information Technologies (IT)	695,798	72,221	855	768,874
Total	**811,927**	**72,221**	**763**	**884,911**

	Thousand euro				
	31.12.17	**Additions**	**Translation differences**	**Transfers**	**31.12.18**
Transport and Defence (T&D)	113,440	3,283	(594)	-	116,129
Tecnologías de la Información (TI)	689,262	30,079	(639)	(22,904)	695,798
Total	**802,702**	**33,362**	**(1,233)**	**(22,904)**	**811,927**

Additions relate to the business combinations described in Note 5.

Key assumptions employed in projections

The Group periodically assesses the recoverability of the goodwill reflected in the table above. The business plans of the different cash-generating units (CGUs) to which the goodwill is assigned are used for this purpose, discounting forecast future cash flows.

The assumptions on which these cash flow projections are based are supported by past experience and reasonable forecasts included in each CGU's business plan. These forecasts are compared with expected market growth according to different specialised sources, taking into account the company's position in that market and strategic aspects that could affect this position (innovation, entry into other markets, etc.).

A breakdown of the assumptions used in recoverable value calculations for each CGU is set out below:

	Year-on year growth rate Revenue (5 years)		Discount rate after-tax		Residual growth rate		Residual EBIT margin		Days working capital	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
T&D	5.6%	8.7%	7.2%	7.2%	1.8%	1.9%	15.5%	16.8%	(60)	(60)
IT	4.4%	4.6%	8.8%	8.8%	1.8%	1.9%	7.8%	9.0%	24	24

The assumptions employed are in line with prior-year assumptions, adjusted to account for actual 2019 figures, minor market changes and short-term prospects.

Management considers that, were pre-tax future cash flows and discount rates to be estimated, the findings of the impairment tests carried out in 2019 would not be materially different from those performed using the method applied by management.

In all cases, sensitivity analyses are carried out on the discount rate and residual growth rate employed to check that reasonable changes to these assumptions will not affect the possible recovery of goodwill recognised. Sensitivity analyses are also performed on the basic assumptions: sales, margins, working capital and residual EBIT.

Cash flows are discounted to present value at a rate after tax that reflects the specific risks of the assets as well as risks not included in the flows, such as specific country risk. This rate is calculated using the Capital Asset Pricing Model (CAPM). The data employed in these calculations are obtained from independent, reputable external information sources and the findings are compared with the rates used by independent financial analysts in comparable business valuations. In 2019, the discount rate after tax was within a range of 7.2%-8.8%.

Projections span a five-year period. Cash flows as from year six are the components of terminal value and are estimated as income in perpetuity at a constant growth rate (residual growth rate) on a normalised flow reflecting the CGU's operations in perpetuity. The residual growth rate is estimated for each CGU taking into account the nature of the business and expected long-term inflation in the CGU's business area and is contrasted with external information sources. A growth of 1.8% was used in 2019 projections for both CGUs.

The normalised flow on which the terminal value calculation was based included the following year-five flow adjustments:

$\text{Sales}_{\text{Normalised flow}} = \text{Sales}_{\text{Year 5}} \times (1+g)$

$\text{Operating expenses}_{\text{Normalised flow}} = \text{Operating expenses}_{\text{Year 5}} \times (1+g)$

$\text{Investment}_{\text{Normalised flow}} = \text{Depreciation}_{\text{Normalised flow}}$

$\text{Working capital investment}_{\text{Normalised flow}} = \text{Days working capital}_{\text{Year 5}} / 365 \times \text{Sales}_{\text{Year 5}} \times g$ [(1)]

$\text{Tax rate}_{\text{Normalised flow}} = \text{Tax rate}_{\text{Year 5}}$

$\text{Normalised flow} = (\text{Sales} - \text{Operating expenses} - \text{Investment} - \text{Working capital investment} - \text{Taxes})_{\text{Normalised flow}}$

"g" is the residual growth rate

(1) Working capital investment is calculated on the basis of residual growth.

The amount discounted from terminal value as a percentage of the total recoverable amount of the most significant goodwill in 2019 and 2018 is shown below:

	Residual value	
	2019	**2018**
T&D	72%	82%
IT	69%	73%

At 31 December 2019 and 2018, the carrying amount, including goodwill, and the recoverable amount of the CGUs are as follows:

	2019 Thousand euro			2018 Thousand euro		
	Carrying amount (1)	**Recoverable amount (2)**	**Difference (2)-(1)**	**Carrying amount (1)**	**Recoverable amount (2)**	**Difference (2)-(1)**
T&D	333,920	3,440,432	3,106,512	183,540	3,802,869	3,619,329
IT	995,480	2,015,612	1,020,132	956,457	2,070,597	1,114,139

Set out below is a breakdown of the main assets included in the carrying amount of the CGUs at 31 December 2019 and 2018:

	Net fixed assets		Working capital		Goodwill		Other		Carrying amount CGU	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
T&D	423,745	402,918	(107,036)	(194,474)	116,037	116,129	(98,827)	(141,033)	333,920	183,540
IT	415,121	329,634	155,489	113,599	768,874	695,798	(344,004)	(182,573)	995,480	956,457
Total	**838,866**	**732,552**	**48,453**	**(80,875)**	**884,911**	**811,927**	**(442,830)**	**(323,606)**	**1,329,400**	**1,139,998**

The findings of the sensitivity analysis of the impairment test performed on the goodwill allocated to the CGUs is as follows:

	2019				2018			
	Change in WACC		Residual growth rate		Change in WACC		Residual growth rate	
Impact on recoverable amount of CGUs:	-1 p.p.	+1 p.p.	-0,5 p.p.	+0,55 p.p.	-1 p.p.	+1 p.p.	-0,5 p.p.	+0,5 p.p.
T&D	731,856	(504,886)	(235,494)	283,473	932,845	(634,978)	(288,237)	348,458
IT	326,418	(245,403)	(92,093)	106,269	356,378	(265,988)	(92,339)	106,825

	2019				2018			
	Change in sales	EBIT margin	Residual EBIT	Change in days working capital	Change in sales	EBIT margin	Residual EBIT	Change in days working capital
Impact on recoverable amount of CGUs:	-5.0%	-1 p.p.	-1 p.p.	+10 days	-5.0%	-1 p.p.	-1 p.p.	+10 days
T&D	(165,317)	(199,854)	(155,720)	(48,915)	(298,737)	(231,210)	(184,409)	(56,590)
IT	(257,405)	(248,897)	(181,088)	(73,306)	(259,990)	(238,773)	(175,253)	(73,196)

This sensitivity analysis indicates that the relevant CGUs show no significant risks associated with reasonably possible variations in the financial and operating variables, considered individually.

In 2019 and 2018, according to the calculations, there were no signs of impairment of the goodwill allocated to these cash-generating units.

A sensitivity analysis was carried out on the discount parameters, concluding that the recoverable amount exceeds the carrying amount in all cases. The sensitivity range employed considers discount rate variations of over 10% and changes of over 25% in growth rates in perpetuity, the discount parameters remaining in line with market consensus.

Set out below is a breakdown of the amount by which the value assigned to the key assumptions would have to change in order for the recoverable amount to equal to carrying amount of each CGU.

	2019		2018	
	WACC		WACC	
	Assumptions	Value to equal carrying amount	Assumptions	Value to equal carrying amount
T&D	7.2%	69.9%	7.2%	64.0%
IT	8.8%	16.2%	8.8%	17.4%

	2019					2018				
	Change in sales	EBIT margin		Days working capital		Change in sales	EBIT margin		Days working capital	
	Value to equal carrying amount	Assumptions*	Value to equal carrying amount	Assumptions*	Value to equal carrying amount	Value to equal carrying amount	Assumptions*	Value to equal carrying amount	Assumptions*	Value to equal carrying amount
T&D	(93.96%)	15.5%	(3.34%)	(60)	575	(59.57%)	16.8%	(1.90%)	(60)	570
IT	(19.83%)	7.8%	2.19%	24	163	(22.46%)	9.00%	2.33%	24	190

* Data for normalised year (2024)

* Data for normalised year (2023)

9) Other intangible assets

Set out below is a breakdown of this heading in the consolidated statements of financial position at 31 December 2019 and 2018:

	Thousand euro						
	Balance at 31.12.18	**Scope change**	**Curr. tran. differences**	**Additions**	**Disposals**	**Transfers**	**Balance at 31.12.19**
Investments:							
Industrial property	58,462	-	(128) -	- -	- -	-	58,334
Computer software	493,239	199	362 -	455 -	(3,959) -	59,889	550,185
Development expenses	121,926	-	1,148 -	62,559 -	(97) -	(51,597)	133,939
Contractual relationships	74,700	-	- -	- -	- -	7,520	82,220
Other intangibles	26,633	-	124 -	375 -	(7) -	(4,998)	22,127
	774,960	**199**	**1,506**	**63,389**	**(4,063)**	**10,814**	**846,805**
Amortisation							
Industrial property	(14,275)	-	8 -	(1,346) -	- -	-	(15,613)
Computer software	(288,467)	(88)	(48) -	(61,248) -	3,350 -	(1,824)	(348,325)
Development expenses	(6,894)	-	168 -	(876) -	- -	(1,330)	(8,932)
Contractual relationships	(12,332)	-	- -	(7,798) -	- -	(672)	(20,802)
Other intangibles	(19,266)	-	(76) -	(1,585) -	7 -	1,912	(19,008)
	(341,234)	**(88)**	**52**	**(72,853)**	**3,357**	**(1,914)**	**(412,680)**
Grants							
Development expenses	(33,077)	-	- -	(7,066) -	5,758 -	-	(34,385)
	(33,077)	**-**	**-**	**(7,066)**	**5,758**	**-**	**(34,385)**
Provisions							
Industrial property	(6,063)	-	- -	- -	- -	(3)	(6,066)
Computer software	(18,956)	-	- -	- -	- -	13	(18,943)
Development expenses	-	-	- -	- -	- -	(3)	(3)
Other intangibles	(2,136)	-	- -	- -	- -	(7)	(2,143)
	(27,155)	**-**	**-**	**-**	**-**	**-**	**(27,155)**
Net value:							
Industrial property	38,124	-	(120) -	(1,346) -	- -	0	36,655
Computer software	185,816	111	314 -	(60,793) -	(609) -	58,078	182,917
Development expenses	81,955	-	1,316 -	54,617 -	5,661 -	(52,930) -	90,619
Contractual relationships	62,368	-	- -	(7,798) -	- -	6,848 -	61,418
Other intangibles	5,231	-	48 -	(1,210) -	- -	(3,093)	976
Total	**373,494**	**111**	**1,558**	**(16,530)**	**5,052**	**8,903**	**372,585**

Scope changes relate to the acquisitions of the companies Morpheus Aiolos, S.L. and Sistemas Informáticos Abiertos, S.A. (see Note 5).

Contractual relationships relate to the reassessment of the assets of Tecnocom in the amount of €60,200 thousand (2017), Paradigma Digital in the amount of €14,500 thousand (2018) and North American Transmission & Distribution Group in the current year due to the allocation of the purchase price in the amount of €7,058 thousand (see Note 5).

The Group made payments to invest in intangible assets totalling €63,907 thousand (€63,483 thousand in 2018).

The amount of €51,597 thousand was transferred from Development expenses to Computer software in 2019 on completion of the developments, which will contribute to the generation of future income. To this end, the associated business plan was analysed to determine the expected income and expense flows.

The other transfers for the year relate mainly to the allocation of the purchase price of North American Transmission & Distribution Group (see Note 5).

	Thousand euro						
	Balance at 31.12.17	**Scope change**	**Curr. tran. differences**	**Additions**	**Disposals**	**Transfers**	**Balance at 31.12.18**
Investments:							
Industrial property	46,270	-	(21) -	2,213 -	- -	10,000	58,462
Computer software	439,912	1,574	(440) -	502 -	(755) -	52,446	493,239
Development expenses	115,790	-	(996) -	61,294 -	- -	(54,162)	121,926
Contractual relationships	60,400	-	- -	- -	(200) -	14,500	74,700
Other intangibles	21,343	5,538	(42) -	- -	(191) -	(15)	26,633
	683,715	**7,112**	**(1,499)**	**64,009**	**(1,146)**	**22,769**	**774,960**
Amortisation							
Industrial property	(13,094)	-	30 -	(1,626) -	- -	415	(14,275)
Computer software	(230,041)	(1,058)	468 -	(58,818) -	755 -	227	(288,467)
Development expenses	(6,914)	-	810 -	(574) -	- -	(216)	(6,894)
Contractual relationships	(4,682)	-	- -	(7,650) -	- -	-	(12,332)
Other intangibles	(16,210)	(2,062)	45 -	(1,182) -	191 -	(48)	(19,266)
	(270,941)	**(3,120)**	**1,353**	**(69,850)**	**946**	**378**	**(341,234)**
Grants							
Development expenses	(33,390)	-	- -	(8,750) -	9,063 -	-	(33,077)
	(33,390)	**-**	**-**	**(8,750)**	**9,063**	**-**	**(33,077)**
Provisions							
Industrial property	(6,063)	-	- -	- -	- -	-	(6,063)
Computer software	(18,956)	-	- -	- -	- -	-	(18,956)
Other intangibles	(2,136)	-	- -	- -	- -	-	(2,136)
	(27,155)	**-**	**-**	**-**	**-**	**-**	**(27,155)**
Net value:							
Industrial property	27,113	-	9	587	-	10,415	38,124
Computer software	190,915	516	28	(58,316)	-	52,673	185,816
Development expenses	75,486	-	(186)	51,970	9,063 -	(54,378) -	81,955
Contractual relationships	55,718	-	-	(7,650)	(200) -	14,500 -	62,368
Other intangibles	2,997	3,476	3	(1,182)	-	(63)	5,231
Total	**352,229**	**3,992**	**(146)**	**(14,591)**	**8,863**	**23,147**	**373,494**

In 2019 and 2018, the Group carried out the impairment analyses required by accounting legislation, no measurement adjustment having been necessary in either year.

The most significant products of the vertical markets Development and Computer software reflected in assets, excluding grants received, are as follows:

	Thousand euro 2019	Thousand euro 2018	Segments
Investments (1)			
Public Authorities	10,810	9,112	IT
Defence & Security	154,534	141,830	T&D
Energy	106,661	102,281	IT
Industry & Consumption	23,124	21,246	IT
Election Processes	1,315	771	IT
Healthcare	22,126	22,755	IT
Financial Services	86,777	84,280	IT
Telecom & Media	4,551	5,956	IT
Air Traffic	67,041	44,782	T&D
Transport	49,002	34,484	T&D
Transversal T&D	1,847	1,838	T&D
	527,788	**469,335**	**Estimated years of amortisation (2)**
Accumulated amortisation:			
Public Authorities	(5,194)	(4,595)	1 to 5 years
Defence & Security	(69,696)	(62,138)	1 to 10 years
Energy	(45,171)	(32,186)	1 to 10 years
Industry & Consumption	(9,034)	(4,918)	1 to 10 years
Election Processes	(771)	(771)	1 to 5 years
Healthcare	(11,327)	(11,080)	1 to 10 years
Financial Services	(48,826)	(44,571)	1 to 5 years
Telecom & Media	(3,242)	(4,993)	1 to 5 years
Air Traffic	(30,476)	(11,604)	1 to 5 years
Transport	(19,860)	(16,534)	1 to 5 years
Transversal T&D	(709)	(439)	1 to 5 years
	(244,306)	**(193,829)**	
Accumulated impairment:			
Energy	(18,956)	(18,956)	
	(18,956)	**(18,956)**	

	Thousand euro 2019	Thousand euro 2018
Net value:		
Public Authorities	5,616	4,517
Defence & Security	84,838	79,692
Energy	42,534	51,139
Industry & Consumption	14,090	16,328
Election Processes	544	-
Healthcare	10,799	11,675
Financial Services	37,951	39,709
Telecom & Media	1,309	963
Air Traffic	36,566	33,178
Transport	29,142	17,950
Transversal T&D	1,138	1,399
Total	**264,526**	**256,550**

(1) In 2019, the carrying amount of Development projects capitalised during the year that are not yet being amortised is €60,473 thousand (€61,170 thousand in 2018).

(2) Vertical market products comprise numerous projects each of which have an independent useful life. For the same product, a project might be amortised in the same year it is capitalised while other projects relating to that product might have a useful life of up to 10 years.

It is deemed probable that these products will generate economic benefits in the future that will offset the recognised cost of the asset.

In 2019, as in 2018, the Group continued to invest in developments in all business areas, the most significant relating to the T&D segment.

At 31 December 2019, the carrying amount of projects not being amortised is €146,702 thousand (€121,926 thousand in 2018).

Transfers recognised under the heading "Computer software" in 2019 and 2018 relate to the following products by vertical market:

	Thousand euro	
PRODUCT	**2019**	**2018**
Public Authorities	810	1,793
Defence & Security	6,919	16,353
Energy	4,353	288
Industry & Consumption	3,571	-
Healthcare	3,888	-
Financial Services	6,955	6,270
Air Traffic	14,940	11,088
Transport	3,138	1,222
Other	15,315	15,432
	59,889	52,446

Certain capitalised development expenses are financed or subsidised by government bodies. Set out below is a breakdown of the vertical markets (see Note 4v) to which the most significant grants relate in 2019 and 2018 (€45,668 thousand and €32,595 thousand, respectively):

	Thousand euro	
PRODUCT	**2019**	**2018**
Defence & Security	7,066	6,848
Energy	547	1,848
Healthcare	333	349
Financial Services	3,009	4,032
Telecom & Media	62	62
Air Traffic	23,181	11,195
Transport	11,470	8,261
	45,668	32,595

Development expenses total €225,315 thousand in the current year and €210,045 thousand in the previous year. The Group has capitalised €62,559 thousand and €61,294 of these amounts, respectively. The consolidated income statement for 2019 and 2018 therefore reflects development expenses in different projects amounting to €162,756 thousand (€148,751 thousand in 2018) (see Note 42).

In 2019 and 2018, the Industrial property balance includes assets acquired from third parties totalling €58,334 thousand (€58,462 thousand in 2018), relating mainly to:

- The purchase of software maintenance rights by the parent company in 2010, amounting to €23,170 thousand.
- Industrial property recognised as a result of the acquisition of the company Politec Tecnología da Informação, S.A. in the amount of €13,711 thousand in 2011.
- Industrial property recognised by Indra BPO Servicios, S.L.U. in relation to the exclusivity fee under the contract for services entered into with BSOS, S.A. (Business Services for Operational Support, S.A.) in the amount of €6,888 thousand in 2016.
- Industrial property recognised as a result of the acquisition of the company Paradigma, S.L. in the amount of €10,000 thousand in 2018.

Intangible asset amortisation rates are shown below:

	Thousand euro					
	Balance at	Expenses incurred in-house		Acquisition from third parties		
	31.12.19	Finite useful life	Amortisation rate	Indefinite useful life	Finite useful life	Amortisation rate
Net value						
Industrial property	36,655	-	-	19,949	16,706	5 -10%
Computer software	182,917	171,400	10 -100%	-	11,517	25%
Development expenses	90,619	85,017	10 -100%	-	5,602	10 -25%
Contractual relationships	61,418	-	-	-	61,418	6 -10%
Other intangibles	976	-	-	-	976	10%
	372,585	**256,417**		**19,949**	**96,219**	

	Thousand euro					
	Balance at	Expenses incurred in-house		Acquisition from third parties		
	31.12.18	Finite useful life	Amortisation rate	Indefinite useful life	Finite useful life	Amortisation rate
Net value						
Industrial property	38,124	-	-	19,949	18,175	5 -10%
Computer software	185,816	181,904	10 -100%	-	3,912	25%
Development expenses	81,955	80,611	10 -100%	-	1,344	10 -25%
Contractual relationships	62,368	-	-	-	62,368	6 -10%
Other intangibles	5,231	2	-	-	5,229	10%
	373,494	**262,517**		**19,949**	**91,028**	

At 31 December 2019, fully-amortised intangible assets amount to €143,780 thousand (€124,521 thousand at 31 December 2018).

As a result of the disposals in 2019, a loss of €87 thousand (profit of €28 thousand in 2018) was recognised in the consolidated income statement (see Note 33).

The Group has taken out insurance policies to cover the risks to which its intangible assets are exposed. The coverage provided by these policies is considered to be sufficient.

10) Financial instruments

a) Financial assets

Financial assets (except for investments in associates) are set out below by class and maturity for 2019 and 2018:

		2019 Thousand euro		
FINANCIAL ASSETS: NATURE/CATEGORY	Note	Fair value through other comprehensive income	Amortised cost	Hedging derivatives
Other ownership interests in non-Group companies	12	13,535	-	-
Derivatives	12	-	-	389
Other receivables	12	-	5,135	-
Other financial assets	12	-	122,839	-
Long term / non-current		**13,535**	**127,974**	**389**
Guarantees and deposits	16	-	4,040	-
Derivatives	16	-	-	2,910
Other financial assets	16, 17	-	1,072,642	-
Cash and cash equivalents	18	-	854,509	-
Short term / current		**-**	**1,931,191**	**2,910**
Total		**13,535**	**2,059,165**	**3,299**

		2018 Thousand euro		
FINANCIAL ASSETS: NATURE/CATEGORY	Note	Fair value through other comprehensive income	Amortised cost	Hedging derivatives
Other ownership interests in non-Group companies	12	13,493	-	-
Derivatives	12	-	-	135
Other receivables	12	-	4,101	-
Other financial assets	12	-	168,150	-
Long term / non-current		**13,493**	**172,251**	**135**
Instrumentos de patrimonio	17	-	-	-
Guarantees and deposits	16	-	3,346	-
Derivatives	16	-	-	2,082
Other financial assets	16, 17	-	1,003,648	-
Cash and cash equivalents	18		917,825	
Short term / current		**-**	**1,924,819**	**2,082**
Total		**13,493**	**2,097,071**	**2,217**

The Group’s core business is based on executing projects contracted with customers. The Group recognises contract revenue and costs in accordance with IFRS 15 (see Note 4v). The decrease in the item “Other long-term financial assets” is due mainly to the transfer of these assets to the short term (see Note 12).

b) Financial liabilities

Financial liabilities are set out below by class and maturity for 2019 and 2018:

FINANCIAL LIABILITIES: NATURE/CATEGORY	Note	31.12.19 Thousand euro		
		Amortised cost	Hedging derivatives	Fair value through profit or loss
Bank borrowings	21	784,931	-	-
Debentures and other marketable securities	21	594,625	-	-
Derivatives	22	-	1,139	-
Other financial liabilities	22	186,880	-	14,495
Long-term payables / Non-current financial liabilities		**1,566,436**	**1,139**	**14,495**
Bank borrowings	25	17,837	-	-
Debentures and other marketable securities	25	8,872	-	-
Derivatives	27	-	22,711	-
Trade payables, other payables, other financial liabilities	26, 27	1,429,646	-	14,281
Short-term payables / Current financial liabilities		**1,456,355**	**22,711**	**14,281**
Total		**3,022,791**	**23,850**	**28,776**

FINANCIAL LIABILITIES: NATURE/CATEGORY	Note	31.12.18 Thousand euro		
		Amortised cost	Hedging derivatives	Fair value through profit or loss
Bank borrowings	21	765,116	-	-
Debentures and other marketable securities	21	593,533	-	-
Derivatives	22	-	786	-
Other financial liabilities	22	106,991	-	20,980
Long-term payables / Non-current financial liabilities		**1,465,640**	**786**	**20,980**
Bank borrowings	25	34,429	-	-
Debentures and other marketable securities	25	7,920	-	-
Derivatives	27	-	20,744	-
Trade payables, other payables, other financial liabilities	26, 27	1,332,249	-	6,000
Short-term payables / Current financial liabilities		**1,374,598**	**20,744**	**6,000**
Total		**2,840,238**	**21,530**	**26,980**

The fair value of foreign exchange insurance is calculated based on the currency price at the end of each accounting period (hierarchy level 2).

The fair value through profit or loss recognised at 31 December 2019 derives from the estimated earn-out from the Paradigma acquisition in the amount of €21,242 thousand (€26,980 thousand in 2018) and the estimated price retention arising from the acquisition of Sistemas Informáticos Abiertos in the amount of €7,534 thousand.

The characteristics of each liability are described in the relevant notes to the consolidated annual accounts.

The carrying amount of assets and liabilities measured at amortised cost does not differ significantly from fair value, except for the convertible bond (see Note 21).

Set out below is a breakdown of Net financial income/(expense) in the consolidated income statement for 2019 and 2018:

	Thousand euro	
	2019	**2018**
Financial expense on bank borrowings	10,501	10,797
Other financial expenses	10,567	10,682
Financial liabilities at amortised cost	554	411
Interest on debentures and bonds	15,915	18,606
Financial expenses, IFRS 16	6,099	-
Profit/(loss) on disposal of financial instruments	1,338	-
Exchange gains/(losses)	4,633	1,865
Total financial expenses	49,606	42,361
Profit/(loss) on disposal of financial instruments	-	332
Other financial income	5,416	7,301
Total financial income	5,416	7,633

11) Investments accounted for using the equity method

Set out below is a breakdown of this heading in the consolidated statements of financial position at 31 December 2019 and 2018:

Thousand euro

	Balance at 31.12.18	Disposals	Investment	Translation differences	Dividends	Profit/(loss)	Balance at 31.12.19
SAES Capital	2,247	-	-	-	(260)	376	2,363
Eurofighter Simulation Systems	1,148	-	-	-	-	(21)	1,127
Euromids	575	-	-	-	-	(124)	451
Iniciativas Bioenergéticas	407	-	-	-	-	(91)	316
I3 Televisión	(474)	(341)	142	-	-	673	-
IRB Riesgo Operacional	64	-	-	-	-	(50)	14
A4 Essor	35	-	-	-	-	3	38
Tower Air Traffic System	501	-	-	-	-	-	501
Logistica Marítima de Tuxpan	150	-	-	-	-	-	150
Natming	3	-	-	-	-	-	3
Indra Isolux México	1	-	-	-	-	-	1
Visión Inteligente Aplicada	(84)	-	-	5	-	(22)	(101)
EFI Túneles Necaxa	165	-	-	-	-	-	165
Societat Catalana Per a la Mobilitat	2,195	-	-	-	-	(59)	2,136
Green Border OOD	(7)	-	-	-	-	(3)	(10)
Spa Mobeal	(166)	-	-	-	-	(91)	(257)
Global Training Aviation S.L.	3,858	-	-	-	-	140	3,998
Total	**10,618**	**(341)**	**142**	**5**	**(260)**	**731**	**10,895**

Thousand euro

	Balance at 31.12.17	Translation differences	Dividends	Profit/(loss)	Balance at 31.12.18
SAES Capital	2,090	-	(103)	260	2,247
Eurofighter Simulation Systems	619	-	-	529	1,148
Euromids	705	-	-	(130)	575
Iniciativas Bioenergéticas	1,202	-	-	(795)	407
I3 Televisión	191	-	-	(665)	(474)
IRB Riesgo Operacional	115	-	-	(51)	64
A4 Essor	35	-	-	-	35
Tower Air Traffic System	501	-	-	-	501
Logistica Marítima de Tuxpan	150	-	-	-	150
Natming	3	-	-	-	3
Indra Isolux México	(13)	(11)	-	25	1
Visión Inteligente Aplicada	(84)	-	-	-	(84)
EFI Túneles Necaxa	175	-	-	(10)	165
Societat Catalana Per a la Mobilitat	2,377	-	-	(182)	2,195
Green Border OOD	11	-	-	(18)	(7)
Spa Mobeal	34	-	-	(200)	(166)
Global Training Aviation S.L.	3,345	-	-	513	3,858
Total	**11,456**	**(11)**	**(103)**	**(724)**	**10,618**

A breakdown of the financial highlights of the most significant equity-consolidated companies is provided in Appendix V.

During the financial year ended 31 December, the company Indra Soluciones Tecnologías de la Información, S.L.U. sold its interest in I3 Televisión, S.L. for one euro, entailing a loss of €332 thousand recognised in the consolidated income statement. There were no significant movements relating to ownership interests in associates during 2018.

12) Non-current financial assets

Movements in Non-current financial assets during the years ended 31 December 2019 and 2018 are set out below:

Thousand euro

Net value:	Balance at 31.12.18	Scope change	Currency trans. differences	Additions	Disposals	Transfers	Balance at 31.12.19
Other long-term interests							
in non-Group companies	13,493	11	-	-	-	-	13,504
Long-term loans	4,101	307	(1)	919	(82)	4,091	9,335
Long-term guarantees and deposits	15,376	11	(154)	1,500	(3,767)	-	12,966
Cash flow hedges	135	-	-	418	(164)	-	389
Other financial investments	152,774	-	(201)	25,664	(10,337)	(62,196)	105,704
Total	**185,879**	**329**	**(356)**	**28,501**	**(14,350)**	**(58,105)**	**141,898**

Thousand euro

	Balance at 31.12.17	Tax IFRS 15 (*)	Currency trans. differences	Additions	Disposals	Transfers	Balance at 31.12.18
Net value:							
Other long-term interests							
in non-Group companies	13,200	-	3	608	(472)	153	13,493
Long-term loans	2,276	-	(14)	1,922	(115)	32	4,101
Long-term guarantees and deposits	15,315	-	(1,060)	4,038	(3,575)	658	15,376
Cash flow hedges	1,195	-	(42)	230	(1,248)	-	135
Other financial investments	188,652	(75,417)	(1,733)	27,968	(8,795)	22,099	152,774
Total	**220,638**	**(75,417)**	**(2,846)**	**34,766**	**(14,205)**	**22,942**	**185,879**

a) Other long-term ownership interests in non-Group companies

This heading breaks down as follows:

		Thousand euro					
Net value:	**Percentage interest**	**Balance at 31.12.18**	**Business combinations**	**Additions**	**Disposals**	**Transfers**	**Balance at 31.12.19**
Grupo de Navegación por Satélite, Sistemas y Servicios, S.L.	13.45%	135	-	-	-	-	135
Hisdesat Servicios Estratégicos	7%	7,052	-	-	-	-	7,052
Neotec	4.76%	5,071	-	-	-	-	5,071
Noster Finance, S.L.	7.19%	600	-	-	-	-	600
Business Services for Operational Support	10%	611	-	-	-	-	611
Other	-	23	11	-	-	-	34
Total		**13,493**	**11**	**-**	**-**	**-**	**13,504**

		Thousand euro					
	Percentage interest	**Balance at 31.12.17**	**Business combinations**	**Additions**	**Disposals**	**Transfers**	**Balance at 31.12.2018**
Net value:							
Safelayer Secure Communications, S.A	15%	324	-	-	(476)	152	-
Grupo de Navegación por Satélite, Sistemas y Servicios, S.L.	13.45%	135	-	-	-	-	135
Hisdesat Servicios Estratégicos	7%	7,052	-	-	-	-	7,052
Neotec	4.76%	5,071	-	-	-	-	5,071
Noster Finance, S.L.	7.19%	-	-	600	-	-	600
Business Services for Operational Support	10%	611		-	-		611
Other	-	7	4	9	(5)	8	23
Total		**13,200**	**4**	**609**	**(481)**	**160**	**13,492**

There were no significant movements relating to financial investments in equity instruments of non-Group companies during 2019.

In 2018, the main movements relating to financial investments in equity instruments of non-Group companies were as follows:

* On 31 October 2018, the company Indra Soluciones Tecnología de la Información, S.L.U. acquired a 7.19% stake in the company Noster Finance, S.L. for €600 thousand.

* On 6 November 2018, the company Indra Soluciones Tecnología de la Información, S.L.U. sold the investment in Safelayer Secure Communications, S.A. for €890 thousand, generating a gain of €568 thousand for the year.

b) Long-term guarantees and deposits

This heading includes both deposits and guarantees given to lease buildings and properties and those given to secure labour and commercial claims.

Additions in 2019 relate mainly to the amount of €1,119 thousand (€871 thousand in 2018) for leased buildings due to moves to other work centres. Disposals in 2019, on the same basis, amounted to €1,099 thousand (€771 thousand in 2018).

In addition, 2019 additions include the amount of €195 thousand (€2,516 thousand in 2018) relating to deposits given to secure labour claims of the Group company Indra Brasil Soluções e Serviços Tecnológicos, S.A. Disposals in 2019, on the same basis, amounted to €2,538 thousand (€2,092 thousand in 2018).

c) Other financial investments

In 2019, this item includes the amount of €70,804 thousand (€71,965 thousand in 2018) relating to receivables from non-controlling interests of the parent company due to the proportionate consolidation of various temporary consortia engaged in Ministry of Defence programmes, which are expected to be billed as from 2021, once all the work has been completed. The amount of €26,770 thousand is recognised in the short term, on the same basis, and is expected to be billed in 2020 (see Note 17). These programmes are financed by the Ministry of Industry, Energy and Tourism (see Note 27) in the amount of €76,013 thousand (€100,132 thousand in 2018). Once the work is finished, the Ministry of Defence will make payment and the temporary consortia will settle the liabilities. All these amounts are discounted at the market interest rate.

At 31 December 2019, the Group records Accounts receivable for Billable production totalling €34,686 thousand (€74,737 thousand in 2018) relating to projects completed by the Group which are expected to be invoiced over more than one year. Transfers to the short term (see Note 17), on the same basis, amount to €35,426 thousand (€47,237 thousand in 2018).

13) Long-term contract assets

This heading includes long-term work in progress amounting to €65,431 thousand (€52,789 in 2018). This amount relates to the Group's rights to consideration for goods and services transferred to customers, these rights being conditional on the fulfilment of a series of obligations over an estimated period of more than 12 months.

14) Assets and liabilities held for sale

Set out below is a breakdown of the main movements in non-current assets held for sale during 2019:

	2019			2019
	Thousand euro			Thousand euro
	Investment	Impairment	Net amount	Liabilities
Buildings	13,128	-	13,128	-
Other financial assets	9,102	(8,995)	107	(2)
Loans	5,984	(5,841)	143	-
Total net value	**28,214**	**(14,836)**	**13,378**	**(2)**

All the above are expected to be sold or settled in the short term.

	2018			2018
	Thousand euro			Thousand euro
	Investment	Impairment	Net amount	Liabilities
Buildings	13,333	-	13,333	-
Other financial assets	8,325	(7,579)	746	(2)
Loans	1,112	(1,079)	33	-
Total net value	**22,770**	**(8,658)**	**14,112**	**(2)**

15) Inventories and short-term contract assets

Inventories at 31 December 2019 and 2018 are analysed below:

	Thousand euro	
	2019	**2018**
Good purchased for resale	2,020	223
Raw materials	51,280	27,858
Work in progress and short-term contract assets	351,193	285,499
Subtotal	**404,493**	**313,580**
Impairment	(3,320)	(1,930)
Total net value	**401,173**	**311,649**

The item "Work in progress" includes materials, direct labour and other services acquired for projects. The items included in "Short-term contract assets" are costs of work in progress the performance obligations of which are pending fulfilment (see Note 4v).

The increase in this item relates essentially to the rise in inventories for the manufacture of certain products so as to shorten delivery times for customers and to growth in the volume of contract assets generated as a result of delays in the completion of certification milestones in certain projects which are necessary to demonstrate the fulfilment of performance obligations and the resulting recognition of revenue under IFRS 15.

Movements in impairment are as follows:

	Balance at 31.12.18	Appropriations	Reversals	Aplications	Balance at 31.12.19
Provision for impairment	(1,930)	(1,758)	37	331	(3,320)

	Balance at 31.12.17	Appropriations	Reversals	Aplications	Balance at 31.12.18
Provision for impairment	(1,826)	(180)	-	76	(1,930)

16) Other current assets and short-term derivatives

Other assets break down as follows at 31 December 2019 and 2018:

	Thousand euro	
	2019	**2018**
Other receivables	5,073	9,024
Advances and loans to employees	14,833	11,752
Public Authorities (Note 37)	46,120	37,426
Prepayments and accrued income	16,227	12,367
Short-term deposits	2,657	2,169
Short-term security deposits	1,383	1,177
Current asset investments	634	1,425
Derivatives (Note 38 a)	2,910	2,082
Total net value	**89,837**	**77,422**

17) Trade and other receivables

A breakdown of trade and other receivables at 31 December 2019 and 2018 is as follows:

	Thousand euro	
	2019	**2018**
Trade receivables for sales and services	745,075	717,610
Accounts receivable for billable production	359,993	319,252
Prepayments to suppliers	18,769	14,797
Other receivables	6,626	10,101
Total	**1,130,463**	**1,061,760**
Impairment of trade receivables	(68,172)	(66,532)
Impairment of other receivables	(161)	(956)
Impairment of accounts receivable for billable production	(11,423)	(13,440)
Total net value	**1,050,707**	**980,832**

The item Accounts Receivable for Billable Production includes the amount of €26,770 thousand in receivables from non-controlling interests of the parent company due to the proportionate consolidation of various temporary consortia engaged in Ministry of Defence programmes, which are expected to be billed in 2020 (see Note 12).

At year-end 2019 and 2018, receivables amounting to €187,434 thousand and €187,346 thousand, respectively, under non-recourse factoring arrangements were derecognised.

Movements in the impairment provision for the two periods are as follows:

	Thousand euro						
	Balance at 31.12.18	Scope change	Appropriations	Applications	Curr. tran. differences	Reversals	Balance at 31.12.19
Impairment	80,928	9	17,432	(7,294)	456	(11,775)	79,756

	Thousand euro						
	Balance at 31.12.17	Scope change	Appropriations	Applications	Curr. tran. differences	Reversals	Balance at 31.12.18
Impairment	127,276	-	33,086	(51,743)	(833)	(26,858)	80,928

Appropriations in 2019 amount to €17,432 thousand (€33,086 thousand in 2018). Most of the 2019 appropriations relate to receivables in respect of which the Group has doubts regarding future recoverability due to a number of events such as litigation with customers, the macro situation in some countries and the toughening of milestone acceptance terms in some projects, mainly those of the parent company.

The transfer of risks and rewards has been analysed in order to be able to conclude that the receivables may effectively be derecognised. The factors (various financial institutions) accept the risks of insolvency and late payment under the agreements signed, so Indra is not exposed to default risk. Financial assets under these arrangements are invoices issued for the Group's services and projects.

At 31 December 2019 and 2018, the Group records past-due receivables totalling €342,363 thousand and €410,816 thousand, respectively (see Note 38b). The Group considers that these amounts will be collected within 12 months.

18) Cash and cash equivalents

The breakdown is as follows:

	Thousand euro	
	2019	**2018**
Short-term deposits and fixed-income securities	42,409	118,775
Other current asset investments	5,798	19,100
Subtotal	**48,207**	**137,875**
Cash	806,302	779,950
Total	**854,509**	**917,825**

Short-term cash, deposits and fixed-income securities include interest-bearing demand bank accounts and short-term deposits in different currencies at an average interest rate of 0.28% in 2019 (0.31% in 2018).

This heading reflects the amount of €2,479 thousand in relation to the liquidity agreement with Banco de Sabadell and €556 thousand in the previous year with GVC Gaesco Valores Beka, S.V., S.A. (see Note 19).

At 31 December 2019 and 2018, the entire cash balance is available for use in the Group's business activities.

19) Equity

Share capital

At 31 December 2019, the parent company's issued and paid-up capital stands at €35,330,880.40, consisting of 176,654,402 ordinary shares with a par value of €0.20 each, represented by book entries.

Share capital is fully-subscribed and paid up.

All the shares are officially listed on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges, are quoted in the Continuous Market and are included in the selective IBEX-35 index, the year-end price being €10.18 (€8.235 at year-end 2018). The average price for the last quarter of 2019 and 2018 was €9.06 and €8.80, respectively.

The Group is aware of the composition of its shareholder structure due to the information that the shareholders submit directly or publish in accordance with applicable legislation on significant shareholdings (requiring disclosure, in general, of purchases or sales of shares or financial instruments carrying voting rights exceeding 3% of capital), as well as the information furnished by Iberclear, which the Company compiles for the purposes of holding General Shareholders' Meetings.

Accordingly, on the basis of the information obtained by the parent company, significant shareholders owning interests of over 3% are as follows:

	31.12.19	31.12.18
Sociedad Estatal de Participaciones Industriales (SEPI)	18.713%	18.713%
Corporación Financiera Alba	10.522%	10.522%
Fidelity Management & Research LLC (1)	9.358%	9.358%
T.Rowe Price Associates	-	4.900%
Norges Bank (2)	3.890%	4.130%
Schroders PLC	-	3.201%

(1) In both 2019 and 2018, of the 9.358% of share capital stated, 8.567% relates to voting rights carried by the shares and 0.791% to voting rights through financial instruments.

(2) Of the 3.89% of share capital stated, 2.935% relates to voting rights carried by the shares and 0.954% to voting rights through financial instruments.

Direct or indirect ownership interests held personally by each of the directors at 31 December 2019 are as follows:

		No. of shares			% share
Directors	**Class**	**Direct**	**Indirect**	**Total**	**capital**
Fernando Abril-Martorell	Executive	363,663	-	363,663	0.206
Alberto Terol Esteban	Independent	45,736	-	45,736	0.026
Antonio Cuevas Delgado (1)	Nominee	3,402	-	3,402	0.002
Enrique de Leyva	Independent	20,173	-	20,173	0.011
Silvia Iranzo Gutiérrez	Independent	7,613	-	7,613	0.004
Ignacio Martín San Vicente	Independent	4,715	-	4,715	0.003
Santos Martínez-Conde Gutiérrez-Barquín (2)	Nominee	35,954	-	35,954	0.02
Ignacio Mataix Entero	Executive	34,630	-	34,630	0.02
María Rotondo Urcola	Independent	8,760	-	8,760	0.005
Cristina Ruiz Ortega	Executive	50,813	-	50,813	0.029
Ignacio Santillana del Barrio	Independent	41,327	-	41,327	0.023
Miguel Sebastián Gascón (1)	Nominee	3,163	-	3,163	0.002
Isabel Torremocha Ferrezuelo	Independent	1,431	-	1,431	0.001
Total		**621,380**	**0**	**621,380**	**0.352**

(1) Representing the shareholder Sociedad Estatal de Participaciones Industriales (SEPI)

(2) Representing the shareholder Corporación Financiera Alba.

Note: The Executive Directors may acquire a percentage of voting rights in addition to that reflected in the above table in respect of shares pending receipt in the form of prior-year annual variable remuneration payable in thirds over three years. At 31 December 2019, the percentages of voting rights that could be acquired on this basis amounted to 0.015% in the case of Mr. Abril-Martorell, 0.007% in the case of Mr. Mataix and 0.009% in the case of Ms. Ruiz.

Direct or indirect ownership interests held personally by each of the directors at 31 December 2018 were as follows:

		No. of shares			% share
Directors	**Class**	**Direct**	**Indirect**	**Total**	**capital**
Fernando Abril-Martorell	Executive	345,925	-	345,925	0.196
Alberto Terol Esteban	Independent	40,863	-	40,863	0.023
Juan Carlos Aparicio Pérez (1)	Nominee	18,882	-	18,882	0.011
Enrique de Leyva	Independent	14,947	-	14,947	0.008
Silvia Iranzo Gutiérrez	Independent	3,994	-	3,994	0.002
Luis Lada Díaz	Independent	43,343	-	43,343	0.025
Ignacio Martín San Vicente	Independent	1,123	-	1,123	0.001
Santos Martínez-Conde Gutiérrez-Barquín (2)	Nominee	30,133	-	30,133	0.017
Ignacio Mataix Entero	Executive	1,847	-	1,847	0.001
Adolfo Menéndez Menéndez (1)	Nominee	20,600	-	20,600	0.012
María Rotondo Urcola	Independent	4,584	-	4,584	0.003
Cristina Ruiz Ortega	Executive	45,118	-	45,118	0.026
Ignacio Santillana del Barrio	Independent	35,886	-	35,886	0.020
Total		**607,245**	**0**	**607,245**	**0.345**

(1) Representing the shareholder Sociedad Estatal de Participaciones Industriales (SEPI)

(2) Representing the shareholder Corporación Financiera Alba.

At 31 December 2019, 52,266,269 shares were represented on the Board of Directors, that is 29.59% of the total. At 31 December 2018, 52,252,134 shares were represented on the Board of Directors, representing 29.58% of the total at the time.

On 24 June 2019 and 28 June 2018, the parent company held its Annual General Meeting, which approved the applications of results for 2018 and 2017, respectively, as may be observed in the accompanying consolidated statements of changes in equity.

The Company manages its capital with the aim of safeguarding the capacity to carry on operating as a going concern, so as to continue providing shareholder remuneration and benefiting other stakeholders, while maintaining an adequate capital structure.

Share premium

The share premium arising from the capital increases carried out in 2001, 2003, 2007 and 2017 is subject to the same restrictions and may be used for the same purposes as the Company's voluntary reserves, including conversion to share capital.

Following the above-mentioned capital increases, the share premium reached €523,754 thousand.

The share premium and voluntary reserves are freely distributable, except for the amount of the fixed asset restatement under Law 9/1983 of 13 July, which stands at €8,804 thousand and €8,963 thousand at 31 December 2019 and 2018, respectively; the amount of the unamortised balances of the parent company's research and development expenses, that is €87,088 thousand at 31 December 2019 (€75,135 thousand at 31 December 2018) and any prior-year losses recognised.

Other own equity instruments

	Thousand euro	
	2019	**2018**
Delivery of shares	6,763	3,446
Total	**6,763**	**3,446**

The outstanding amount of €6,763 thousand at 31 December 2019 (€3,446 thousand in the previous year) relates to the provision for medium-term remuneration payable in 2021 to managers entirely in the form of parent company shares, the number of shares being determined based on the average quoted price for the 30 stock market sessions prior to the accrual date, as well as the accrued portion of annual variable remuneration pending share-based payment (see Note 40).

Cash flow hedge reserves

This heading reflects the hedging reserve generated due to the effect of fair value changes to foreign currency forward contracts covering highly probable forecast transactions or firm commitments.

This heading is analysed below:

	Thousand euro	
	2019	**2018**
Flows hedged by foreign exchange insurance	(16,559)	(13,955)
Total	**(16,559)**	**(13,955)**

Treasury shares

At 31 December 2019, the parent company directly holds a total of 282,006 treasury shares amounting to €2,788 thousand (a total of 428,489 treasury shares amounting to €3,663 thousand at 31 December 2018), in accordance with the powers delegated by the General Shareholders' Meeting.

Set out below are breakdowns of balances and movements in the treasury share account during 2019 and 2018:

	Thousand euro			
	Balance at 31.12.18	**Additions**	**Disposals**	**Balance at 31.12.19**
Used in:				
- Ordinary and extraordinary transactions	3,663	71,762	(72,637)	2,788

	Thousand euro			
	Balance at 31.12.17	**Additions**	**Disposals**	**Balance at 31.12.2018**
Used in:				
- Ordinary and extraordinary transactions	9,432	103,119	(108,888)	3,663

Treasury share movements in 2019 and 2018 are as follows:

	% of capital	Number of shares 31.12.18	Additions	% Annual volume	Disposals	% Annual volume	31.12.19	% of capital
Used in:								
- Ordinary transactions (*)	0.18	315,458	8,035,267	5.35	(8,140,052)	5.42	210,673	0.12
- Extraordinary transactions	0.06	113,031	0	0.00	(41,698)	0.03	71,333	0.04
	0.24	**428,489**	**8,035,267**	**5.35**	**(8,181,750)**	**5.45**	**282,006**	**0.16**

	% of capital	Number of shares 31.12.17	Additions	% Annual volume	Disposals	% Annual volume	31.12.18	% of capital
Used in:								
- Ordinary transactions	0.12	217,181	9,676,994	5.92	(9,578,717)	5.44	315,458	0.18
- Extraordinary transactions	0.34	596,195	250,000	- 0.15	(733,164)	0.42	113,031	0.06
	0.46	**813,376**	**9,926,994**	**6.07**	**(10,311,881)**	**5.86**	**428,489**	**0.24**

(*) Includes the residual balance of 11,623 shares from the former treasury share account for ordinary transactions.

The ordinary transactions in the above tables relate to the agreements entered into by the Company with Banco de Sabadell and previously BEKA FINANCE, S.V., S.A. (now named GVC Gaesco Valores Beka, S.V.S.) to favour share price liquidity.

On 28 October 2019, the Company terminated the liquidity agreement with BEKA FINANCE, S.V, S.A. and concluded a new agreement with Banco de Sabadell, S.A.

The extraordinary transactions were completed in 2018 as part of the share buy-back programme in force to 28 June 2018, the date of Indra's Annual General Meeting, as announced in the price-sensitive information on the launch of the programme dated 29 March 2016 (registered number 236736) and the information submitted on 21 January 2019 (registered number 274055).

The purpose of the buy-back programme was to allow the Company to meet share-based payment obligations under the remuneration system in force during the period of reference.

In 2019, 41,698 shares were handed over (733,164 shares in 2018) valued at the price on the delivery date.

Retained earnings/(losses)

Retained earnings/(losses) break down as follows:

	Thousand euro 2019	2018
Legal reserve	7,066	7,066
Reserves in fully-consolidated companies	(74,881)	(127,329)
Merger reserve	12,233	15,212
Reserves in equity-consolidated companies	(1,401)	(1,032)
Voluntary reserves	249,427	179,643
Profit/(loss) for the year attributed to the parent company	121,364	119,759
Total	**313,808**	**193,319**

a) Legal reserve

In accordance with the Spanish Companies Act, the parent company is required to transfer 10% of profits for each year to the legal reserve until the balance in this reserve reaches at least 20% of share capital. The legal reserve is not available for distribution. Should it be used to offset losses in the event of no other reserves being available, it must be replenished out of future profits. It may also be used to increase share capital under certain circumstances.

At 31 December 2019 and 2018, the Company has allocated the minimum amount stipulated in the Consolidated Text of the Spanish Companies Act to this reserve.

b) Reserves in fully-consolidated companies

The breakdown of consolidation reserves by company at 31 December 2019 and 2018 is as follows:

	Thousand euro	
	2019	**2018**
BPO (formerly BMB Group)	17.744	8.598
Indra Emac, S.A.U	-	(476)
Indra Sistemas de Seguridad, S.A.U	3.536	3.668
Indra SI, S.A	6.221	6.536
Indra Sistemas Chile, S.A	(5.119)	(6.944)
Indra Sistemas Portugal, S.A	2.342	747
Grupo Advanced Technology, S.L	(5.847)	(7.983)
Inmize Capital, S.L	(267)	(250)
Inmize Sistemas, S.L	2.486	2.407
Indra Beijing Information Technology Systems Ltd. (China)	2.458	2.215
Indra Company Brasil Tecnología LTDA (Brasil)	(12.259)	(2.272)
Indra Sistemas México, S.A. de C.V	864	60
Indra Sistemas Comunicaciones Seguras, S.L.U	2.251	1.947
Indra Maroc S.A.R.L.U	(172)	265
Indra Sistemas Polska Sp.z.o.o	(910)	(821)
Indra Australia Pty Limited	3.718	3.133
Indra BPO México S.A. de C.V	8.106	7.199
Indra Colombia LTDA	10.487	7.602
Azertia Tecnologías de la Información Argentina, S.A	(224)	(185)
Indra USA Inc.	(17.838)	(18.550)
Prointec S.A.U	(14.029)	(12.801)
Indra Czech Republic S.R.O.	6.290	8.151
Indra Slovakia, A.S.	1.199	267
Soluziona Guatemala, S.A.	338	338
Indra LTDA (Kenya)	3.633	3.326
Indra Software Labs México S.A. de C.V	(8.440)	(8.750)
Soluciones y Servicios Indracompany Uruguay, S.A.	85	122
Indra Sisteme S.R.L. (Moldavia)	(242)	(341)
Indra Panamá, S.A.	(167)	(874)
Indra Philippines INC	10.569	9.019
Electrica Soluziona S.A. (Rumania)	659	669
Computación Ceicom, S.A.	4.256	4.274
Indra Company Perú SAC	83	157
Indra Perú, S.A	(7.459)	(9.091)
AC-B air Traffic Control & Business Systems GmbH (Alemania)	2.179	1.840
Indra Sistemas India Private Limited	(3.938)	(3.598)
Avitech GmbH (Alemania)	1.147	1.241
Indra Technology Solutions Malasya Sdn Bhd	(1.130)	(834)
Indra Bahrain Consultancy SPC	(2.544)	(979)
PT Indra Indonesia	(7.434)	(7.093)
Indra Italia S.P.A (Italia)	25.610	16.313
Indra Brasil Soluçoes e Serviços Tecnologicos SA	(155.375)	(161.904)
Indra Navia A.S (Noruega)	21.749	13.302
Indra Turquia	(3.266)	(2.871)
Indra Kazakhstan Engineering LLP	-	435
Politec Argentina, S.A	-	(722)
Teknatrans Consultores, S.L.U	(35)	(36)
Indra Technology South Africa PTY LTD	(2.506)	(2.276)
Indra Tecnología Brasil LTDA	(3.838)	(2.876)
Europraxis ALG Consulting Maroc, S.A (Marruecos)	118	150
Indra Arabia Company LTD (Arabia)	16.302	16.998
Indra Slovensko S.R.O.	-	(2)
Indra Puerto Rico INC.	-	108
Indra L.L.C	(192)	(292)
Indra Corporate Services, S.L.U	860	901
Indra Corporate Services Mexico S.A de C.V.	(282)	(88)
Metrocall S.A.	3.778	2.718
Indra Advanced Technology	516	39
Indra Soluciones Tecnologias de la Información, S.L.U	14.655	835
Paradigma Digital , S.L.	1.373	-
Indra Holding Tecnologia de la Información	(1.091)	-
Advance Control Systems.INC	(145)	-
CSC Philipines	(98)	-
Indra Produccion Software S.L.	4.460	-
Inertelco, S.A	(106)	-
Total	**(74.881)**	**(127.329)**

c) Reserves in equity-consolidated companies

The breakdown of consolidation reserves by company at 31 December 2019 and 2018 is as follows:

	Thousand euro	
	2019	**2018**
Saes Capital	907	750
Eurofighter Simulation System	1,081	552
Euromids	564	694
Iniciativas Bioenergéticas, S.L.	(4,029)	(3,234)
I3 TV	-	191
IRB Riesgo Operacional	64	115
A4 Essor SAS	14	14
Indra Isolux México SA de CV	(32)	(32)
Visión Inteligente Aplicada S.A de C.V	(16)	(16)
EFI Túneles Necaxa SA de CV	119	119
Societat Catalana per a la Mobilitat, S.A.	(125)	57
Green Border OOD	(13)	5
SPA Mobeal	(215)	(15)
Global Training Aviation, S.L.	282	(232)
Total	**(1,401)**	**(1,032)**

d) Voluntary reserves and Merger reserves

These reserves are freely distributable, except for the amount of the fixed asset restatement under Law 9/1983 of 13 July, which stands at €8,804 thousand and €8,963 thousand at 31 December 2019 and 2018, respectively; the amount of the unamortised balances of the parent company's research and development expenses, that is €87,088 thousand at 31 December 2019 (€75,135 thousand at 31 December 2018) and any prior-year losses recognised.

e) Profit/(loss) for the year attributed to the parent company

The breakdown of results of consolidated companies for 2019 and 2018 is provided in Appendix I.

Currency translation differences

	Thousand euro	
	2019	**2018**
Brazilian real	(18,722)	(17,690)
Argentinean peso	(15,217)	(14,479)
Norwegian krone	(13,120)	(13,334)
Colombian peso	(10,285)	(9,806)
Mexican peso	(7,109)	(9,524)
Chilean peso	(6,106)	(3,156)
Omani rial	(4,241)	(3,675)
Dominican peso	(2,946)	(2,531)
Turkish lira	(2,709)	(2,594)
Romanian leu	(2,091)	(2,016)
Other currencies	580	1,047
Total	**(81,966)**	**(79,852)**

Non-controlling interests

This heading is analysed below at 31 December 2019 and 2018:

	Thousand euro							
	31.12.19				**31.12.18**			
	Capital n. c. int.	**Reserves n. c. int.**	**Profit/(loss) n. c. int.**	**Total**	**Capital n. c. int.**	**Reserves n. c. int.**	**Profit/(loss) n. c. int.**	**Total**
Inmize Capital	32	470	14	516	32	498	15	545
Inmize Sistemas	750	3,235	73	4,058	750	3,157	74	3,981
Elektrica Soluziona	15	738	249	1,002	15	757	90	862
Indra Filipinas	264	9,478	1,677	11,419	264	9,095	1,618	10,977
Indra Kazakhstan	600	(2,346)	1,746	-	600	(2,011)	(227)	(1,638)
Indra Malasya	282	(282)	-	-	282	(282)	-	-
Normeka	-	744	196	940	-	849	116	965
Prointec Panama	-	(30)	-	(30)	-	(30)	-	(30)
Metrocall, S.A.	1,306	2,562	602	4,470	1,306	1,993	569	3,868
Tecnocom Procesadora de Medios de Pago, S.A.	282	223	68	573	282	535	107	924
Inertelco, S.A.	70	337	113	520	70	230	107	407
Total	**3,601**	**15,129**	**4,738**	**23,468**	**3,601**	**14,791**	**2,469**	**20,861**

The information on assets, liabilities and consolidated results for 2019 and 2018 of the most significant non-controlling interests, attributed to the parent company, is provided in Appendix V.

There were no relevant transactions with non-controlling interests in 2019.

20) (Losses)/Earnings per share

At 31 December 2019 and 2018, the calculation of weighted average outstanding and diluting shares is as follows:

	Weighted average ordinary shares at 31.12.19	Ordinary shares at 31.12.19	Weighted average ordinary shares at 31.12.18	Ordinary shares at 31.12.18
Total shares issued	176,654,402	176,654,402	176,654,402	176,654,402
Treasury shares	(331,005)	(282,006)	(457,647)	(428,489)
Total outstanding shares	**176,323,397**	**176,372,396**	**176,196,755**	**176,225,913**

	Weighted average ordinary shares at 31.12.19	Weighted average ordinary shares at 31.12.18
Total shares issued	176,654,402	176,654,402
Financial instruments related to shares	17,089,343	25,991,565
Treasury shares	(331,005)	(457,647)
Total diluting shares	**193,412,740**	**202,188,320**

The diluting factor used to calculate 17,089,343 (25,991,565 in 2018) is the effect of the convertible bond issued in 2016 (see Note 21).

The calculation of basic earnings per share (rounded to four digits) for 2019 and 2018 is as follows:

	2019	2018
Profit/(loss) attributed to the parent company, in thousand euro	121,364	119,760
Weighted average ordinary shares outstanding	176,323,397	176,196,755
Basic (Loss)/Earnings per ordinary share, in euro	**0.6883**	**0.6797**

The calculation of earnings per ordinary share (rounded to four digits) for 2019 and 2018 is as follows:

	2019	2018
Profit/(loss) attributed to the parent company, in thousand euro	121,364	119,760
Shares issued	176,654,402	176,654,402
(Loss)/Earnings per ordinary share, in euro	**0.6870**	**0.6779**

The calculation of diluted earnings per share (rounded to four digits) for 2019 and 2018 is as follows:

	2019	2018
Profit/(loss) attributed to the parent company, in thousand euro (*)	123,701	126,316
Weighted average ordinary shares outstanding	193,412,740	202,188,320
Diluted (Loss)/Earnings per ordinary share, in euro	**0.6396**	**0.6247**

(*) Result for the period excluding the accrued cost of the convertible bond, net of the tax effect.

21) Non-current financial liabilities due to the issuance of debentures and other marketable securities and bank borrowings

a) Financial liabilities due to the issuance of debentures and other marketable securities

This consolidated statement of financial position heading includes:

Issuance of non-convertible bonds in April 2018:

On 19 April 2018, senior unsecured bonds were issued in the Euromarket in the amount of €300,000 thousand. The bonds are listed on the Luxembourg Stock Exchange's Euro MTF market.

The bond terms and conditions are as follows:

* The bond issue had a nominal value of €300,000 thousand (€293,916 thousand including discount and issuance costs) and matures on 19 April 2024.
* The bonds bear fixed interest at a nominal annual rate of 3%.
* The amount of €9,000 thousand has been paid in the current year.
* The bond's effective interest rate is 3.38%, including discount and issuance costs.
* The issue is personally guaranteed by the parent company's assets and not by third parties.
* According to the price quoted on the Frankfurt Stock Exchange, the bond's fair value at year-end 2019 was €319,440 thousand (€297,594 thousand in 2018).
* The forecast financial expense expected to be generated over the remaining life of the bonds is as follows:

Years	Thousand euro
2020	9,975
2021	10,008
2022	10,042
2023	10,077
2024	3,461
	43,563

Issuance of non-convertible bonds in January 2018:

On 26 January 2018, non-convertible bonds were issued with Bankia in the amount of €30,000 thousand (issuance costs of €90 thousand) and a unit nominal value of €100 thousand.

According to the issue agreement, the issuer cannot avoid cash outflows. To conclude, the parent company's management has treated the entire instrument as a financial liability for accounting purposes.

The bond terms and conditions are as follows:

* The bond issue had a nominal value of €30,000 thousand and matures on 1 February 2026.
* The bonds bear fixed interest at a nominal annual rate of 2.90%.
* The amount of €870 thousand has been paid in the current year.
* The bond's effective interest rate is 2.94%.
* The issue is personally guaranteed by the parent company's assets and not by third parties.
* According to the price quoted on the Frankfurt Stock Exchange, the bond's fair value at year-end 2018 was €31,823 thousand (€29,761 thousand in 2018).
* The forecast interest expected to be generated over the remaining life of the bonds is as follows:

Years	Thousand euro
2020	880
2021	880
2022	881
2023	881
2024	881
2025	882
2026	154
	5,439

Issuance of non-convertible bonds in 2016:

On 23 December 2016, a non-convertible bond issue was completed with Bankia and listed on the Frankfurt Stock Exchange's Freiverkehr (Open Market). The financial liability derived from the issue amounts to €25,000 thousand (€25,000 thousand in 2018).

According to the issue agreement, the issuer cannot avoid cash outflows. To conclude, the parent company's management has treated the entire instrument as a financial liability for accounting purposes.

The bond terms and conditions are as follows:

* The bond issue had a nominal value of €25,000 thousand and matures on 23 December 2026.
* The bonds bear fixed interest at a nominal annual rate of 3.5%. The amount of €875 thousand has been paid in the current year and previous year.
* The bond's effective interest rate is 3.496%.
* The issue is personally guaranteed by the parent company's assets and not by third parties.
* According to the price quoted on the Frankfurt Stock Exchange, the bond's fair value at year-end 2019 was €27,007 thousand (€24,031 thousand in 2018).

The forecast interest expected to be generated over the remaining life of the bonds is as follows:

Years	Thousand euro
2020	875
2021	874
2022	875
2023	874
2024	875
2025	874
2026	864
	6,111

Issuance of convertible bonds in 2016:

On 7 October 2016, an issue was completed with Bankia of bonds that were non-convertible and/or exchangeable for shares listed on the Frankfurt Stock Exchange's Freiverkehr (Open Market). The financial liability derived from the issue amounts to €245,800 thousand (€244,707 thousand in 2018).

The issue agreement includes a clause whereby the bondholder has an option to surrender the bond in advance in exchange for full cash payment. Accordingly, if the bondholder exercises the option, the issuer cannot avoid a cash outflow. To conclude, the parent company's management has treated the entire instrument as a financial liability for accounting purposes.

The bond terms and conditions are as follows:

* The bond issue had a nominal value of €250,000 thousand and a 7-year term (matures on 7 October 2023).
* Issue costs amounted to €7,751 thousand (€3,000 thousand in fees and €4,751 thousand for the 2013 convertible bond buy-back premium).
* The bonds accrue fixed interest at an annual nominal rate of 1.25% payable six-monthly in arrears on 7 April and 7 October each year, the first payment having been made on 7 April 2017. The amount of €3,215 thousand was paid in both periods.
* The bond's effective interest rate is 1.729%. The difference between the effective interest reflected in the accounts and the cash interest accrued to the investors is explained by the time apportionment of the initial issuance costs. In the case of the 2016 convertible bond, the accounting treatment of the investors' conversion option does not affect the effective interest rate because the buy-back option for bondholders in year five can only be settled in cash by the parent company.
* The bond conversion price is the initially stipulated amount of €14,629 per share.
* The shares underlying the bonds initially represented 10.4% of the parent company's pre-issue share capital. At year-end 2019, the shares underlying bonds in circulation represent 9.7% (9.7% in the previous year) of the parent company's share capital.
* Bondholders may exercise conversion rights from the issue date, 7 October 2016, to 28 September 2023, the seventh business day prior to the bond maturity date.
* The parent company may redeem the bond issue in full (not in part) for a cash amount equal to the principal plus accrued unpaid interest at the redemption date, in two scenarios:
  1. At any time as from four years and 21 days after 7 October 2016, if the nominal value of the bonds over a certain period of time exceeds the unit nominal value by €130,000.
  2. At any time, if 15% or less of the nominal value of the bonds initially issued remains in circulation.
* The bondholders have an option to demand redemption by the issuer on 7 October 2021 (year 5) at the nominal value plus interest accrued and not collected at that date.
* The issue is personally guaranteed by the parent company's assets and not by third parties.
* According to the price quoted on the Frankfurt Stock Exchange, the bond's fair value at year-end 2019 was €262,495 thousand (€243,550 thousand in 2018).
* The forecast interest (including issue costs) expected to be generated over the remaining life of the bonds is as follows:

Years	**Thousand euro**
2020	4,236
2021	4,256
2022	4,275
2023	3,412
	16,179

The consolidated cash flow statement reflects no increase due to bond issues in 2019 (€323,916 thousand in 2018). The amount repaid or redeemed in 2019 relates to interest of €13,870 thousand (€161,511 thousand in 2018).

b) Non-current bank borrowings

Set out below is a breakdown of other long-term borrowings by maturity at 31 December 2019:

	Thousand euro		
Years	**Credit institutions**	**R&D loans**	**Profit/(loss)**
2021	120,554	13,364	133,918
2022	305,038	11,688	316,726
2023	193,752	11,448	205,200
Subsequent	92,167	36,920	129,087
Total at 31.12.19	**711,511**	**73,420**	**784,931**

The entire balance of R&D loans at 31 December, €73,420 thousand (€83,603 thousand in 2018), relates to the long-term portion of loans granted by official bodies to engage in research programmes.

Accrued unmatured interest amounted to €1,644 thousand and €1,486 thousand in 2019 and 2018, respectively.

In December 2016, the parent company obtained a 9-year loan of up to €80 million from the European Investment Bank (EIB) to fund R&D projects. The Company utilised the entire loan in 2017. This loan includes a shareholders' funds to total capital covenant that has been fulfilled since the loan was obtained.

The increase in the parent company's bank borrowings reflected in the 2019 consolidated cash flow statement is €130,449 thousand (€119,244 thousand 2018). The amount of €98,234 thousand (€110,983 thousand in 2018) is reflected for the repayment and redemption of bank borrowings.

Forecast interest accruing on bank borrowings is set out below:

Years	**Thousand euro**
2020	8,554
2021	7,641
2022	5,879
2023	3,100
2024	566
2025	325
2026	57
	26,122

Set out below is a breakdown of other long-term borrowings by maturity at 31 December 2018:

	Thousand euro			
Years	**Finance lease liabilities**	**Credit institutions**	**R&D loans**	**Profit/(loss)**
2020	432	25,491	16,293	42,216
2021	4	495,403	15,398	510,805
2022	-	97,844	14,334	112,178
Subsequent	-	62,339	37,578	99,917
Total at 31.12.18	**436**	**681,077**	**83,603**	**765,116**

22) Other non-current financial liabilities

A breakdown of Other non-current financial liabilities is as follows:

	Thousand euro	
	2019	**2018**
Deposits and guarantees received	165	115
Fixed asset suppliers	14,495	20,980
Hedging derivatives	1,139	786
Finance lease liabilities	102,816	-
Other long-term payables	83,898	106,876
Profit/(loss)	**202,514**	**128,757**

At 31 December 2019, the heading “Fixed-asset suppliers” includes the amount of €14,495 thousand (€20,980 thousand in 2018) relating to the earn-out agreement, which imposes the obligation to pay future compensation, in addition to the cash consideration already paid, in the event that the company Paradigma Digital, S.L. fulfils certain future objectives stipulated in the sale and purchase agreement (see Note 27). The movement during the year relates to the amount of €6,485 thousand transferred to the short term.

The heading “Finance lease liabilities” arises from the application of IFRS 16 (see Note 2) and reflects the present value of payments to be made over the remaining terms of the Group’s leases.

Set out below is a breakdown of the maturities of non-current finance lease liabilities at 31 December 2019:

	Thousand euro
Years	**Finance lease liabilities**
2021	28,192
2022	23,506
2023	19,391
Subsequent	31,727
Total at 31.12.19	**102,816**

The heading “Other long-term payables” mainly includes €76,013 thousand (€100,132 thousand in 2018) relating to financing granted by the Ministry of Industry, Energy and Tourism to engage in defence programmes through various temporary consortia (see Note 12c). The movement during the year relates to the amount of €30,844 thousand transferred to the short term (see Note 27).

In addition, the heading "Hedging derivatives" includes the amount of €1,139 thousand (€786 thousand in 2018) reflecting the differences between the hedge value and the realisable value at the preparation date of these consolidated annual accounts of the items covered by the hedging agreement entered into by the parent company.

23) Government grants

Set out below is an analysis of this heading showing movements during 2019 and 2018:

	Balance at 31.12.18	Scope changes	Additions	Transfers	Taken to income st.	Balance at 31.12.19
Grants	4,492	20	7,066	5,214	(4,365)	12,427

	Balance at 31.12.17	Scope changes	Additions	Transfers	Taken to income st.	Balance at 31.12.18
Grants	5,105	-	8,750	(4,538)	(4,825)	4,492

The grants have been awarded by public bodies primarily for development projects (see Note 9).

24) Provisions for liabilities and charges

Set out below is a breakdown of provisions showing related temporary differences and forecast maturity dates:

	Thousand euro								
	Balance at 31.12.18							Balance at 31.12.19	
Item	Balance	Temporary difference	Curr. tran. differences	Appropriations	Reversals	Payments	Transfers	Balance	Difference Temporary
Other provisions	11,746	11,746	-	-	-	-	72	11,819	11,819
Remuneration	1,156	-	5	7,161	(326)	(1,628)	167	6,534	6,534
Project guarantees	10,070	10,070	1	23	(48)	-	(8,713)	1,333	1,333
Operating provisions	**22,972**	**21,816**	**6**	**7,184**	**(374)**	**(1,628)**	**(8,474)**	**19,686**	**19,686**
Tax provisions	3,941	136	-	-	-	(35)	-	3,906	-
HR claims	21,282	2,891	(543)	5,637	(3,744)	(3,901)	(3,855)	14,876	3,136
Contingencies	17,444	39	(52)	53	-	(18)	(686)	16,741	24
Subtotal litigation in progress	**42,667**	**3,066**	**(595)**	**5,690**	**(3,744)**	**(3,954)**	**(4,541)**	**35,523**	**3,160**
Total provisions	**65,639**	**24,882**	**(589)**	**12,874**	**(4,118)**	**(5,582)**	**(13,015)**	**55,209**	**22,846**

	Thousand euro									
	Balance at 31.12.17							Balance at 31.12.18		
Item	Balance	Temporary difference	Curr. tran. differences	Appropriations	Reversals	Payments	Transfers	Balance	Difference Temporary	Forecast cancellation date
Other provisions	-	-	-	3,179	-	-	8,567	11,746	11,746	2020-2021
Remuneration	1,204	-	13	489	(185)	(58)	(307)	1,156	-	
Project guarantees	25,158	25,158	-	-	-	-	(15,088)	10,070	10,070	2020-2021
Subtotal provisions	**26,362**	**25,158**	**13**	**3,668**	**(185)**	**(58)**	**(6,828)**	**22,972**	**21,816**	
Provision for taxes	13,592	-	(126)		(738)	(1)	(8,786)	3,941	-	2020-2021
HR claims	27,075	8,781	(1,946)	7,806	(7,939)	(3,931)	217	21,282	2,891	2020-2021
Contingencies	3,211	42	(276)	13,510	(233)	(12)	1,121	17,444	39	2020-2021
Subtotal litigation in progress	**43,878**	**8,823**	**(2,348)**	**21,316**	**(8,910)**	**(3,944)**	**(7,448)**	**42,667**	**2,930**	
Total provisions	**70,240**	**33,981**	**(2,334)**	**24,984**	**(9,095)**	**(4,002)**	**(14,276) 0**	**65,639**	**24,746**	

The item "<u>Other provisions</u>" includes amounts covering contingencies deemed to be possible as a result of the latest business combinations (Tecnocom and Paradigma).

The item "Remuneration" includes the amounts relating to the retirement plan implemented during the year. During the year, in order to protect the older employees who are close to retirement and might be interested in ending their employment with the company for personal or business reasons by means of a protection mechanism that facilitates their future retirement, the Company and the trade unions CC.OO. and UGT signed a collective agreement on the early retirement plan for 2019, which has the following features:

- Applicable to the Group companies Indra Sistemas, Indra Soluciones Tecnologías de la Información, Indra BPO Servicios and Indra BPO.
- Employees of the companies covered by this agreement who have reached 60 but have not reached 64 years of age at 31 December 2019 may take early retirement.
- Coverage:
    1. Monthly annuity to 64 years of age.
        - 70% of fixed gross remuneration for professionals aged under 62 at the contract termination date.
        - 73% of fixed gross remuneration for professionals aged over 62 at the contract termination date.
    2. In addition, the company will pay the employee a gross amount equal to the cost of the special Social Security contributions that the employee is required to make on the same contribution base as prior to the contract termination date.
- No competition. Services may not be provided by the retirees for their own account or for the account of third parties to companies that compete with the Indra Group in any business area for a two-year period as from termination of the employment contract.

The Group recognises a plan cost of €6,801 thousand under termination benefits (see Note 31). At the preparation date of the consolidated annual accounts, €5,992 thousand is pending payment (€2,245 thousand in the short term) (see Note 27).

The provisions for "Project Guarantees" reflect the estimated costs of repair or servicing work. Most of these provisions relate to projects undertaken in the geographic area Asia, Middle East & Africa.

At 31 December 2019, the Group records litigation in progress in which it is the defendant and occurrence is deemed probable, for a total provision of €38,120 thousand, of which €35,523 thousand is recognised under this long-term provisions heading and the remainder in the item other current liabilities (see Note 27). In the previous year, the amount of €46,317 thousand was provisioned in this respect.

HR claims amounting to €14,876 thousand include claims amounting to €10,216 thousand (€12,780 thousand in 2018) from former suppliers of the Brazilian subsidiaries whose nature is equivalent to that of a self-employed worker. Once the relevant contracts for services expired, they brought claims against the company (or there is a risk of such claims) questioning their nature as a self-employed supplier and claiming compensation as if they had had an employment relationship.

In 2019, contingencies include various court proceedings that are not expected to end by 31 December 2020. The following litigation, the occurrence of which is classed as probable, is fully-provisioned in the amount of €38,120 thousand:

- Penalty proceeding initiated by the Spanish National Market and Competition Commission ("CNMC") against the parent company – Proceeding S/DC/05/65/15 "Tenders for computer software".

  The main contingency covered by the provision at year-end 2019 relates to the penalty imposed by the Spanish National Market and Competition Commission ("CNMC") on the parent company in proceeding S/DC/05/65/15 "Tenders for computer software" on 26 July 2018 (€13,500 thousand). The parent company appealed the resolution in a contentious-administrative court and obtained a precautionary measure consisting of the stay of enforcement of the penalty. The proceeding is pending a ruling, which may be appealed in cassation to the Supreme Court.

- Penalty proceeding initiated by the Spanish National Market and Competition Commission ("CNMC") against the parent company – Proceeding S/DC/0598/2016 "Railway electrification and electromechanics".

  In May 2017, the CNMC initiated a penalty proceeding for collusive practices against 26 Spanish companies, including the parent company, in the market for electrification and electromechanical systems for rail transport.

  In December 2017, the CNMC extended the proceeding to a total of 15 natural persons related to the companies, including a former parent company executive.

  In March 2019, the CNMC's Board issued the following penalty resolution with respect to the parent company: (i) a very serious infringement of competition regulation was declared to have been proven; (ii) a penalty of €870,000 was imposed; and (iii) a prohibition was imposed on contracting with the public sector. The CNMC's Board resolved to forward the penalty resolution to the State Consultative Board on Administrative Procurement in order for it to issue a proposal on the material scope and duration of the prohibition on contracting, the final decision pertaining to the Ministry of Finance.

  The parent company filed a contentious-administrative appeal against the resolution and obtained, on 22 July 2019, a precautionary measure consisting of the stay of enforcement of the penalty and of the possible imposition of the prohibition on contracting.

  The proceeding is in progress and the future ruling may be appealed in cassation to the Supreme Court.

- Criminal proceeding derived from the tax inspection initiated in Spain by the tax authorities

  In December 2015, the Spanish tax authorities began a tax inspection of the periods 2011 to 2014 on Indra Sistemas and some of the Group's subsidiaries. The inspection ended in February 2018 and the parent company accepted one tax assessment and contested another. In addition, the inspectorate notified Indra of a provisional settlement proposal related to an offence in the amount of €466 thousand, which included tax defrauded in the amount of €429 thousand, interest and other items.

  In April 2018, the parent company paid the full amount of unpaid tax plus late-payment interest. Following the presentation of allegations to the tax authorities, in October 2018 the Madrid provincial public prosecutor's office brought an action against the parent company.

  In May 2019, Madrid Criminal Court No. 26 issued a judgement, accepted by all the parties, ordering the parent company to pay a fine of €171 thousand (which has been fully settled) and precluding the obtainment of government grants or assistance and the right to enjoy tax or Social Security benefits or incentives to 31 January 2020 (9-month period). The judgement specifies that the prohibition on contracting with the public sector is not applicable, so it has no impact on the parent company's legal capacity to contract and business is continuing as normal.

  As explained in Note 37, on 31 January 2020 the restrictions imposed by Madrid Criminal Court No. 26 ended and therefore the Company has fully served the sentence.

Litigation the occurrence of which is deemed possible amounts to €172,011 thousand (€154,885 thousand in 2018), the most significant being:

- Contentious-administrative proceeding initiated by the Office of the Comptroller General of Ecuador against the parent company

  The lawsuit derives from the contract awarded to Indra Sistemas, S.A. for the "Implementation of a judicial information system for the Council of the Judiciary of Ecuador", currently valued at €15,731 thousand.

Although the contracted work was performed correctly, collected and definitively accepted by the customer, and the system is operational, in August 2013 the Office of the Comptroller General ("*CGE*") issued an administrative resolution claiming joint and several fault-based civil liability of the parent company, together with the Council of the Judiciary's contract administrators, due to the frustration of the contract's purpose, claiming the full reimbursement of the price paid.

After exhausting all recourse under administrative law, in October 2015 the contentious-administrative claim filed by the parent company requesting the annulment of the resolution was given leave to proceed. The proceeding ended with a judgement partially upholding the claim, which was then appealed by the parent company and by the CGE in cassation to National Court of Justice of Ecuador ("*CNJ*"). In March 2018, the CNJ resolved to stay the effects of the appealed judgement without imposing a court bond.

In parallel, the parent company officially notified the Republic of Ecuador of its intention to submit the matter to arbitration under the Investment Protection Treaty due to the breach of essential obligations.

There is also a second proceeding in which, in February 2016, the Council of the Judiciary filed a claim against the parent company for damages currently valued at €3,851 thousand. This proceeding is in the discovery phase.

- Penalty proceeding initiated by the Spanish National Market and Competition Commission ("CNMC") against the parent company and Indra Business Consulting, S.L.U. – Proceeding S/0627/18 "Consultancy firms"

In February 2019, the CNMC initiated a penalty proceeding for alleged collusive practices against 25 companies including the parent company and eight natural persons related to the companies (none related to the parent company). The proceeding is focused on the consultancy services market.

In February 2019, the CNMC requested information from the parent company in relation to the consultancy services market, the reply having been sent to the CNMV within the stipulated period.

In July 2019, the CNMC resolved to extend the proceeding to include the Group company Indra Business Consulting, S.L.U., among others. An information request was sent to the latter company and answered within the stipulated period.

On 16 March 2020, the CNMC issued the Specification of Facts Document on the proceeding alleging that Indra Business Consulting, S.L.U. engaged in antitrust practices in connection with a single project for an immaterial amount (€39 thousand) and extending liability for such practices to the parent company. The parent company will present the appropriate allegations within the stipulated period.

- Arbitration related to consortium costs derived from the High-Speed Railway Line between Mecca and Medina in Saudi Arabia

In April 2018, Ingeniería y Economía del Transporte, S.A. ("INECO"), Entidad Pública Empresarial Administrador de Infraestructuras Ferroviarias ("ADIF") and Entidad Pública Empresarial Renfe Operadora ("RENFE") submitted an application for arbitration to the Spanish Court of Arbitration against the private members of the Spanish Mecca-Medina High-Speed Train Consortium ("CEAVMM"), in which the parent company holds a 7.19% interest, in connection with a dispute concerning the consortium or non-consortium nature of certain costs amounting to €12,000 thousand. Indra Sistemas, S.A. and a further five Spanish consortium members (except for Obrascón Huarte Laín, S.A. ("OHL")) presented joint allegations and a counterclaim for €13,500 thousand. The claim filing deadline is 2 March 2020.

At 31 December 2019, the Group has litigation in progress as the defendant amounting to €90,185 thousand (€188,403 thousand 2018) for which occurrence is deemed to be remote. The most significant proceedings are described below:

- Action for damages caused to the Administration (Brazilian Government Ministry –"INPI"-)

  This is a civil claim for damages initiated in April 2004 and currently valued at €26,984 thousand. The claim was filed before the acquisition of Politec (now Indra Brasil Soluçoes e Serviços Tecnológicos Ltda.) for alleged irregularities in public contracting. The Government Ministry was unable to demonstrate the irregularities and the action was declared inadmissible by the first-instance court. The Ministry has appealed to a higher court and a ruling has yet to be issued.

- Project to implement an HR management ERP for Banco do Brasil ("BB")

  In February 2016, the consortium Plantalto, in which Indra Brasil Soluçoes e Serviços Tecnológicos Ltda. has a 70% interest, brought a claim against BB for contract termination on grounds not attributable to the contractor. BB filed a counterclaim for breach of contract by Indra Brasil Soluçoes e Serviços Tecnológicos Ltda. and for damages currently valued at €17,219 thousand.

  A judgement was passed by the first-instance court in May 2017 in favour of Indra Brasil Soluçoes e Serviços Tecnológicos Ltda. and appealed by BB. The appeal court disallowed BB's appeal, confirming the first-instance judgement. BB lodged a new appeal which was also rejected. In January 2019, BB filed a new appeal at the High Court of Justice, which is pending a judgement. Meanwhile, the intermediate appeals lodged by BB have also been rejected.

- Administrative proceeding initiated by Caixa Económico Federal ("CEF") against Indra Brasil Soluçoes

  In September 2017, the administrative proceeding initiated by CEF concluded by attributing full liability to Indra Brasil Soluçoes e Serviços Tecnológicos Ltda. for damages suffered by CEF in the mass fraud committed in 2015 using the bank's credit cards and ordering Indra Brasil Soluçoes e Serviços Tecnológicos Ltda. to pay the amount claimed, currently valued at €22,755 thousand.

  Indra Brasil Soluçoes e Serviços Tecnológicos Ltda. has filed a claim against the ruling which is now in the discovery phase. A precautionary measure has also been obtained in court, preventing CEF from offsetting the amount of the claim against any amount owed to Indra Brasil Soluçoes e Serviços Tecnológicos Ltda. under other contracts in course of execution.

Additionally, the Company is involved in the following proceeding, the risks of which cannot be determined given the initial stage of the processes:

- Preliminary Proceedings 85/2018 before the National Court's Central First-Instance Court Number 6

  In a decision of 2 September 2019, the National Court's First-Instance Court resolved to summons the parent company as a party under investigation in the proceeding known as "Operación Púnica" (Preliminary Proceedings 85/2014 being heard by the said Court) for alleged facts that could constitute an ongoing offence of bribery relating to the illegal financing of a political party. Indra's legal representative testified on 10 October 2019.

  The Company is cooperating voluntarily and proactively with the Court and the Department of Public Prosecutions, furnishing all the information of which it is aware and which is relevant to the investigation, as well as all the information and documents requested in relation to the facts investigated.

  None of the Company's executives or employees who have been summoned as parties under investigation in the Preliminary Proceedings now form part of Indra.

  The proceeding, which began in July 2014, is still in the investigation stage, so it is not yet possible to predict the possible outcome or implications for the Company.

In addition to the matters described above, the most relevant tax proceedings quantified in this note are described in Note 37.

25) Current financial liabilities due to the issuance of debentures and other marketable securities and bank borrowings

This consolidated statement of financial position heading is analysed below at 31 December 2019 and 2018:

	Thousand euro	
Current	**2019**	**2018**
Interest on debentures and bonds (Note 21)	8,872	7,920
Loans	3,514	17,593
Interest payable	1,644	1,486
Finance lease (Note 27)	-	311
Payables under subsidised research plans	12,680	15,040
Total current bank borrowings	**17,837**	**34,429**
Total	**26,709**	**42,349**

The heading Debentures and bonds includes the following:

- The short-term maturities relating to the parent company's December 2016 convertible bond issue in the amount of €521 thousand (€521 thousand in 2018) (accruing fixed interest at an annual nominal rate of 1.25% payable six-monthly in arrears on 7 April and 7 October each year, the first payment having been made on 7 April 2017).
- The short-term maturities relating to the parent company's December 2016 non-convertible bond issue in the amount of €15 thousand (€15 thousand in 2018) (accruing fixed interest at an annual nominal rate of 3.5%).
- The short-term maturities relating to the parent company's January 2018 non-convertible bond issue in the amount of €815 thousand (€805 thousand in 2018) (accruing fixed interest at an annual nominal rate of 2.9%).
- The short-term maturities relating to the parent company's April 2018 non-convertible bond issue in the amount of €7,522 thousand (€6,578 thousand in 2018) (accruing fixed interest at an annual nominal rate of 3%).

The heading Credits includes the amount of short-term credit lines utilised and of long-term bank borrowings maturing in the short term.

The entire balance of €12,860 thousand (€15,039 thousand in 2018) in Payables under subsidised research plans relates to the short-term portion of loans granted by official bodies to engage in research programmes.

Details of amounts drawable and drawn on credit lines are as follows:

	Thousand euro	
Years	**2019**	**2018**
Amount drawable	133,210	187,298
Amount drawn	2,390	2,302
Total credit lines	**135,600**	**189,600**

26) Trade and other payables

A breakdown of Trade and other payables at 31 December 2019 and 2018 is as follows:

	Thousand euro	
	2019	**2018**
Trade payables for purchases or services received	622,779	655,893
Advance payments from customers	735,900	665,648
Profit/(loss)	**1,358,679**	**1,321,541**

Final Provision Two of Law 31/2014 amends the Spanish Companies Act to improve corporate governance and amends Additional Provision Three of Law 15/2010 on measures to combat late payment in commercial transactions, specifically requiring all trading companies to include the average supplier payment period in the notes to the annual accounts. The Spanish Institute of Accounting and Auditing (ICAC) is also authorised to issue the calculation rules and methodology.

This resolution is mandatory for all Spanish companies that issue consolidated annual accounts, although exclusively those that are established in Spain and are fully or proportionately consolidated.

In the resolution of 29 January 2016, the ICAC provided the method for calculating the average supplier payment period for 2015 and successive years.

The calculation of the average supplier payment period is made using the following formula, pursuant to the ICAC Resolution of 29 January 2016:

$$\text{Average supplier payment period} = \frac{\text{Ratio of transactions paid* Amount of payments made + Ratio of transactions pending payment * Total amount of payments due}}{\text{Total amount of payments made + Total amount of payments due}}$$

Details of the Spanish companies for 2019 and 2018 are as follows:

	2019	**2018**
	Days	**Days**
Average supplier payment period	59	58
Ratio of settled transactions	60	59
Ratio of transactions pending payment	55	52
	Amount € th	**Amount € th**
Total payments made	1,112,655	1,045,472
Total payments pending	259,298	255,833

27) Other current liabilities and Other current financial liabilities

a) Other current liabilities

Set out below is a breakdown of Other current liabilities at 31 December 2019 and 2018:

	Thousand euro	
	2019	**2018**
Public Authorities (Note 37)	140,706	128,111
Accrued wages and salaries	95,478	100,701
Deposits and guarantees received	395	580
Trade provisions	76,222	90,248
Accruals and deferred income	9,616	10,356
Other liabilities	24,949	47,623
Total other current liabilities	**347,366**	**377,619**

Set out below is a breakdown of trade provisions:

	Thousand euro							
	Balance at 12.31.18	**Currency translation differences**	**Scope changes**	**Appropriations**	**Reversals**	**Payments**	**Transfers**	**Balance at 12.31.19**
Provisions for guarantees and onerous contracts	42.645	206	-	743	(27.425)	(118)	22.230	38.281
Other provisions	13.917	246	-	62	(590)	(23)	(13.238)	374
Provisions for other staff costs	5.563	-	396	7.553	-	(86)	(3.982)	9.444
Social security reserve	29	-	-	-	-	-	-	29
Restructuring provisions	28.094	-	-	21	(21)	-	-	28.094
Profit/(loss)	**90.248**	**452**	**396**	**8.379 -**	**(28.036)**	**(227)**	**5.010**	**76.222**

	Thousand euro							
	Balance at 12.31.17	**Currency translation differences**	**Scope changes**	**Appropriations**	**Reversals**	**Payments**	**Transfers**	**Balance at 12.31.18**
Provisions for guarantees and onerous contracts	53.197	12	-	1.823	(26.915)	(839)	15.367	42.645
Other provisions	21.923	125	-	61	(8.172)	(20)	-	13.917
Provisions for other staff costs	4.939	22	-	1.045	(450)	(417)	424	5.563
Social security reserve	29	-	-	-	-	-	-	29
Restructuring provisions	40.094	-	-	-	(12.000)	-	-	28.094
Profit/(loss)	**120.182**	**159**	**-**	**2.929**	**(47.537)**	**(1.276)**	**15.791**	**90.248**

The provisions for guarantees and onerous contracts reflect the estimated costs of related repair or servicing work. This heading includes the amount of €18,183 thousand (€25,778 thousand in 2018) relating to the parent company.

The restructuring provision of €40,094 thousand posted by the parent company in 2015 as a result of the redundancy proceedings announced to employees in August and finalised in December 2016 (time limit 2018) was reclassified to the short term in 2017 (see Note 24). This entailed the obligation to provision the possible payment to the Spanish Treasury, by legal mandate, of a contribution towards the pension funds of employees aged over 50 affected by the restructuring plan.

In 2018, the Group reversed €12,000 thousand of this provision based on an independent expert analysis.

b) Other current financial liabilities

Set out below is a breakdown of Other current financial liabilities at 31 December 2019 and 2018:

	Thousand euro	
	2019	**2018**
Finance lease liabilities	29,662	-
Fixed asset suppliers	24,741	16,708
Other payables	30,845	-
Total other current financial liabilities	**85,248**	**16,708**

The heading Finance lease liabilities includes balances outstanding under IFRS 16 (see Note 2) that are expected to be settled in 2020.

The Group company Indra Holding Tecnología de la Información, S.L.U. records the amount of €6,747 thousand (€6,000 thousand in 2018) under the heading "Fixed-asset suppliers" in relation to the earn-out agreement, which imposes the obligation to pay future compensation, in addition to the cash consideration already paid, in the event that the company Paradigma Digital, S.L. fulfils certain future objectives stipulated in the sale and purchase agreement (see Note 22). The amount has been transferred from the long term in the current year. The parent company recognises under this heading the amount of €7,534 thousand relating to price retentions in connection with the acquisition of the company Sistemas Informáticos Abiertos, S.A.

The heading Other payables relates to the funding granted by the Ministry of Industry, Energy and Tourism to engage in defence programmes through various temporary consortia (UTEs), which are expected to be settled in 2020 (see Note 22).

28) Segment information

The following tables show information on the Group's operating segments, based on the Group companies' financial statements. Review and decision-making in relation to this information is carried out by General Management.

Set out below is the segment information for 2019 and 2018:

	2019 (Thousand Euro)							
Segment information at 31 December 2019:	**T&D**	%	**IT**	%	**Corporate non-distribuible**	**Elimina-tions**	**Total**	%
Total sales	1,190,866		2,038,922		-	(25,849)	3,203,939	100%
Inter-segment sales	2,353		23,496		-	(25,849)	-	-
External sales	**1,188,513**		**2,015,426**		**-**	**-**	**3,203,939**	**100%**
Contribution margin	234,283	**19.7%**	261,503	**13.0%**	-	-	**495,786**	**15.5%**
Other income and expenses	(89,011)		(185,753)		-	-	(274,764)	(8.6%)
EBIT	**145,272**	**12.2%**	**75,750**	**3.8%**	**-**	**-**	**221,022**	**6.9%**
Net financial income/(expense)	-		-		(44,189)	-	(44,190)	(1.4%)
Profit/(loss) in associates	79		652		-	-	731	0.0%
Corporate income tax	(39,790)		(22,718)		11,047	-	(51,461)	(1.6%)
Segment profit/(loss)	**105,561**	**8.9%**	**53,684**	**2.7%**	**(33,142)**	**-**	**126,102**	**3,9%%**
Other information								
Investments	58,735		36,880		-	-	95,615	
Fixed asset depreciation	38,793		86,431		-	-	125,224	
Balance sheet								
Segment assets	1,593,336		1,857,731		854,508	-	4,305,575	
Fixed assets in associates	10,828		67		-	-	10,895	
Total consolidated assets							**4,316,470**	
Liabilities								
Segment liabilities	1,259,770		849,323		1,406,624	-	3,515,717	
Total consolidated liabilities							**3,515,717**	

	2019 (Thousand euro)				
Information by geographic area at 31 December 2019:	**Spain**	**America**	**Europe**	**Asia, Middle East & Africa**	**Total**
External sales	1,590,634	665,457	548,721	399,127	3,203,939
Investments	85,438	6,795	1,224	2,158	95,615
Assets employed	3,099,942	555,643	279,038	381,847	4,316,470

Segment information at 31 December 2018:	2018 (Thousand Euro) T&D	%	IT	%	Corporate non-distribuible	Elimina-tions	Total	%
Total sales	1,187,505		1,916,230		-	-	3,103,735	100%
Inter-segment sales	-		-		-	-	-	-
External sales	**1,187,505**		**1,916,230**		**-**	**-**	**3,103,735**	**100%**
Contribution margin	230,288	**19.4%**	263,641	**13.8%**	**-**	**-**	**493,929**	**15.9%**
Other income and expenses	(73,665)		(220,924)		-	-	(294,589)	9.5%
					-	-		
EBIT	**156,623**	**13.2%**	**42,717**	**2.2%**	**-**	**-**	**199,340**	**6.4%**
Net financial income/(expense)	-		-		(34,727)	-	(34,728)	(1.1%)
Profit/(loss) in associates	195		(919)		-	-	(724)	0.0%
Corporate income tax	(28,491)		(19,766)		6,598	-	(41,659)	(1.3%)
Segment profit/(loss)	**128,327**	**10.8%**	**22,032**	**1.1%**	**(28,129)**	**-**	**122,229**	**3.9%**
Other information								
Investments	34,980		51,285		-	-	86,265	
Fixed asset depreciation	35,686		58,013		-	-	93,699	
Balance sheet								
Assets								
Segment assets	1,576,213		1,563,606		917,823	-	4,030,642	
Fixed assets in associates	11,118		(500)		-	-	10,618	
Total consolidated assets							**4,041,260**	
Liabilities								
Segment liabilities	1,352,565		630,873		1,400,996	-	3,384,434	
Total consolidated liabilities							**3,384,434**	

Information by geographic area at 31 December 2018:	**2018** (Thousand euro) **Spain**	**America**	**Europe**	**Asia, Middle East & Africa**	**Total**
External sales	1,386,702	655,508	491,610	477,239	3,011,059
Investments	46,349	2,464	1,383	1,423	51,619
Assets employed	2,888,057	510,778	224,219	243,534	3,866,588

There is no customer concentration representing more than 10% of revenue.

29) Other operating income

In 2019, this consolidated income statement heading primarily includes grants amounting to €10,942 thousand (€11,781 thousand in 2018) and other sundry income from services totalling €10,162 thousand (€12,264 thousand in 2018).

30) Materials consumed and other supplies

Set out below is a breakdown of the heading Materials consumed and other supplies for the years ended 31 December 2019 and 2018:

	Thousand euro	
	2019	**2018**
Subcontracts and materials consumed	820,984	763,574
Changes in inventories	(25,590)	(12,407)
Total	**795,394**	**751,166**

31) Staff costs

Set out below is an analysis of staff costs for the years ended 31 December 2019 and 2018:

	Thousand euro	
	2019	**2018**
Wages, salaries and similar remuneration	1,336,212	1,217,979
Termination benefits	18,433	36,339
Social Security and other staff welfare charges	403,055	352,560
Total	**1,757,701**	**1,606,877**

In August 2015, parent company management informed the employees of a redundancy plan, which was completed in December 2016 (time limit 2018). At the previous year end, the parent company transferred the amount of the provision recorded, €40,094 thousand, to the short term. In 2018, the Group reversed €12,000 thousand of this provision based on an independent expert analysis.

The average number of Group employees by category during 2019 and 2018 is as follows:

	Number of people					
	2019			**2018**		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
General Management	15	2	17	15	2	17
Executive management	430	93	523	425	84	509
Middle management	2,976	983	3,959	2,803	929	3,732
Technical personnel	24,126	11,761	35,887	21,440	10,570	32,010
Support staff	3,503	3,211	6,714	2,335	1,733	4,068
Other categories	201	108	309	775	461	1,236
Total	**31,251**	**16,158**	**47,409**	**27,793**	**13,779**	**41,572**

The distribution by gender and category at year-end 2019 and 2018 is as follows:

	Number of people					
	2019			**2018**		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
General Management	15	2	17	15	2	17
Executive management	419	92	511	404	78	482
Middle management	2,893	954	3,847	2,778	907	3,685
Technical personnel	24,826	12,072	36,898	22,658	10,888	33,546
Support staff	4,049	3,888	7,937	2,826	2,191	5,017
Other categories	239	158	397	611	349	960
Subtotal	**32,441**	**17,166**	**49,607**	**29,292**	**14,415**	**43,707**
SIA workforce	622	120	742	-	-	-
Total	**33,063**	**17,286**	**50,349**	**29,292**	**14,415**	**43,707**

The average number of employees with a disability rating of 33% or more in 2019 and 2018 in the Group's Spanish companies is shown below by category:

	Number of people					
	2019			2018		
	Men	Women	Total	Men	Women	Total
Senior management	-	1	1	-	1	1
Middle management	20	1	21	17	2	19
Technical personnel	141	86	227	140	80	220
Support staff	28	14	42	24	16	40
Other categories	-	2	2	1	2	3
Total	**189**	**104**	**293**	**182**	**101**	**283**

The parent company also complies with the General Law on the Rights and Social Inclusion of the Disabled through alternative measures such as hiring through special employment centres and making donations to promote the inclusion of the disabled in the labour market.

32) Other operating expenses

This heading breaks down as follows at 31 December 2019 and 2018:

	Thousand euro	
	2019	**2018**
Rents and royalties	120,611	162,266
Repairs and maintenance	39,333	39,675
Professional services	107,191	122,674
Transport and freight	13,222	11,429
Insurance	6,116	6,813
Banking services	7,764	9,259
Donations, trade fairs, advertising and entertainment	14,540	15,548
Supplies	13,346	14,264
Travel and other expenses	125,488	163,033
Taxes	34,893	43,873
Change in guarantees and onerous contracts provisions	(26,249)	(20,261)
Change in trade provisions	5,657	(282)
Total	**461,912**	**561,279**

The decrease in the item Rents and royalties is due essentially to the application of IFRS 16.

33) Impairment losses and Other gains/(losses) on fixed assets

At 31 December 2019 and 2018 this heading breaks down as follows:

	Thousand euro	
	2019	**2018**
Impairment loss and Gains/(losses) on Other intangible assets (Note 9)	(87)	28
Impairment loss and Gains/(losses) on Property, plant and equipment (Note 6)	146	(351)
Impairment loss and Gain/(losses) on Non-current assets held for sale (Note 14)	(1,793)	1,377
Gains/(losses) on other financial assets (Note 12.c)	-	(49)
	(1,734)	**1,005**

34) Other financial income/(expense)

At 31 December 2019 and 2018 this heading breaks down as follows:

	Thousand euro	
	2019	**2018**
Profit from financial assets	657	908
Losses on and impairment of financial assets (Note 12 c)	(1,995)	(576)
	(1,338)	**332**

35) Transactions in foreign currency

The main transactions carried out in currencies other than the euro during 2019 and 2018 break down as follows:

	Thousand euro	
	2019	**2018**
Sales	1,006,607	983,329
Purchases	574,656	565,728

The main transactions in currencies other than the euro have been carried out in US Dollars and Brazilian Reais.

36) Guarantees

At 31 December 2019, the Group had provided guarantees to third parties, issued by various banks and insurance companies, for a total of €1,009,772 thousand. The purpose of most of these guarantees is to ensure the fulfilment of contracts in progress or in their guarantee periods and, to a lesser extent, for tenders made. By amount, the guarantees are issued mainly in Spain, Latin America, the Middle East and the Rest of Europe. At 31 December 2018 guarantees amounted to €1,011,681 thousand.

The Group does not expect any significant liabilities to arise as a result of such guarantees.

Guarantees from third parties were received in 2019 totalling €6,342 thousand (€11,978 thousand in 2018) to ensure compliance with obligations in the implementation of projects. These guarantees take the form of bank guarantees with varying terms, which are enforceable by Indra in the event of a failure to meet the guaranteed obligations by third parties.

37) Tax situation

The parent company pays taxes under the corporate group system and forms part, as the parent company, of Group No. 26/01 which comprises the parent company and as subsidiaries, Indra Sistemas de Seguridad, Inmize Capital, Indra Business Consulting, Indra BPO, Indra Sistemas de Comunicaciones Seguras, Indra BPO Servicios, Prointec, Indra Advanced Technology, Indra Corporate Services, Indra BPO Hipotecario, Indra Soluciones T.I, Indra Soluciones TI Holding, Indra Producción Software, Paradigma Digital, Inertelco, Indra Factoría Tecnológica and Minsait Payments System. During 2019 the companies Indra Factoría Tecnológica and Minsait Payments Systems (incorporated in 2019) were included and Indra Emac was eliminated due to merger.

At 31 December 2019 and 2018, in accordance with IAS 12, the Group has presented net deferred tax assets and deferred tax liabilities by jurisdiction amounting to €91,515 thousand and €87,594 thousand, respectively.

Deferred tax assets

Set out below is an analysis of deferred tax assets:

	Thousand euro							
	Balance at 31.12.18	Scope change	Rate change	Currency translation differences	Generated	Reversals	Other changes	Balance at 31.12.19
Deferred tax assets	247,979	4,911	79	(240)	35,414	(39,094)	(6,439)	242,610

	Thousand euro							
	Balance at 31.12.17	Scope change	Rate change	Currency translation differences	Generated	Reversals	Other changes	Balance at 31.12.18
Deferred tax assets	232,731	(18)	433	(1,225)	47,288	(43,662)	12,432	247,979

The recovery of deferred tax asset balances is dependent on obtaining sufficient future taxable profits. The parent company's directors consider that the projected future earnings of the various Indra Group companies cover the profits required to recover these assets.

A breakdown of this heading in the consolidated statement of financial position at 31 December 2019 and 2018 is as follows :

	Thousand euro	
Item	**2019**	**2018**
Transfers to and applications of provisions	34,768	37,857
Amortisation of goodwill	19,131	11,765
Excess fixed asset depreciation	12,264	12,750
Tax loss carryforwards and deductions	111,250	128,730
IFRS 9 and 15 transition effects	13,037	13,976
Loss-making permanent establishments	21,136	14,510
Other	31,024	28,391
Deferred tax assets	**242,610**	**247,979**

The deferred tax assets of the Spanish companies with reversal periods estimated to exceed one year amounted to €148,391 thousand at 31 December 2019 (€165,755 thousand at 31 December 2018).

Current tax assets

The asset for current corporate income tax at 31 December 2019 and 2018 breaks down as follows:

	Thousand euro	
	2019	**2018**
Amount to be refunded for prior-year corporate income tax	6,733	16,993
Amount to be refunded for current-year corporate income tax	25,261	17,563
Total	**31,994**	**34,556**

Deferred tax liabilities

The parent company has not recognised the deferred tax liability associated with the retained earnings of subsidiaries in which the control it exercises over these companies enables it to manage the timing of the reversal of temporary differences, and it is estimated that these are unlikely to reverse in the near future.

Movements in deferred tax liabilities in 2019 and 2018 break down as follows:

	Thousand euro							
	Balance at 31.12.18	**Scope change**	**Rate change**	**Currency translation differences**	**Generated**	**Reversed**	**Other changes**	**Balance at 31.12.19**
Deferred tax liabilities	90,282	-	-	(556)	1,527	(6,311)	8,174	93,116

	Thousand euro							
	Balance at 31.12.17	**Scope change**	**Rate change**	**Currency translation differences**	**Generated**	**Reversed**	**Other changes**	**Balance at 31.12.18**
Deferred tax liabilities	87,782	226	13	(1,820)	62	(9,603)	13,622	90,282

A breakdown of this heading in the consolidated statement of financial position at 31 December 2019 and 2018 is as follows :

	Thousand euro	
Item	**2019**	**2018**
Finance lease transactions	592	648
Non-exempt capital gains	2,202	2,283
Portfolio provisions	5,193	9,532
Goodwill amortisation	53,349	52,207
Other	31,780	25,612
Deferred tax liabilities	**93,116**	**90,282**

The heading "Other" in the table above mainly includes the tax effect of the assets identified in the price allocation process of the Tecnocom Group amounting to €11,659 thousand, of Paradigma for €5,449 thousand and of North American Transission & Distribution Group, Inc. amounting to €2,840 thousand (Note 5).

It is not expected that a significant amount of the deferred tax liabilities will reverse in less than one year.

Current tax liabilities

Current corporate income tax liabilities at 31 December 2019 and 2018 break down as follows:

	Thousand euro	
	2019	**2018**
Prior-year corporate income tax	1,775	1,245
Current-year corporate income tax	7,976	12,582
Income tax paid abroad	12,538	8,058
Total	**22,289**	**21,885**

Corporate income tax expense

Due to the different treatment permitted under tax legislation for certain operations, the reported results differ from the tax base. The following breakdown includes a reconciliation between the Group companies' results for accounting and tax purposes, as well as the calculation of the corporate income tax expense at 31 December 2019 and 2018:

	Thousand euro	
Items	**2019**	**2018**
A.- Reported profit/(loss) for the year (before taxes)	**177,563**	**163,888**
Adjustments to reported profit/(loss):		
- Non-deductible provisions/portfolio reversals		
- Other positive differences	114,206	72,420
- Other negative differences	(141,783)	(66,081)
Total adjustments to reported profit/(loss)	**(27,577)**	**6,338**
B.- Adjusted reported profit/(loss)	**149,986**	**170,226**
Temporary differences:		
- Positive current year	110,375	154,095
- Positive prior years	23,254	3,341
- Negative current year	(3,938)	(70,654)
- Negative prior years	(72,584)	(91,511)
Total temporary differences	**57,107**	**(4,729)**
C.- Tax base	**207,093**	**165,498**
D.- Tax-loss carryfowards	(25,008)	(15,659)
E.- Adjusted tax base	**182,085**	**149,839**
Tax payable	**45,489**	**38,604**
Tax credits:		
- For international double taxation	(1,630)	(3,291)
- For investments in R+D+I and others	(3,772)	(5,689)
F.- Credit for tax-loss carryforwards (applied) capitalised	**(254)**	**2,297**
G.- Foreign regional taxation	**299**	**632**
H.- Total tax payable	**40,132**	**32,553**
Payments and withholdings on account	10,024	24,641
Tax payable/(receivable)	**30,108**	**7,912**
I.- Deferred tax assets for the year	(27,801)	(35,364)
J.- Recovery of deferred tax assets	19,084	41,173
K.- Deferred tax liabilities for the year	350	318
L.- Recovery of deferred tax liabilities	(5,647)	(5,669)
Accrued corporate income tax (H+I+J+K+L)	**26,118**	**33,012**
Income tax paid abroad	**11,588**	**9,013**
Prior-year corporate income tax	**6,289**	**(2,294)**
Corporate income tax due to different tax rates	**729**	**(116)**
Deductions recognised as assets	**6,737**	**2,044**
M.- Corporate income tax for the year	**51,461**	**41,659**
Profit/(loss) for the year after tax (A-M)	**126,102**	**122,229**

The reconciliation between the statutory tax rate and the effective tax rate borne by the Group is detailed below:

	2019	
	Thousand euro	%
- Consolidated profit/(loss) before tax	**177,563**	
- Tax calculated at the tax rate applicable in Spain	44,391	25.00%
- Effect of permanent differences	(6,894)	(3.88)%
- Effect of deductions	(5,402)	(3.04)%
- Effect of other adjustments to prior-year income tax	6,289	3.54%
- Effect of credit for tax-loss carryforwards	(6,506)	(3.66)%
- Effect of deductions recognised as assets	6,737	3.79%
- Income tax paid abroad	11,887	6.69%
- Effect of different tax rates	959	0.54%
Total	**51,461**	**28.98%**

	2018	
	Thousand euro	%
- Consolidated profit/(loss) before tax	**163,888**	
- Tax calculated at the tax rate applicable in Spain	40,972	25.00%
- Effect of permanent differences	1,586	0.97%
- Effect of deductions	(8,980)	(5.48)%
- Effect of other adjustments to prior-year income tax	(2,294)	(1.40)%
- Effect of credit for tax-loss carryforwards	(1,618)	(0.99)%
- Effect of deductions recognised as assets	2,044	1.25%
- Income tax paid abroad	9,645	5.88%
- Effect of different tax rates (Brazil)	306	0.19%
Total	**41,659**	**25.42%**

The details at 31 December 2019 and 2018 of tax credits generated by investments, training and exports pending recognition under assets are as follows:

(Thousand euro)

Tax credit for investment and other			
Year	**2019**	**Year**	**2018**
2014 and previous years	11,666	2014 and previous years	11,350
2015	11	2015	11
2016	10	2016	10
2017	51	2017	51
2018	139	2018	-
Total 2019	**11,877**	**Total 2018**	**11,422**

The periods in which the deductions for investments, training and exports pending recognition under assets at 31 December are expected to reverse are as follows:

Year	Thousand euro
2020	-
2021	-
2022	-
2023	146
2024	911
Subsequent	10,820
Total	**11,877**

Tax-loss carryforwards pending offset not recognised as assets because the Group considers that their recovery is not expected to occur in a period of less than 10 years break down as follows at 31 December 2019:

(Thousand euro)	
Tax losses available for offset	
Year	**2019**
2015 and previous years	321,592
2016	79,237
2017	42,510
2018	6,223
2019	1,338
Total 2019	**450,900**

The expiration period for the tax-loss carryforwards pending offset for 2019 which have not been recognised as assets is as follows:

Year	Thousand euro
2020	6,324
2021	6,288
2022	4,829
2023	2,569
2024	769
2025	5,523
After 2025	32,285
No limit	392,313

In accordance with current legislation, tax returns may not be considered definitive until the returns filed have been inspected by the tax authorities or the inspection period has lapsed in accordance with the legislation in force in each of the countries in which the Group operates.

On 21 December 2015, the parent company was notified of the commencement of tax inspection proceedings for the following taxes and years:

Tax	Periods
➢Corporate income tax	➢ 2011 to 2014
➢Value added tax	➢ 2012 to 2014
➢Withholdings on non-resident income tax	➢ 2012 to 2014
➢Annual statement of transactions	➢ 2011 to 2014

On 29 March 2016 notification was received of the commencement of inspections on the subsidiaries Indra Software Labs and Indra BPO Servicios for the same years and taxes as the Company referred to above.

As a result of these inspections, on 26 February 2018 the inspection assessments pertaining to Indra Sistemas and its subsidiaries Indra Software Labs and Indra BPO Servicios were signed.

During 2018 and within the same inspection procedure, a settlement proposal linked to a criminal offence was notified for a total amount of €466 thousand (including tax payable of €429 thousand, interest and other items), which had already been recorded as an expense in 2017. This amount was paid in 2018. In May 2019, the relevant conviction was received (see Note 24).

On 31 January 2020 the disqualification period imposed by Madrid Criminal Court No. 26 expired, the parent company having served the sentence in full (see Note 24).

In addition, during 2018 a tax assessment was contested, which included items regularised by the inspection. The impact on expenses quantified by the Company amounted to approximately €18,561 thousand which, following the application of tax losses and deductions pending offset, entailed a potential contingent liability of €9,004 thousand (tax payable plus interest). The Company has not made provision for any amount because it believes, together with its tax advisors, that the risk of failure is low.

The final settlement reports derived from the contested assessments for value added tax and corporate income tax were appealed against before the Central Economic-Administrative Court. At the date of preparation of these annual accounts, these appeals had yet to be ruled on. The assessments are suspended and secured by a bank guarantee.

As a result of the contested assessments, two penalty resolutions were issued totalling € 12,625 thousand. At the date of preparation of these annual accounts, these penalty resolutions had been appealed against before the Central Economic-Administrative Court and had yet to be ruled on. The payments have been automatically suspended and do not need to be secured. These amounts have not been recorded as an expense since the risk of losing the appeal is considered to be low.

On 8 July 2009 the parent company was notified of the commencement of tax inspection proceedings relating to the tax credit for international double taxation with respect to corporate income tax for 2004 to 2007. On 9 December 2010 an assessment was issued which was contested, containing a settlement proposal for corporate income tax for 2004 to 2007, giving rise to an amount payable of €4,493 thousand (€3,806 thousand in principal and €687 thousand in interest). In January 2011, the Company filed allegations requesting the annulment of the assessment. The Company recorded a provision of €3,806 thousand in 2010 under the heading Provision for liabilities and charges on the liabilities side of the balance sheet (Note 24). As a result of this inspection, a mutual agreement procedure was initiated between the Spanish and German tax authorities. At the date of preparation of these annual accounts, a ruling has yet to be issued on this mutual agreement procedure.

On 6 February 2019 notification was received of the commencement of inspection procedures on Tecnocom Telecomunicaciones y Energía, S.A and Tecnocom España Solutions, S.L. The notification was addressed to the Group company Indra Soluciones Tecnologías de la Información, S.L, as it had absorbed both of the foregoing companies in a vertical merger.

The inspection refers to the following taxes and periods:

Tax	Periods
➢ Corporate income tax	➢ 2014 to 2017
➢ Value added tax	➢ 2015 to 2017
➢ Withholdings on earned income/professional fees	➢ 2015 to 2017

The Company's directors do not expect any additional significant contingent liabilities that could have a material impact on equity to arise from this inspection.

The amounts figuring in Note 24, which the Group estimates as possible and which therefore are not provided for, include the following tax proceedings:

- Tax proceedings against Indra Brasil Soluçoes e Serviços Tecnológicos Ltda. related to Service Tax (ISSQN) - São Paulo

  Since 2012, the company Indra Brasil Soluçoes e Serviços Tecnológicos Ltda. has been involved in litigation against the São Paulo municipal authorities in relation to Service Tax (ISSQN) for 2007. In 2014, the liability demanded was paid and the litigation continued. The original amount of the infringement was €3,807 thousand, the updated value of which at 31 December 2019 is €17,626 thousand. The judicial appeal filed is pending resolution.

- Tax proceedings against Indra Brasil Soluçoes e Serviços Tecnológicos Ltda. in relation to tax withheld at source (IRRF)

  In 2010, the company Indra Brasil Soluçoes e Serviços Tecnológicos Ltda. received a settlement from the Brazilian tax administration, the main value of which amounted to €13,720 thousand for company tax (IRPJ), social contribution on net profit (CSLL) and tax withheld at source (IRRF).

  The amounts payable for IRPJ and CSLL, totalling €3,591thousand, have been settled or are being settled through payments in instalments.

  Concerning IRRF, Indra Brasil Soluçoes e Serviços Tecnológicos Ltda. filed an administrative appeal against the assessment, which was disallowed. This administrative ruling will be appealed against in court. The present value of the litigation is €18,619 thousand.

In 2017, the subsidiary Indra Brasil Soluçoes e Serviçios Teçnologicos S.A applied to take part in the PRT (Tax Regularisation Plan) scheme. This scheme allows the payment of tax liabilities by offsetting tax-loss carryforwards (not recorded as tax assets by said company). During 2019, all outstanding liabilities and assets have been settled.

Balances receivable from and payable to Public Authorities

Balances receivable from Public Authorities are as follows:

	Thousand euro	
	2019	**2018**
Taxes refundable:		
VAT	35,150	28,117
Other taxes	7,593	6,125
Subtotal	**42,743**	**34,242**
Receivables from Public Authorities (grants)	1,316	770
Social Security refundable	2,061	2,413
Total (Note 16)	**46,120**	**37,425**

Balances payable to the Public Authorities are as follows:

	Thousand euro	
	2019	**2018**
Taxes payable:		
VAT	62,691	56,310
Personal income tax withholdings	30,426	28,104
Other taxes	7,834	9,275
Subtotal	**100,951**	**93,689**
Payable to public institutions for grants	2	2
Social Security payable	39,753	34,420
Total (Note 27)	**140,706**	**128,111**

38) Financial risk management and hedging policies

Financial risk factors

The Group's activities are exposed to various financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The risk management model attempts to minimise the potential adverse effects on the Group's financial performance.

Financial risk management is controlled by the Group's Finance and Control Departments. Internal regulations provide written policies for overall risk management and for specific areas such as foreign exchange risk, interest rate risk and liquidity risk.

To better manage the risks mentioned above, the Group maintains, in all significant respects, an effective internal control system over financial reporting.

a) Market Risk

(i) Foreign exchange risk

The Group operates internationally and is therefore exposed to foreign exchange risk arising from currency transactions. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities not denominated in each company's functional currency.

In order to mitigate the impact of exchange rate differences in foreign currencies on projects carried out by the Group in currencies other than those of the country of origin, hedging operations (mainly forward currency purchase or sale contracts) are arranged with financial institutions. Indra analyses the foreign exchange risk when signing off on each project and arranges the appropriate hedges (mainly exchange rate insurance) so that future profits cannot be significantly affected by fluctuations in the exchange rate with respect to the respective functional currencies of each subsidiary.

In other words, the Group's foreign exchange risk management policy, in general terms, is to cover 100% of the net exposure from transactions in currency other than each company's functional currency. Hedging instruments are not used in transactions involving immaterial amounts, when there is no active hedge market, as is the case in some non-convertible currencies, and when there are other compensation mechanisms for currency fluctuations available to the customer or supplier.

In addition, the profits generated in subsidiaries whose income and expenses are denominated in a functional currency other than the euro may undergo upward or downward changes when they are consolidated into the Group's accounts, denominated in euros. The Group's significant geographical diversification partly mitigates this risk. However, currency fluctuations, mainly in Latin American countries, given that this is the geographical area with the greatest relative importance in the Group's non-euro business, could have a significant impact on the Group's results. The balances (assets and liabilities) of foreign subsidiaries (not euros) in their own currency are not covered by any hedging instrument.

Appendix III details the Group's exposure to foreign currency risk at 31 December 2019 and 2018. This Appendix reflects the carrying amount, in thousand euro, of the Group's financial instruments or classes of financial instruments denominated in foreign currencies.

To compare the gross exposure covered by hedging instruments, in accordance with Group policies the amounts relating to foreign subsidiaries are eliminated in their own currency.

The sensitivity analysis of exchange rate fluctuations of +/-5% for the main functional currencies (other than the euro) in which the entity has an exposure in its foreign subsidiaries is as follows:

Variation in equity 2019

+5%	Thousand euro
Saudi riyal	1,007
Mexican Peso	1,403
Brazilian real	1,875

Variation in equity 2018

+5%	Thousand euro
Saudi riyal	1,003
Mexican Peso	1,166
Brazilian real	2,421

Variation in results 2019

+5%	Thousand euro
Saudi riyal	428
Mexican Peso	481
Brazilian real	557

Variation in results 2018

+5%	Thousand euro
Saudi riyal	(66)
Mexican Peso	240
Brazilian real	(153)

(ii) Interest rate risk

Interest rate risk arises from exposure to movements in the yield curves of short-, medium- and long-term bank financing. The Group envisages the possibility of arranging financial instruments to manage these risks when conditions so advise. In addition, the parent company has outstanding fixed-interest bond issues (convertible bonds for 2016 and non-convertible bonds for 2016 and 2018) which eliminate this risk with respect to a significant part of its long-term debt (see Notes 21 and 25).

The sensitivity of the Group's consolidated profits, expressed in million euro, to changes in interest rates is as follows:

	2019		**2018**	
	Interest rate fluctuation		Interest rate fluctuation	
Impact on profits	+0.5%	-0.5%	+0.5%	-0.5%
before taxes	(1.73)	0.05	(1.32)	0.56

b) Credit risk

Credit risk is the possibility of financial loss arising from the failure of contract counterparties to meet their obligations.

The Company has applied a model based on expected loss, in accordance with IFRS 9 (see Note 2). In this model, the Group will account for the expected loss and the changes therein at each reporting date to reflect the changes in credit risk from the date of initial recognition. The Group does not have any significant concentrations of credit risk since, on an individual basis, no customer exceeds 10% of revenue.

There is a formal procedure implemented by the Company which excludes institutional debt, retention bonds, debts where the third party is a customer and a supplier and there is a sufficient amount for offset, debts where there is a document acknowledging the same and a commitment to pay by the customer, debts due to customer prepayments, and when there is evidence of a negotiation process from which an agreement allowing an imminent resolution is expected.

Indra is exposed to credit risk to the extent customers do not meet their obligations. The credit quality of the Group's customer portfolio is excellent. Due to the nature of its business, Indra has business relations mainly with large business groups, governments and public and public-private entities that are less exposed to default risk. However, mainly in international sales, mechanisms such as irrevocable letters of credit and insurance coverage are used to ensure collection. The Group's exposure to credit risk is mainly attributable to debtors and accounts receivable, the amounts of which are reflected in the balance sheet less the related provisions for bad debts (see Note 17). Group management considers that the credit risk arising from accounts receivable is adequately covered by the existing bad debt provision. In addition, the Group calculates the expected credit loss over the life of its trade receivables, finance lease receivables and amounts receivable from customers resulting from transactions under the scope of IFRS 15, as indicated in Note 4.i

The accompanying tables reflect the aging analysis of Trade and other receivables, calculated from the date of the payment obligation, at 31 December 2019 and 2018, but which are not impaired.

	2019 (Thousand euro)				
	Less than 3 months	More than 3 months and less than 6 months	More than 6 months and less than 1 year	More than 1 year	Total
Trade and other receivables	204,774	52,907	42,911	41,771	342,363
Total assets	204,774	52,907	42,911	41,771	342,363

	2018 (Thousand euro)				
	Less than 3 months	More than 3 months and less than 6 months	More than 6 months and less than 1 year	More than 1 year	Total
Trade and other receivables	283,956	40,219	34,302	52,339	410,816
Total assets	283,956	40,219	34,302	52,339	410,816

c) Liquidity risk

Liquidity risk relates to the risk of difficulties arising in meeting obligations associated with financial liabilities that are settled in cash or another financial asset. The objectives of liquidity risk management are to guarantee an adequate level of liquidity while minimising the opportunity cost, and to maintain a financial debt structure based on maturities and funding sources. In the short term, liquidity risk is mitigated by maintaining an adequate level of unconditionally available resources, including cash and short-term deposits, available credit lines and a portfolio of highly liquid assets.

The Indra Group's liquidity policy consists of arranging committed long-term credit facilities with banking institutions and current-asset investments for an amount sufficient to cover forecast needs for a period based on the situation and expectations of debt and capital markets. These projected requirements include net financial debt maturities. For further details on the characteristics and conditions of borrowings and financial derivatives, see Notes 21 and 25. The Group makes cash flow projections to ensure that sufficient cash is available to meet operating requirements, while maintaining sufficient levels of availability in its undrawn loans.

At 31 December 2019 and 2018 the maturity of the Indra Group's debt is as follows:

	2019 (Thousand euro)					
	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Bank borrowings	3,197	2,303	12,337	784,570	361	802,768
Financial liabilities for bonds and debentures	-	815	8,057	539,716	54,909	603,497
Trade and other payables	332,686	278,700	175,605	-	-	786,991
Other financial liabilities	7,081	14,163	64,004	184,185	18,329	287,762
Total	342,964	295,981	260,003	1,508,471	73,599	2,481,018
Derivative financial instruments	-	-	22,711	1,139	-	23,850
Total	342,964	295,981	282,714	1,509,610	73,599	2,504,868

	2018 (Thousand euro)					
	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
Bank borrowings	1,707	1,165	31,246	764,414	266	798,798
Financial liabilities for bonds and debentures	-	-	7,920	-	593,533	601,453
Financial liabilities for finance leases	12	148	151	436	-	747
Trade and other payables	240,110	307,584	357,129	-	-	904,823
Other financial liabilities	2,321	3,310	6,909	136,006	-	148,546
Total	244,150	312,207	403,355	900,856	593,799	2,454,367
Derivative financial instruments	-	304	20,440	-	-	20,744
Total	244,150	312,511	423,795	900,856	593,799	2,475,111

In addition, the Group is exposed to a number of other risks which are described in the Management Report attached to these consolidated annual accounts.

39) Foreign currency commitments

The Group has entered into forward currency purchase/sale contracts to hedge its open currency positions at 31 December 2019 (see Note 4.w).

At 31 December 2019, the notional amount contracted in the relevant currencies was as follows:

Currency	Amount in foreign currency			
	Short term		Long term	
	Purchase	Sale	Purchase	Sale
United Arab Emirates dirham	-	3,211,210.00	-	-
Australian dollar	2,516,065.82	11,953,440.56	1,325,788.63	6,230,929.00
Brazilian real	790,344.37	1,111,069.00	-	-
Canadian dollar	119,304.56	184,640.37	-	-
Swiss franc	43,888.00	-	-	-
Chilean peso	495,928,284.00	1,709,176,099.00	-	-
Chinese yuan	9,447,252.69	-	-	-
Colombian peso	-	25,675,843,959.00	-	6,485,671,875.00
Euro	217,210.62	15,773,522.47	-	1,841,601.00
GBP	14,942,356.81	21,968,852.22	337,151.00	4,508,873.82
Indian rupee	-	209,823,286.00	-	-
Kuwaiti dinar	-	864,390.00	-	-
Mexican Peso	1,527,250.00	88,900,028.93	-	4,056,243.00
Malaysian ringgit	-	39,173,627.00	-	-
Norwegian krone	31,675,073.70	2,593,946.00	1,704,704.24	-
Peruvian sol	482,563.40	4,611,447.74	-	-
Philippine peso	13,879,595.00	9,340,914.60	-	-
Polish zloty	210,834.15	-	-	-
Romanian Leu	204,497.76	-	-	-
Saudi riyal	7,000,000.00	311,174,997.07	-	1,720,686.00
Singapore dollar	-	-	-	4,634,482.67
Turkish lira	-	9,336,112.36	-	-
US dollars	30,996,431.96	132,026,138.34	1,688,432.00	16,159,322.00
South-African rand	-	3,330,000.00	-	-

At 31 December 2018, the notional amount contracted in the relevant currencies was as follows:

Currency	Amount in foreign currency			
	Short term		Long term	
	Purchase	Sale	Purchase	Sale
United Arab Emirates dirham		6,914,722.00	-	
Australian dollar	2,351,352.00	14,841,445.20	590,100.00	427,144.00
Brazilian real	2,793,099.28	281,047.64	-	-
Canadian dollar	1,598,436.12	1,147,592.22	-	-
Swiss franc	59,287.98	-	-	-
Chilean peso	650,405,330.00	2,536,152,934.00	-	-
Chinese yuan	2,402,539.00	-	-	-
Colombian peso	345,291,914.00	20,592,070,878.00	-	1,542,815,100.00
Euro	3,798,757.97	23,955,456.72	-	4,327,285.00
GBP	17,964,245.12	9,833,276.38	7,432,617.00	1,835,469.82
Hong Kong dollar	-	4,999,500.00	-	-
Indian rupee	-	1,159,414,923.00	-	43,058,642.00
Kuwaiti dinar	-	1,300,637.00	-	-
Mexican Peso	5,909,707.79	123,346,669.67	-	30,126,373.00
Malaysian ringgit	-	45,365,861.00	-	-
Norwegian krone	70,739,747.06	-	3,745,937.24	-
Peruvian sol	199,867.33	6,666,831.00	-	-
Philippine peso	83,424,973.00	22,946,355.00	-	-
Polish zloty	-	1,325,856.05	-	-
Romanian Leu	2,873,597.81	-	-	-
Saudi riyal	-	349,865,537.00	-	5,292,188.00
Singapore dollar	-	991,928.00	-	4,756,826.67
Turkish lira	1,175,500.00	9,336,112.36	705,300.00	-
US dollars	27,604,101.65	202,383,231.62	1,145,592.00	18,672,697.00

At 31 December 2019 and 2018, the valuation of exchange rate hedges was as follows:

	Thousand euro							
	2019				2018			
	Short term		Long term		Short term		Long term	
Foreign currency hedge	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Cash flow hedges	238	22,711	389	1,139	8,909	20,744	135	786
Fair value hedges	2,672	-	-	-	(6,827)	-	-	-
Total (Note 10)	**2,910**	**22,711**	**389**	**1,139**	**2,082**	**20,744**	**135**	**786**

Information on foreign exchange cash flow hedges is as follows:

- The gross amount reclassified from equity to the consolidated income statement consisted of income totalling €2,226 thousand (expense of €399 thousand in 2018).
- Reconduction expenses (recognised ineffectiveness) amount to €5,125 thousand in 2019 (€5,878 thousand in the previous year) and have been recognised under "Financial expenses" in the consolidated income statement.

The fair value of the above-mentioned contracts in force at 31 December 2019 and 2018 breaks down as follows:

Foreign exchange risk coverage	Thousand euro	
for financial assets	Export	Import
Short term	276,328	55,985
Long term	29,937	3,790
Total 31.12.2019	**306,265**	**59,775**

Foreign exchange risk coverage	Thousand euro	
for financial assets	Export	Import
Short term	349,486	61,202
Long term	28,574	11,066
Total 31.12.2018	**378,060**	**72,268**

40) Directors' and senior management remuneration

1. Directors' remuneration

1.1 Remuneration due to membership of administrative bodies

The remuneration of the members of the Board of Directors in their capacity as such consists of a fixed allowance which accrues based on their membership of administrative bodies and is fully paid in cash.

It has been determined by following the best practices and recommendations in this area contained in the Remuneration Policy approved by the General Shareholders' Meeting on 28 June 2018. The annual amounts applicable for 2018, 2019 and 2020 are as follows: €80 thousand for membership of the Board; €40 thousand for membership of the Audit and Compliance Committee; €24 thousand for membership of the Appointments, Remuneration and Corporate Governance Committee; and €24 thousand for membership of the Sustainability Committee (created in November 2019 to replace the Executive Committee). The chairs of each body receive 1.5 times the above amounts. Depending on the composition of each body, the average annual remuneration is approximately €126 thousand per director.

The total remuneration accruing for each parent company director in 2019 and 2018 for membership of the administrative bodies breaks down as follows:

DIRECTORS' REMUNERATION (€) 2019						
	FIXED ALLOWANCE					
DIRECTOR	BOARD	EXECUTIVE COMMITTEE	AUDIT AND COMPLIANCE COMMITTEE	APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	TOTAL
F. ABRIL-MARTORELL	**120,000**	**33,000**				**153,000**
A TEROL (6)	**80,000**	**22,000**		**36,000**	**2,000**	**140,000**
J.C. APARICIO (1)	**6,667**		**3,333**			**10,000**
A. CUEVAS(2)	**73,333**	**20,000**		**22,000**	**2,000**	**117,333**
E. LEYVA (3)	**80,000**	**22,000**	**50,000**		**2,000**	**154,000**
S. IRANZO (4)	**80,000**			**24,000**	**3,000**	**107,000**
L. LADA (4)	**40,000**	**12,000**	**20,000**			**72,000**
S. MARTÍNEZ-CONDE (6)	**80,000**	**22,000**	**40,000**	**24,000**		**166,000**
I. MARTIN (7)	**80,000**			**24,000**	**2,000**	**106,000**
I. MATAIX	**80,000**					**80,000**
A. MENÉNDEZ (1)	**6,667**	**2,000**		**2,000**		**10,667**
M.ROTONDO	**80,000**		**40,000**			**120,000**
C. RUIZ	**80,000**					**80,000**
I. SANTILANA (8)	**80,000**	**22,000**	**50,000**			**152,000**
M. SEBASTIÁN (2)	**73,333**		**36,667**			**110,000**
I. TORREMOCHA (9)	**40,000**		**20,000**			**60,000**
TOTAL	**1,080,000**	**155,000**	**260,000**	**132,000**	**11,000**	**1,638,000**
Average remuneration per director *(13 directors)*						**126,000**

(1) Director until January (2) Director since February (3) Chairman of the Audit Committee since July, member of the Executive Committee until November and member of the Sustainability Committee since December (4) Chairman of the Sustainability Committee since December (5) Director, member of the Executive Committee and member of the Audit and Compliance Committee until June (6) Member of the Executive Committee until November (7) Member of the Sustainability Committee since December. (8) Chairman of the Audit and Compliance Committee until June and member of the Executive Committee until November (9) Director and member of the Audit and Compliance Committee since July

DIRECTORS' REMUNERATION (€) 2018					
	FIXED ALLOWANCE				
DIRECTOR	BOARD	EXECUTIVE COMMITTEE	AUDIT AND COMPLIANCE COMMITTEE	APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	TOTAL
F. ABRIL-MARTORELL	120,000	36,000			156,000
A TEROL	80,000	24,000		36,000	140,000
D. GARCÍA-PITA (1)	40,000	12,000		12,000	64,000
J.C. APARICIO	80,000		40,000		120,000
E. DE LEYVA	80,000	24,000	40,000		144,000
S. IRANZO	80,000			24,000	104,000
L. LADA (5)	80,000	14,000	40,000		134,000
J. MARCH (2)	6,666.66	2,000			8,667
S. MARTÍNEZ-CONDE (5)	80,000	14,000	40,000	24,000	158,000
I. MARTÍN (3)	40,000			12,000	52,000
I. MATAIX (4)	73,333.33				73,333
A. MENÉNDEZ	80,000	24,000		24,000	128,000
M. ROTONDO	80,000		40,000		120,000
C. RUIZ	80,000				80,000
I. SANTILLANA	80,000	24,000	60,000		164,000
TOTAL	**1,080,000**	**174,000**	**260,000**	**132,000**	**1,646,000**
Average remuneration per director *(13 directors)*					**126,615**

(1) Director until June 2018 (2) Director until January 2018 (3) Director since July 2018. Member of the Appointments, Remuneration and Corporate Governance Committee since July 2018 (4) Director since February 2018 (5) member of the Executive Committee since June

In 2019 and 2018 no options on Company shares were granted to members of the Board of Directors, nor did they exercise any options on the parent company's shares during those years. At year-end 2019 and 2018 the members of the Board of Directors did not hold any options to the parent company's shares.

The directors did not receive any benefit or remuneration in 2019 or 2018 by reason of their membership of the administrative bodies other than those mentioned above, and neither the parent company nor any consolidated group company has entered into any pension commitment or granted any loans or advances in their favour by reason of such membership.

Although, as mentioned above, the directors' remuneration due to their membership of the administrative bodies is fully paid in cash, all the directors allocate a significant part of this remuneration (which currently amounts to 50% of their net remuneration) to the purchase of Indra shares, having publicly stated their commitment to continue owning these shares until the end of their appointments. This decision by the directors was reported to the Spanish National Securities Market Commission by means of a notification of price-sensitive information dated 28 July 2011 and has been implemented since then.

1.2 Remuneration of executive directors for their management functions

Apart from the remuneration indicated in section 1.1 above, executive directors receive additional remuneration by virtue of their contractual relationship with the Company for the performance of their executive duties. This remuneration includes the same criteria and items as the remuneration pertaining to the rest of the Company's senior management. Therefore, for the sake of clarity, it is explained together with their remuneration in section 2 below.

2. Senior management remuneration

2.1. Characteristics and components of the remuneration scheme

The remuneration of the Company's senior management personnel, comprising the executive directors and members of the Management Committee, is determined individually by the Board of Directors at the proposal of the Appointments, Remuneration and Corporate Governance Committee.

It is the Company's ongoing practice to establish the senior management remuneration framework for three-year periods.

At the proposal of the Appointments, Remuneration and Corporate Governance Committee and the Board of Directors, the 2018 General Shareholders' Meeting approved a new compensation scheme for executive directors and other senior managers to bring it into line with international standards and the recommendations of the Code of Good Governance in Listed Companies. Said General Meeting approved the remuneration policy that included these amendments and established the remuneration framework for 2018, 2019 and 2020, which includes the following components:

(i) Fixed Remuneration (FR), which is fully received in cash and remains unchanged for the three-year period, other than in exceptional cases where such is justified.

(ii) Annual Variable Remuneration (AVR). It is determined on the basis of the assessment of the degree of compliance with the related targets. 70% is received in cash and payment of the remaining 30% is deferred in equal parts over three years and is received in full in Company shares, the number of which is determined, based on the average quoted price over the previous thirty calendar days, on the date of accrual of the AVR.

To determine the degree of achievement of each senior manager's targets, both the Company's global targets and individual quantitative and qualitative targets are weighted, referring to their respective areas of responsibility, by the corresponding metrics and achievement rates for each of them.

(iii) Medium-term Remuneration (MTR). This is structured into a three-year cycle and is received in full in the form of Company shares. To this end, the Board made an initial allocation of a number of shares (based on the Target MTR and the share price in the 60 stock market sessions prior to the General Shareholders' Meeting for 2018) of which between 0% and 133% will be delivered at the end of the period, to be determined on the basis of the achievement of the targets set for the period ("Performance Share Plan"). These targets are strategic and medium-term, including relative TSR ("total shareholder return") compared to the Ibex 35 (excluding financial institutions).

The current MTR was established for the three-year period (2018-2020) and will accrue upon completion thereof.

(iv) Benefits in kind consist of life insurance, health insurance and the use of a vehicle.

The weighting of the annualised amounts of each of the above remuneration items - for 100% compliance with AVR and MTR targets - is as follows:

	Chairman and Executive Directors	Senior management
FR	25%	33%-48%
AVR	35%	26%-41%
MTR	40%	16%-35%

In addition, in 2019 and 2018 the executive directors and a senior manager were beneficiaries of the Long Term Savings and Pre-Retirement Plan ("Plan de Ahorro y Prejubilación a Largo Plazo" or PPALP), which is outsourced to an insurance company in the form of a life insurance policy for the event of survival. The Company makes a defined annual contribution for each beneficiary, who is only entitled to receive the balance accumulated in the PPALP on reaching the age of 62 or earlier if he or she leaves the Company for reasons not attributable thereto. Therefore, in the event of dismissal due to breach of contractual obligations, voluntary resignation or death before the age of 62, the senior manager will not receive the PPALP. Annual contributions are determined as a percentage of the senior manager's total annualised target remuneration and are in the range of 6.72% to 17% thereof.

Section B of the Annual Remuneration Report explains each of these remuneration items in detail, including, for variable remuneration, information on the objectives set for executive directors, as well as the procedure and methodology for measuring compliance.

2.2. Remuneration items

In 2019, the composition of senior management was as follows:

Chairman
Fernando Abril-Martorell

Board Directors and General Managers

Cristina Ruiz	*Executive Director, General Manager IT*
Ignació Mataix	*Executive Director, General Manager T&D*
Luis Abril	*Energy, Industry, Consumption and Business Management Solutions*
Berta Barrero	*Transport*
José Cabello	*Human Resources*
Manuel Escalante	*Defence & Security*
Luis Figueroa	*Service Delivery & Production*
Rafael Gallego	*European Programmes and Air Traffic*
Gonzalo Gavín	*International Air Traffic*
Carlos González	*Legal Affairs*
Jorge Estévez	*Defence & Security Operations*
Javier Lázaro	*Economic-Financial*
Antonio Mora	*Management, Operational and Process Control*
Borja Ochoa	*Financial Services*
Luis Permuy	*ASOMAF*

Set out below is a breakdown of executive directors' remuneration:

(€ thousand)	*Fernando Abril-Martorell*		*Cristina Ruiz*		*Ignacio Mataix*	
	Chairman		*Executive Director*		*Executive Director*	
			General Manager IT		*General Manager T&D*	
	2019	***2018***	***2019***	***2018***	***2019***	***2018***
FR	*775*	*775*	*550*	*550*	*550*	*481*
AVR	*867*	*705*	*675*	*690*	*675*	*690*
MTR	--	--	--	--	--	--
Benefits in kind	*30*	*26*	*10*	*10*	*42*	*20*
Sum	***1,672***	*1,506*	***1,235***	*1,250*	***1,267***	*1,191*
PPALP	*465*	*465*	*148*	*148*	*364*	*318*
TOTAL	***2,137***	***1,971***	***1,383***	***1,398***	***1,631***	***1,509***

In addition, in 2019 and 2018, Mr. de Andrés, former Company CEO, received €1,605 thousand and €1,650 thousand, respectively, under the non-competition agreement concluded with the Company.

The MTR for the period (2018-2020) accrues upon the conclusion of the period and therefore no amount is recognised in 2019 or 2018 for this item.

The amounts pertaining to the other **senior managers** who are not executive directors are as follows:

(€ thousand)	2019 (1)	2018
FR	3,908	3,810
AVR	2,662	2,934
MTR	--	--
Benefits in kind	160	158
Sum	**6,730**	**6,902**
Other	263 (2)	1,194 (2)
PPALP	150	150
TOTAL	**7,143**	**8,246**

(1) Data concerning the senior managers listed at the beginning of this section 2.2 (excluding executive directors)

(2) In 2019 it relates to the compensation accrued during the period by the former Company executive, Mr. Suárez, for the non-competition agreement concluded with the Company. In 2018 it relates to the compensation accrued during the period by the former Company executives, Mr. Martín and Mr. Suárez, for the non-competition agreement concluded with the Company.

As mentioned above, the MTR for the period (2018-2020) accrues upon the conclusion of the period and therefore no amount is recognised in 2019 or 2018 for this item.

The current remuneration system does not provide for the delivery of shares as an independent remuneration item. Neither the executive directors nor the senior managers received any remuneration in this respect in 2019 or 2018.

In 2019 and 2018 no stock options were granted to senior management personnel, nor did they exercise any options on the parent company's shares.

Senior management personnel did not receive any benefits, compensation or remuneration in 2019 or 2018 in addition to those indicated in this Note, and neither the parent company nor any of the Group companies have any pension commitments with them nor have they granted any loans or advances to them.

2.3 Contractual framework for executive directors and senior managers

The executive directors have a commercial relationship with the Company through service contracts, which regulate the conditions applicable to their professional relationship with the Company, including a temporary right to an indemnity equivalent to the positive difference between the amount equivalent to one year's total remuneration and the accumulated balance in their favour in the PPALP at the date of termination of the relationship.

The contracts of three other senior managers include a temporary indemnity for an amount equivalent to between one and two years of their total remuneration, which is extinguished either after a transitional period following their joining the Company or when the compensation legally due to them exceeds the guaranteed minimum amount.

The contracts of six senior managers (including the executive directors) provide for a three-month notice period in the event of the termination of their professional relationship by the Company, which, if not observed, must be compensated for by means of an amount equivalent to their total annualised remuneration for the unfulfilled notice period.

The executive directors' contracts in 2019 include a post-contractual non-competition agreement with a duration of one year from the termination of their relationship with the Company, under which they are entitled to an amount equivalent to 0.75 times their total annualised remuneration.

In addition, the contract of one senior manager contains an agreement whereby the Company may, when the employment relation is terminated, enforce a non-competition commitment for a period of two years, in which case the senior manager will be entitled to a compensation of 0.5 times his total annualised remuneration for each year of the non-competition agreement. The contracts of five other senior managers include non-competition agreements enforceable for a period of one year and entitling them to compensation of 0.75 times their fixed remuneration.

3. Other Information

In accordance with the provisions of Royal Decree 602/2016, it is stated hereby that the amount paid as a premium for third-party liability insurance for directors and senior managers by Indra Sistemas S.A. and its subsidiaries during 2019 and 2018 amounted to €142 thousand and €159 thousand, respectively.

41) Information disclosed by the members of the Board of Directors in relation to Article 229 of the Spanish Companies Act

According to the information reported to the Secretary of the Board of Directors, the parent company's directors and persons related to them have not been and are not involved in any conflict of interest that would need to be reported under Article 229 of the Consolidated Text of the Spanish Companies Act.

42) R+D+i activities

Due to their nature, a significant part of the Group's activities involve R&D&i expenses, which are recorded in the consolidated income statement on an accrual basis (Note 4.d.ii).

The total expenditure on projects of this type carried out during 2019, including capitalised projects (Note 9), amounted to €225,315 thousand, equivalent to 7% of the Group's total sales in that year. The expenses incurred under this heading by the parent company during the year accounted for approximately 70% of the total R&D&i expenses incurred by the Group.

In 2018, expenditure on R&D&i projects amounted to €210,045 thousand, equivalent to 6.8% of the Group's total sales.

43) Environmental information

The Group's lines of business have not changed in qualitative terms with respect to previous years, and therefore they continue not to have a significant impact on the environment. The parent company's directors therefore consider that there are no significant contingencies relating to environmental protection and improvement and accordingly it was not considered necessary to record any provision for environmental risks and expenses in 2019 and 2018.

For the same reason, there are no significant assets associated with the protection and improvement of the environment and nor have any relevant environmental expenses been incurred during the year. Therefore, the Group has not requested or received any environmental grants in the years ended 31 December 2019 and 2018.

Due to the efforts made by the Indra Group to meet its Corporate Responsibility commitments, however, it pays particular attention to all matters associated with environmental protection in the performance of its activities. This is reflected in the adoption of an environmental management system based on the ISO 14001 standard, which has been implemented at the Group's work centres, with the greatest efforts having been made from the outset at the facilities of the parent company's most significant centres. With regard to Spain, in addition to the certificates obtained in previous years under said standard for the work centres at Arroyo de la Vega (Avda. de Bruselas – Alcobendas - Madrid), Anabel Segura (Alcobendas-Madrid), c/ Alcalá (Madrid), c/ Julián Camarillo (Madrid), Aranjuez, San Fernando de Henares, Torrejón de Ardoz, Triángulo (c/ San Julián – Alcobendas - Madrid), Badajoz, C/ Miguel Yuste (Madrid), Gran Vía de Les Corts Catalanes (Barcelona), Mejorada del Campo, Barcelona (c/ Roc Boronat), c/ Badajoz (Barcelona), Erandio (Bilbao), Baracaldo (Bilbao), Ciudad Real, Ferrol, Avda. de Arteixo (La Coruña), Bembibre (León), Fuente Álamo (Cartagena – Murcia), Puerto de Santa Maria, c/ Aviación (Sevilla), Cr Prado de la Torre (Bollullos de la Mitación – Sevilla) and Valencia (calle Cardenal Benlloch), in 2019 the work centres at Sant Joan Despi (Barcelona) with Indra BPO service and Minsait Payments Systems, S.L.U. activities and the Kenia building (San Fernando de Henares) with Indra Sistemas activities have also been certified.

In addition to these companies, the companies Indra Producción Software, Indra Sistemas de Seguridad, Indra BPO, Indra Soluciones Tecnología de la Información, Indra Sistemas Comunicaciones Seguras and Indra Business Consulting had already been certified for carrying out activities at the aforementioned centres.

Regarding international subsidiaries, there is an environmental management system based on ISO 14001 implemented in six centres in Colombia where Indra Colombia SAS and Indra Sistemas Sucursal Colombia carry out their activities, in two centres in Portugal belonging to Indra Sistemas Portugal S.A. and Indra III Soluções de Tecnologia da Informação Portugal, Unipessoal Lda, at a centre in Australia belonging to Indra Australia Pty Ltd., at a centre in Italy of Indra Italia S.p.A., at a centre in Brazil belonging to Indra Brasil Soluções e Serviços Tecnológicos S.A, Indra Tecnologia Brasil Ltda., Indra Company Brasil Tecnologia Ltda. and Indra Sistemas Sucursal Brasil and in three centres in Peru belonging to Indra Peru S.A., Tecnocom Peru S.A.C., Indra Servicios Peru S.A.C. and Indra T&D S.A.C.

For further information, see the 2019 Sustainability report available on Indra's website.

44) Auditors' remuneration

In 2016, Deloitte was appointed as the new auditor of the Group's consolidated annual accounts and the remaining subsidiary companies. In the years ended 31 December 2019 and 2018, the net fees for professional services are as follows:

	Thousand euro	
	2019	**2018**
	Deloitte	**Deloitte**
For audit and related services	1,978	2,106
Other assurance services	134	279
Total audit and related services	**2,112**	**2,385**
Tax advisory services	**35**	92
Other services	**-**	13
Total professional services	**2,147**	**2,490**

The amount indicated in the above table includes all fees relating to the audit, irrespective of when they were invoiced, and other non-audit services for 2019 and 2018.

45) Related-party transactions

Related-party transactions with significant shareholders and directors do not represent, individually or as a whole, a significant amount in relation to the parent company's Revenue or balance sheet at 31 December 2019 and 2018, and all these transactions were carried out in the ordinary course of the parent company's business, on an arm's length basis and authorised by the Board of Directors in accordance with its regulations. The above notwithstanding, the parent company's policy is to publicly disclose such transactions in a transparent and detailed manner.

During 2019 and 2018, commercial, financial and service provision/receipt transactions were carried out with significant shareholders at that time, or with companies related to them, represented on the Board.

Transactions with related parties in 2019 and 2018 break down as follows, by nature:

	2019 (Thousand euro)		
Nature of the transaction	**With shareholders**	**With directors**	**Total 31.12.2019**
Sales of goods and services	16,836	-	16,836
Purchase of goods and services	619	-	619
Financial service expenses	6	-	6
	17,461	**-**	**17,461**

	2018 (Thousand euro)		
Nature of the transaction	**With shareholders**	**With directors**	**Total 31.12.2018**
Sales of goods and services	11,207	-	11,207
Purchase of goods and services	755	-	755
Financial service expenses	7	-	7
	11,969	**-**	**11,969**

a) Transactions with shareholders

All transactions carried out in 2019 and 2018 relate to transactions with the shareholders SEPI and Corporación Financiera Alba, or with companies in their respective groups.

The heading "Sales of goods and services" relates to services provided by the Indra Group in the course of its business to the aforementioned shareholders.

The heading "Purchases of goods and services" pertains to services provided to the Indra Group that are required for its business activity.

The heading "Financial service expenses" includes expenses and interest for the management of guarantees with entities related to Corporación Financiera Alba.

In 2019 and 2018, the Indra Group has held guarantee facilities with Banca March that mature annually for an amount of €2,449 thousand and €2,577 thousand, respectively.

No dividends were paid to shareholders represented on the Board of Directors in 2019.

b) Transactions with directors

No transactions were carried out with directors or parties related to them in 2019 or 2018.

The remuneration of the members of the Board of Directors is detailed in Note 40 to the consolidated annual accounts.

c) Related-party transactions

No transactions were carried out with other related parties in 2019 or 2018.

d) Transactions with members of senior management

No transactions were carried out with senior managers or parties related to them in 2019 or 2018.

Senior management remuneration is analysed in Note 40.

e) Transactions with associates

In 2019 and 2018 the parent company's transactions with associates were as follows:

	2019 (Thousand euro)			
	Receivable	**Payable**	**Income**	**Expenses**
Associates	24,370	10,176	27,072	1,107
	24,370	**10,176**	**27,072**	**1,107**

	2018 (Thousand euro)			
	Receivable	**Payable**	**Income**	**Expenses**
Associates	19,864	12,133	28,971	1,772
	19,864	**12,133**	**28,971**	**1,772**

Note: "Trade and other receivables" and "Trade and other payables" include the balances relating to these items at 31 December each year.

f) Transactions with joint operations

Most of the Group's "joint arrangements" are temporary consortia (UTEs), classified as "joint operations" due to the joint and several liability involved, which are consolidated using the proportionate method.

The assets, liabilities, income and expenses of the transactions carried out through joint operations in the form of temporary consortia for 2019 and 2018 are as follows:

	Thousand euro	
	2019	**2018**
Non-current assets	70,714	66,543
Current assets	65,230	59,321
Non-current liabilities	(78,288)	(101,470)
Current liabilities	(55,975)	(22,990)
Revenue	(61,465)	(71,759)
Subcontracting and other expenses	59,784	70,355

Appendix II lists the temporary consortia in which the Group has been involved.

46) Events after the reporting date

1. The emergence of the Coronavirus COVID-19 in China in January 2020 and its recent global expansion to a large number of countries led to the viral outbreak being classified as a pandemic by the World Health Organisation on March 11.

   Considering the complexity of markets due to their globalisation and the absence, for the time being, of effective medical treatment against the virus, the consequences for the economy in general, and for the Group's operations in particular, are uncertain and will depend to a large extent on the evolution and extension of the pandemic in the coming months, as well as on the reaction and adaptation capacity of all the economic players affected.

   The Group's directors and management are monitoring the events and their impact on the Company's operations, its employees, customers and suppliers, applying a number of action protocols in line with the recommendations and instructions of the health and government authorities.

These action protocols include the creation of a multi-disciplinary team of senior managers who continuously evaluate the measures to be taken, the deployment of measures that include encouraging our employees to work remotely from home, as well as the analysis of specific arrangements for employees who cannot work from home, and the establishment of flexible work shifts at our production plants. All the above has been implemented with the aim of maintaining essential production at levels consistent with the current context and the needs of our customers, ensuring the safety of our customers and their operations, as well as the safety of our employees and suppliers. The adoption of measures provided for in current legislation and in RDL 8/2020 of 17 March on urgent and extraordinary measures to deal with the economic and social impact of COVID-19 is being evaluated together with social agents.

The Group's directors and management are constantly monitoring the situation in order to minimise any possible impacts, both financial and non-financial, that might arise.

Particular attention is being paid to the Group's liquidity situation which at year-end was in the position described in Note 18 and which is being further strengthened by the following actions in progress:

- Negotiations for the reduction of a significant part of debt maturities expected for 2021, amounting to €134 million at year-end (Note 21). Debt maturities scheduled for 2020 are not significant and amount to €14 million (Note 25).

- Increase and extension of bank facilities for medium- and long-term financing, and increase in available short-term financing lines. In this respect, as indicated in Note 25, the Group already had undrawn short-term financing lines totalling €136 million at year-end.

It should also be noted that, with the exception of a €80 million loan from the European Investment Bank (Note 21), none of the Group's existing forms of financing are subject to compliance with financial covenants, which could lead to their possible early maturity in the event of a potential impairment of the financial figures.

Although, for all the above reasons, at the date of preparation of these annual accounts it is too early to make a detailed assessment or quantification of the possible impact that COVID-19 will have on the Group due to the uncertainty of its consequences in the short, medium and long term, based on the preliminary assessment made using the available information and according to the monitoring processes established above, we still consider the application of the accounting principles and policies detailed in the annual accounts to be valid at their date of preparation, having not detected at the present time any significant impacts additional to those already indicated which would need to be disclosed in the annual accounts.

2. On 31 January 2020, the period expired for the loss of the possibility of obtaining public subsidies or aid and the right to enjoy tax or Social Security benefits or incentives resulting from the tax inspection. On 6 February 2020, Madrid Criminal Court No. 26 issued a ruling declaring the criminal liability of the parent company to be extinguished due to compliance with the penalty and the definitive closure of the proceedings.

3. With regard to the "Arbitration relating to the consortium costs arising from the High Speed Railway Line between Mecca and Medina in Saudi Arabia" (Note 24), on 2 March 2020, INECO, RENFE and ADIF filed a complaint against the other members of the Spanish consortium amounting to €20.3 million, of which €1.46 million pertained to the parent company.

Indra Sistemas, S.A. and Subsidiaries
Consolidated Annual Accounts at 31 December 2019

Details of Group companies at 31 December 2019

Name	Registered office	Activity
1.- Parent company		
Indra Sistemas, S.A.	Avenida de Bruselas, 35 Alcobendas (Madrid)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
2.- Subsidiaries		
Indra Sistemas de Seguridad, S.A.	Carrer de Roc Boronat, 133 (Barcelona)	Design, development, integration and maintenance of systems and solutions used in surveillance and security controls at facilities.
Indra Sistemas de Comunicaciones Seguras, S.L.	Avenida de Bruselas, 35 Alcobendas (Madrid)	Research, engineering, design, manufacture, development, marketing, installation, maintenance and repair of equipment, devices and systems for security in data communications, encryption, beacons and command and control centres.
Inmize Capital, S.L.	Avenida de Bruselas, 35 Alcobendas (Madrid)	Management and implementation of systems engineering activities for defence, as well as the marketing and sale thereof.
Inmize Sistemas, S.L.	Avenida de Bruselas, 35 Alcobendas (Madrid)	Management and implementation of systems engineering activities for defence, as well as the marketing and sale thereof.
Teknatrans Consultores, S.L.	Portuetxe, 23, (San Sebastián)	Provision of technical architectural and engineering services.
Indra SI, S.A.	Buenos Aires (Argentina)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Azertia Tecnologías de la Información Argentina S.A.	Buenos Aires (Argentina)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Computación Ceicom, S.A.	Buenos Aires (Argentina)	Data processing, consulting and technical assistance in systems analysis, development and implementation of software for computer equipment.
Indra Company Brasil Tecnologia, Ltda.	Sao Paulo (Brazil)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.

This Appendix should be read together with Notes 1 and 5 to the consolidated annual accounts, of which it forms an integral part

Indra Sistemas, S.A. and Subsidiaries
Consolidated Annual Accounts at 31 December 2019

Details of Group companies at 31 December 2019

Company name	Registered office	Activity
Indra Brasil Soluçoes e Serviços Tecnologicos, Ltda	Sao Paulo (Brazil)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Indra Tecnología Brasil LTDA	Brasilia (Brazil)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications for the air traffic sector, defence, transport and land, sea and rail traffic, and electoral processes.
Indra Colombia LTDA.	Bogotá (Colombia)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Indra Sistemas Chile, S.A.	Santiago de Chile (Chile)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Soluziona Guatemala, S.A.	Guatemala (Guatemala)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Indra Sistemas México S.A. de C.V.	Mexico City (Mexico)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Indra BPO México, S.A de C.V	Mexico City (Mexico)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Indra Software Labs México, S.A de C.V	Mexico City (Mexico)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Indra Panamá, S.A.	Panama (Panama)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Indra Company Perú S.A.C.	Lima (Peru)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Indra Perú, S.A.	Lima (Peru)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Soluciones y Servicios Indra Company Uruguay, S.A.	Montevideo (Uruguay)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Indra USA Inc.	Philadelphia (USA)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Indra Italia Spa	Rome (Italy)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.

Indra Sistemas, S.A. and Subsidiaries
Consolidated Annual Accounts at 31 December 2019

Details of Group companies at 31 December 2019

Company name	Registered office	Activity
Indra Czech Republic s.r.o.	Prague (Czech Republic)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Indra Eslovakia, a.s.	Bratislava (Slovakia)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Indra Slovensko, s.r.o.	Bratislava (Slovakia)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Indra Sisteme S.R.L.	Chisinau (Moldova)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Indra Sistemas Polska S.p.z.o.o	Warsaw (Poland)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Indra Sistemas Portugal, S.A.	Lisbon (Portugal)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Elektrica Soluziona S.A. (Romania)	Bucharest (Romania)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Indra Turkey Teknolojileri Çözümleri Anonim Sirketi	Istanbul (Turkey)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Indra Beijing Information Technology Systems Co. Ltd.	Beijing (China)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Indra Philippines, Inc.	Quezon (Philippines)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Indra Technology Solutions Malasya Sdn Bhd	Kuala Lumpur (Malaysia)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
PT Indra Indonesia	Jakarta (Indonesia)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.

This Appendix should be read together with Notes 1 and 5 to the consolidated annual accounts, of which it forms an integral part

Indra Sistemas, S.A. and Subsidiaries
Consolidated Annual Accounts at 31 December 2019

Details of Group companies at 31 December 2019

Company name	Registered office	Activity
Indra Sistemas India Private Limited	New Delhi (India)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Indra Bahrain Consultancy SPC	Manama (Bahrain)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Indra Arabia Company Ltd.	Jeddah (Saudi Arabia)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Indra Technology Solutions Co, Ltd.	Riyadh (Saudi Arabia)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Indra L.L.C.	Muscat (Oman)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Indra Maroc S.A.R.L D´Associé Unique	Rabat (Morocco)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Indra Limited (Kenya)	Nairobi (Kenya)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Soluziona Professional Services (Private) Ltd	Harare (Zimbabwe)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Indra Australia Pty Ltd	Sidney (Australia)	Design, development, production and maintenance of navigation and landing assistance systems and air traffic control systems.
Indra BPO, S.L.	Avenida de Bruselas, 35 Alcobendas (Madrid)	Business process outsourcing (BPO) and management, provision of document management and mortgage management services
Indra BPO Hipotecario, S.L.U.	Avenida de Bruselas, 35 Alcobendas (Madrid)	The performance all the requisite formalities for the payment and registration, as appropriate, in public registries, of all kinds of public and private documents, and the performance of all complementary and auxiliary activities considered necessary for the performance of the company's main activities.
Indra BPO Servicios, S.L.	Avenida de Bruselas, 35 Alcobendas (Madrid)	Digitalisation and data capture management.
Indra II Business Process Outsorcing Portugal, unipersonal LTD	Lisbon (Portugal)	Business Process Outsourcing (BPO).
OUAKHA Services, Saarl AU (Morocco)	Tangier (Morocco)	Back-office process management (BPO) for financial institutions.

Indra Sistemas, S.A. and Subsidiaries
Consolidated Annual Accounts at 31 December 2019

Details of Group companies at 31 December 2019

Company name	Registered office	Activity
Indra Business Consulting, S.L.	Calle Tánger, 98 Barcelona	Provision of professional services covering the areas of business consulting and technology and solutions consulting.
Europraxis ALG Consulting Maroc, S.A.	Casablanca (Morocco)	Provision of professional services covering the areas of business consulting and technology and solutions consulting.
Indra Consultoría de Negocios Brasil LTDA	Sao Paulo (Brazil)	Provision of professional services covering the areas of business consulting and technology and solutions consulting.
Indra Business Consulting ALG Mexico S.A. de C.V.	Mexico City (Mexico)	Provision of professional services covering the areas of business consulting and technology and solutions consulting.
Europraxis ALG Consulting Andina, S.A.C. (Peru)	Lima (Peru)	Provision of professional services covering the areas of business consulting and technology and solutions consulting.
Prointec, S.A.	Avda. de Burgos 12, Madrid	Provision of engineering and consultancy services mainly in the environment, transport, construction, water and industry areas.
Prointec Engenharia, Ltda.	Sao Paulo (Brazil)	Provision of civil engineering and consulting services.
Ingeniería de Proyectos e Infraestructuras Mexicana, S.A. de C.V.	Merida (Mexico)	Provision of technical architectural and engineering services.
Prointec Panamá, S.A.	Ancon (Panama)	Provision of civil engineering and consulting services.
Prointec Usa LLc	Sacramento, California (USA)	R&D Autonomous Air Systems and Advanced Solutions in Unmanned Systems.
Consis Proiect SRL	Bucharest (Romania)	Provision of civil engineering and consulting services.

This Appendix should be read together with Notes 1 and 5 to the consolidated annual accounts, of which it forms an integral part.

Indra Sistemas, S.A. and Subsidiaries
Consolidated Annual Accounts at 31 December 2019

Details of Group companies at 31 December 2019

Company name	Registered office	Activity
Indra Advanced Technology, S.L.	Avenida de Bruselas, 35 Alcobendas (Madrid)	Design, development, production, integration, operation, maintenance, repair and marketing of systems, solutions and products.
AC-B air Traffic Control & Business Systems GmbH (Germany)	Markdorf (Germany)	Design, development, production and maintenance of systems, solutions and services based on the use of information technologies, as well as navigation and landing assistance systems and air traffic control systems.
Avitech AG	Friedrichshafen (Germany)	Design, development, production and maintenance of navigation and landing assistance systems and air traffic control systems.
Indra Navia AS (Park Air, Norway)	Oslo (Norway)	Design, development, production and maintenance of navigation and landing assistance systems and air traffic control systems.
Normeka, AS	Rømskog (Norway)	Design, development, production and maintenance of navigation and landing assistance systems and air traffic control systems.
Indra Corporate Services, S.L.U.	Madrid (Spain)	Provision of all kinds of administration, management and support services to companies, such as financial services, human resource services, commercial support and control services or general corporate security services, and management of property and other assets.
Indra Corporate Services México, S.A de C.V	Mexico City (Mexico)	Provision of professional consulting and advisory services in administrative, financial, human resources and accounting matters, in the corporate, business, industrial, engineering, commercial, banking, stock market, financial, credit, insurance and finance areas.
Inertelco, S.A.	Madrid (Spain)	Development of telecommunications projects
Metrocall, S.A.	Madrid (Spain)	Implementation and operation of mobile telephony in the Metro de Madrid network
Indra III Soluçoes de Tecnología da Informação Portugal Unipessoal, LDA	Lisbon (Portugal)	IT and outsourcing services
Tecnocom Perú S.A.C	Lima (Peru)	Installation and sale of telecommunications equipment
Tecnocom, Telefonía y Redes de México, S.A. de C.V	Mexico City (Mexico)	Installation and sale of telecommunications equipment
Tecnocom Colombia, S.A.S	Bogotá (Colombia)	Installation and sale of telecommunications equipment
Tecnocom Chile, S.A.	Santiago de Chile (Chile)	Installation and sale of telecommunications equipment
Tecnocom Procesadora de Medios de Pago, S.A.	Santo Domingo (Dominican Republic)	Credit card processing services
Tecnocom Procesadora de Chile, S.A	Santiago de Chile (Chile)	Credit card processing services
Paradigma Digital, S.L	Spain	Leading consultant in the Spanish digital transformation market, focusing on the design of customer experience solutions in digital channels, as well as their development and implementation (DCX, Front-end, Digital Strategy)
North American Transmission & Distribution Group Inc	Atlanta (USA)	To acquire and grow companies whose main mission is to support the Electricity Distribution Network
ACS América Latina, S.A de C.V	El Salvador	Manufacture of control systems and operation of energy transmission and distribution networks. As well as the manufacture of control systems and operation of energy transport and distribution networks
Advanced Control Systems, INC	Atlanta (USA)	Manufacture of control systems and operation of energy transmission and distribution networks
Softfobia, S.R.L	Rome (Italy)	Recognised digital agency in Italy with user experience capabilities. Its services cover the value chain from design to development and e-commerce optimisation
Unclick,S.R.L	Rome (Italy)	Italian company whose core business is the development, design and marketing of software and digital solutions
Riganera, S.R.L	Rome (Italy)	Italian company whose core business is web communication and marketing tools
Indra Holding Tecnologías de la Información, S.L.U	Avenida de Bruselas, 35 Alcobendas (Madrid)	Acquisition, holding, enjoyment, direction, administration, management and disposal of equity securities; incorporation and promotion of companies. Financial operations to grant funding and take on debt from companies in the same group
Indra Soluciones Tecnologías de la información, S.L.U.	Avenida de Bruselas, 35 Alcobendas (Madrid)	Computer programming activities. IT consulting activities. Management of IT resources. Other services related to information technology and computing.
Indra Producción Software S.L.U.	Avenida de Bruselas, 35 Alcobendas (Madrid)	Design, development, production, integration and maintenance of systems, equipment, solutions and products based on the use of information technologies. Provision of business, technology and solutions consulting services. Studies, projects, management, technical assistance, technology transfer; marketing of such studies, projects and activities
Indra Corporate Services Philippines, INC	Quezon (Philippines)	Provision of professional consulting and advisory services in administrative, financial, human resources and accounting matters, in the corporate, business, industrial, engineering, commercial, banking, stock market, financial, credit, insurance and finance areas.

This Appendix should be read together with Notes 1 and 5 to the consolidated annual accounts, of which it forms an integral part

Indra Sistemas, S.A. and Subsidiaries
Consolidated Annual Accounts at 31 December 2019

Details of Group companies at 31 December 2019

Company name	Registered office	Activity
Indra Factoría Tecnológica, S.L.U.	Avenida de Bruselas, 35 Alcobendas (Madrid)	The planning, design, development, integration, operation, maintenance and marketing of information and communication technology systems and solutions
Minsait Payments Systems, S.L.U.	Avenida de Bruselas, 35 Alcobendas (Madrid)	Marketing and distribution of systems, software, infrastructure and technological platforms that assist third party issuers of payment instruments in processing transactions made using such payment instruments
Indra T&D SAC	Lima (Peru)	Provision of services and development of projects in the administrative, operational and technological areas on a supervision, administration or implementation level. Computer software development.
Indra Sistemas Transporte y Defensa, S.A De C.V	Cancun (Mexico)	Design, development, manufacture, supply, assembly, repair, maintenance and installation of products, solutions, applications and systems based on the intensive use of information technology.
Sistemas informaticos Abiertos, S.A.	Alcorcón (Madrid)	Provision of cybersecurity services, as well as information management and protection services
Indra Servicios Perú SAC	Lima (Peru)	Provision of services and development of projects in the administrative, operational and technological areas on a supervision level. Computer software development.
Morpheus Aiolos, S.L. (Afterbanks)	Calle San Andrés, 8. (Madrid)	Creation, maintenance and operation of Internet sites and portals; website and portal hosting and maintenance services; domain registration, e-mail and Internet communication services; and activities involving conventional and technological design and advertising services. as well as commercial intermediary services in these business lines.

Indra Sistemas, S.A. and Subsidiaries
Consolidated Annual Accounts at 31 December 2019

Details of Group companies at 31 December 2019

Company name	Registered office	Activity
3.- Associates		
IRB Riesgo Operacional S.L.	Avenida de Bruselas, 35 Alcobendas (Madrid)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: computing, electronics and communications.
Saes Capital, S.A.	Paseo de la Castellana 55, Madrid	Through associated companies, design, development, production, integration, maintenance and operation of electronic, computer and communication systems, mainly related to naval systems and underwater acoustics.
Eurofighter Simulation System GmbH	Munich (Germany)	Development and production of EF-2000 aircraft simulators
Euromids SAS	Paris (France)	Development, manufacture and marketing of tactical communications systems.
Green Border OOD	Sofia (Bulgaria)	Design, development, integration and maintenance of systems and solutions used in surveillance and security controls at facilities.
Tower Air Traffic Services, S.L.	Carretera de Loeches 9, Torrejon de Ardoz (Madrid)	Provision of aerodrome air traffic services, for the management of aircraft traffic.
A4 Essor, S.A.S.	Paris (France)	Development of a radio communications security program.
Societat Catalana Per a la Mobilitat, S.A.	Calle Roc Boronat, nº 133, Barcelona	T-Mobilitat project for the implementation of a new technological, fare and management system for the Metropolitan Transport Authority
Iniciativas Bioenergéticas, S.L.	Gran Vía Juan Carlos I nº9, Logroño (La Rioja)	Study, promotion, development and implementation of innovative projects in environmental and energy production.
Logística marítima de Tuxpan S.A.P.I. de C.V.	Veracruz (Mexico)	Provision of civil engineering and consulting services for port infrastructures
Spa Mobeal	Algeria	Integrated traffic management and monitoring system the Algiers Wilaya
Natmig, AS	Forskningsveien 1, 0314 Oslo, Norway	Participate in the SESAR (Single European Sky ATM Research) programme on behalf of its shareholders.
Global Training Aviation	Madrid (Spain)	Consulting, learning and training services for airlines and initiation and recycling courses for pilots.
Indra México		
Indra Isolux México SA de CV	Mexico City	Supply, installation and commissioning of equipment for toll management systems and/or traffic control systems
Visión Inteligente Aplicada S.A de C.V	Mexico City	Provision of services
EFI Túneles Necaxa SA de CV	Munich (Germany)	Study, consultancy, project development and construction of public works, and any type of civil, hydraulic, electrical, infrastructure and similar works in the public and private sectors, acquisition of construction materials and inputs and the transport thereof and, in general, all matters related to construction.

Indra Sistemas, S.A. and Subsidiaries
Consolidated Annual Accounts at 31 December 2019

Financial data of Group companies at 31 December 2019

Company name	Shareholdings Direct	Indirect	Total	Shareholders' funds	Total operating income	Individ. profit/(loss) after taxes
INDRA GROUP				**769.912**	**3.219.224**	**126.102**
1.- Parent company						
Indra Sistemas, S.A.				**767.716**	**961.268**	**31.389**
2.- Subsidiaries						
Indra Sistemas de Seguridad, S.A.U.	100%	-	100%	2.998	5.830	47
Indra Sistemas de Comunicaciones Seguras, S.L.U.	-	100%	100%	8.738	4.445	868
Inmize Capital, S.L.	80%	-	80%	1.518	-	(2)
Inmize Sistemas, S.L.	-	40%	40%	8.117	513	146
Teknatrans Consultores, S.L.U.	100%	-	100%	493	347	15
Indra Holding TI Group	**100%**	**-**	**100%**	**1.152.578**	**1.976.799**	**71.088**
Prointec Group	**100%**	**-**	**100%**	**(662)**	**35.395**	**(3.621)**
Indra Advanced Technology, S.L. Group	**100%**	**-**	**100%**	**54.998**	**23.013**	**1.166**
Indra Tecnología Brasil LTDA	100%	-	100%	609	1.060	(478)
Indra Sistemas Chile, S.A.	100%	-	100%	13.741	35.503	561
Azertia Tecnologías de la Información Argentina S.A.	99,33%	0,67%	100%	(78)	2	(80)
Indra SI, S.A.	87,16%	12,84%	100%	1.760	23.358	(494)
Computación Ceicom, S.A.	100%	-	100%	341	-	(8)
Indra USA, Inc	100%	-	100%	46.576	17.227	2.230
Advance control Systems, INC	-	100%	100%	10.132	17.208	(5.730)
Soluziona Guatemala, S.A.	99,92%	0,08%	100%	205	-	-
Indra Panamá, S.A.	100%	-	100%	2.046	14.699	546
Indra Sistemas Portugal, S.A.	100%	-	100%	9.609	26.030	451
Indra Navia A.S. (Norway)	100%	-	100%	16.867	50.347	3.738
Normeka, A.S.	-	66%	66%	2.765	1.778	575
Indra Turkey	100%	-	100%	(9)	823	(65)
Indra Maroc S.A.R.L.U.	100%	-	100%	375	1.865	(90)
PT Indra Indonesia	99,99%	0,01%	100%	664	952	441
Indra Arabia Company LTD. (Arabia)	95%	5%	100%	27.756	25.292	9.042
Indra Technology Solutions Co Ltd (Arabia)	95%	5%	100%	613	1.695	(574)
Indra Beijing Information Technology Systems Ltd. (China)	100%	-	100%	2.096	1.946	(669)
Indra Australia Pty Limited	100%	-	100%	6.178	34.764	(10.949)
Indra Sistemas India Private Limited	100%	-	100%	224	2.994	(1.579)
Indra Technology Solutions Malasya Sdn. Bhd	100%	-	100%	(712)	221	(282)
Indra L.L.C (Oman)	99%	1%	100%	1.545	3.307	1.151
Indra Corporate Services, S.L.U.	100%	-	100%	2.399	15.935	531
Indra Corporate Services México S.A de C.V.	0,01%	99,99%	100%	(57)	2.303	(80)
Indra Corporate Services Philippines, INC	-	100%	100%	124	510	44
Inertelco, S.A.	87,50%	-	88%	2.403	-	1
Metrocall, S.A.	-	52,50%	53%	10.959	4.142	1.506
Indra Sistemas Transporte y Defensa, S.A De C.V	100%	-	100%	(34)	1.621	(36)
Indra T&D SAC	100%	-	100%	1.196	336	(14)
Indra Factoria Tecnología	100,0%	-	100%	181	7.854	178
Indra Servicios Perú SAC	99,96%	0,04%	100%	743	1.067	97
Sistemas informáticos Abiertos, S.A.	100,0%	-	100%	9.534	-	-
Cesce Soluções Informáticas, S.A.		100%	100%	429	-	-

This Appendix should be read together with Notes 1, 5 and 19 to the consolidated annual accounts, of which it forms an integral part.

Indra Sistemas, S.A. and Subsidiaries
Consolidated Annual Accounts at 31 December 2019

Financial data of Group companies at 31 December 2019

Company name	Shareholdings Direct	Indirect	Total	Shareholders' funds	Total operating income	Individ. profit/(loss) after taxes
3.- Associates						
Saes Capital, S.A.	49%	-	49%	-	-	-
Eurofighter Simulation System, GmbH	26%	-	26%	-	-	-
Euromids SAS	25%	-	25%	-	-	-
A4 Essor SAS	21%	-	21%	-	-	-
Tower Air Traffic Services, S.L.	50%	-	50%	-	-	-
Societat Catalana per a la Mobilitat, S.A.	23,50%	-	24%	-	-	-
Green Border OOD	50%	-	50%	-	-	-
IRB Riesgo Operacional S.L.	33,33%	-	33%	-	-	-
Global Training Aviation, S.L.	35,06%	-	35%	-	-	-
SPA MOBEAL	24,50%	-	25%	-	-	-
Indra México						
Indra Isolux México SA de CV	50%	-	50%	-	-	-
Visión Inteligente Aplicada S.A de C.V	50%	-	50%	-	-	-
EFI Túneles Necaxa SA de CV	10%	-	10%	-	-	-
TI Holding Group composition				**1.152.578**	**1.976.799**	**71.088**
1.- Parent company						
Indra Holding Tecnologia de la Información, S.L.U.				1.135.418	456	(8.955)
2.- Subsidiaries						
Indra soluciones TI Group	**100%**	**-**	**100%**	**945.912**	**1.700.930**	**27.456**
BPO Group	**100%**	**-**	**100%**	**91.083**	**138.875**	**11.874**
Business Consulting Group	**100%**	**-**	**100%**	**24.738**	**85.106**	**8.377**
Minsait Group	**100%**	**-**	**100%**	**46.252**	**71.191**	**1.356**
Paradigma Digital, SI	100%	-	100%	10.841	44.774	3.109
Indra Soluciones TI Group composition				**945.912**	**1.700.930**	**53.931**
1.- Parent company						
Indra Soluciones Tecnologia de la Información, S.L.U.				973.582	1.081.963	(9.052)
2.- Subsidiaries						
Indra III Soluções de Tecnologia da Informação Portugal	100%	-	100%	5.047	15.428	1.130
Indra Producción de Software, S.L.U.	100%	-	100%	24.670	103.454	7.600
Indra Italia S.P.A. (Italy)	100%	-	100%	36.911	140.019	13.060
Softfobia	-	100%	100%	1.336	2.214	282
Unclick Srl	-	100%	100%	(23)	230	(28)
Riganera Srl	-	100%	100%	55	355	19
Indra Czech Republic S.R.O.	100%	-	100%	3.454	4.140	777
Indra Sistemas Polska Sp.z.o.o	100%	-	100%	(597)	683	(563)
Indra Sisteme S.R.L. (Moldova)	100%	-	100%	446	861	233
Indra Slovakia, A.S.	100%	-	100%	1.805	8.145	176
Indra Slovensko S.R.O.	-	100%	100%	2	-	-
Indra LTDA. (Kenya)	100%	-	100%	5.252	5.087	252
Tecnocom Peru, S.A.C.	100%	-	100%	8.578	13.761	910
Tecnocom Colombia, S.A.	100%	-	100%	918	2.922	924
Tecnocom Chile, S.A.	100%	-	100%	3.616	12.980	430
Indra Colombia LTDA.	100%	-	100%	18.306	63.283	2.439
Soluciones y Servicios Indracompany Uruguay, S.A.	100%	-	100%	739	4.170	70
Indra Software Labs México, S.A. de C.V.	99,01%	0,99%	100%	(1.585)	20.220	319
Indra Brasil Soluçoes e Serviços Tecnologicos S/A	100%	-	100%	43.688	176.128	6.910
Indra Company Brasil Tecnología LTDA. (Brazil)	100%	-	100%	9.315	36.601	2.494
Indra Perú, S.A.	100%	-	100%	6.315	32.030	(422)
Indra Sistemas México, S.A. de C.V.	100%	-	100%	14.585	80.194	3.372
Electrica Soluziona S.A. (Romania)	50,70%	-	51%	2.038	2.538	505
Indra Bahrain Consultancy SPC	100%	-	100%	(946)	180	(1.344)
Indra Philippines INC	50,10%	-	50%	22.819	36.822	3.359
Morpheus Aiolos, S.L. (Afterbanks)	100%	-	100%	502	166	13

This Appendix should be read together with Notes 1, 5 and 19 to the consolidated annual accounts, of which it forms an integral part

Indra Sistemas, S.A. and Subsidiaries
Consolidated Annual Accounts at 31 December 2019

Financial data of Group companies at 31 December 2019

Company name	Shareholdings Direct	Shareholdings Indirect	Shareholdings Total	Shareholders' funds	Total operating income	Individ. profit/(loss) after taxes
BPO Group composition				**91.083**	**138.875**	**11.874**
1.- Parent company						
Indra BPO S.L.U.				62.318	25.523	7.332
2.- Subsidiaries						
Indra BPO Servicios, S.L.U.	100%	-	100%	52.260	104.980	8.073
Indra II Business Outsourcing Portugal, Unipessoal, Limitada	-	100%	100%	842	1.892	192
OUAKHA Services, Sarl AU (Marruecos)	100%	-	100%	(332)	-	(12)
Indra BPO Hipotecario, S.L.U.	100%	-	100%	3	-	-
Indra BPO México, S.S. de C.V.	100%	-	100%	12.075	6.480	484
Business Consulting Group composition				**24.738**	**85.106**	**8.377**
1.- Parent company						
Indra Business Consulting, S.L.U.				19.429	71.690	6.415
2.- Subsidiaries						
Indra Consultoría de Negociós Brasil LTDA.	98,90%	1,10%	100%	(5.326)	1.880	(222)
Indra Business Consulting ALG Mexico S.A. de C.V.	100%	-	100%	6.101	12.349	890
Europraxis-ALG Consulting Andina, S.A.C. (Peru)	100%	-	100%	312	-	(2)
Europraxis ALG Consulting Maroc, S.A. (Morocco)	79,40%	20,60%	100%	(24)	-	(25)
Minsait Group composition				**46.252**	**71.191**	**1.356**
1.- Parent company						
Minsait Payments Systems, SL				44.943	51.722	(1.202)
2.- Subsidiaries						
Tecnocom Procesadora De Chile, S.A.	99,98%	0,02%	100%	6.932	7.775	1.700
Tecnocom, Telefonia y Redes de Mexico, S.A. de C.V.	100%	-	100%	2.754	6.486	2.251
Tecnocom Procesadora de Medios de Pago, S.A.	80%	-	80%	3.021	5.208	342
Indra Company Perú S.A.C.	100%	-	100%	36	-	(28)

Company name	Direct	Indirect	Total	Shareholders' funds	Total operating income	Individ. profit/(loss) after taxes
Prointec Group composition				**(662)**	**35.395**	**(3.621)**
1.- Parent company						
Prointec, S.A.U.				7.797	31.234	(4.106)
2.- Subsidiaries						
Consis Proiect SRL (Romania)	100%	-	100%	748	1.103	(314)
Ingenieria de Proyectos de Infraestructuras Mexicanas, SA de C.V.	100%	-	100%	3.826	1.336	619
Prointec Engenharia, Ltda. (Brazil)	100%	-	100%	363	1.296	37
Prointec Panama, S.A.	75%	-	75%	(120)	-	-
Prointec USA LLC	100%	-	100%	1.581	957	153
3.- Associates						
Iniciativas Bioenergéticas, S.L.	20%	-	20%	-	-	-
Logistica Portuaria de Tuxpan , S.A.P.I de C.V.	25%	-	25%	-	-	-

Company name	Direct	Indirect	Total	Shareholders' funds	Total operating income	Individ. profit/(loss) after taxes
Indra Advanced Technology SL Group composition				**54.998**	**23.013**	**1.166**
1.- Parent company						
Indra Advanced Technology, S.L.U.				47.788	-	501
2.- Subsidiaries						
AC-B air Traffic Control & Business Systems GmbH (Germany)	100%	-	100%	2.557	2.940	328
Avitech GmbH (Germany)	100%	-	100%	5.949	20.073	557
3. Associates						
Natming	25%	-	25%	-	-	-

This Appendix should be read together with Notes 1, 5 and 19 to the consolidated annual accounts, of which it forms an integral part

Indra Sistemas, S.A. and Subsidiaries
Consolidated Annual Accounts at 31 December 2019

Financial data of Group companies at 31 December 2018

Company name	Shareholdings Direct	Indirect	Total	Shareholders' funds	Total operating income	Individ. profit/(loss) after taxes
INDRA GROUP				**656.826**	**3.121.347**	**119.760**
1.- Parent company						
Indra Sistemas, S.A.				**789.391**	**966.248**	**34.964**
2.- Subsidiaries						
Indra Emac, S.A.U.	100%	-	100%	3.834	16.192	2.903
Indra Sistemas de Seguridad, S.A.U.	100%	-	100%	2.942	8.954	(368)
Indra Sistemas de Comunicaciones Seguras, S.L.U.	-	100%	100%	8.295	3.007	474
Inmize Capital, S.L.	80%	-	80%	1.520	0	(2)
Inmize Sistemas, S.L.	-	40%	40%	7.971	564	153
Teknatrans Consultores, S.L.U.	100%	-	100%	513	394	35
Indra Holding TI Group	**100%**	**-**	**100%**	**1.000.724**	**1.568.506**	**51.931**
Prointec Group	**100%**	**-**	**100%**	**2.182**	**42.412**	**(2.023)**
Indra Advanced Technology, S.L. Group	**100%**	**-**	**100%**	**48.553**	**21.188**	**721**
Indra Tecnología Brasil LTDA	99,99%	0,01%	100%	1.076	282	(962)
Indra Brasil Soluçoes e Serviços Tecnologicos S/A	95,32%	4,68%	100%	42.332	178.820	6.504
Indra Company Brasil Tecnología LTDA. (Brazil)	99,99%	0,01%	100%	6.804	3.411	(9.987)
Indra Perú, S.A.	100%	-	100%	8.253	32.103	2.320
Indra Company Perú S.A.C.	100%	-	100%	62	1	(79)
Indra Sistemas México, S.A. de C.V.	99,99%	0,01%	100%	10.609	74.370	375
Indra Sistemas Chile, S.A.	100%	-	100%	21.090	37.268	2.151
Azertia Tecnologías de la Información Argentina S.A.	99,94%	0,06%	100%	(6)	18	(41)
Indra SI, S.A.	82,90%	17,10%	100%	3.026	26.259	(706)
Computación Ceicom, S.A.	95,00%	5,00%	100%	541	1	(18)
Indra USA, Inc	100%	-	100%	46.107	12.874	707
Advance control Systems, INC	-	100%	100%	15.590	5.817	(868)
Soluziona Guatemala, S.A.	99,98%	0,02%	100%	200	0	0
Indra Panamá, S.A.	100%	-	100%	1.449	14.960	703
Indra Sistemas Portugal, S.A.	100%	-	100%	9.158	26.648	1.592
Indra Navia A.S. (Norway)	100%	-	100%	21.141	64.082	8.059
Normeka, A.S.	-	66%	66%	2.849	1.369	341
Indra Turkey	100%	-	100%	37	670	(395)
Electrica Soluziona S.A. (Romania)	50,70%	-	51%	1.748	1.967	183
Indra Maroc S.A.R.L.U.	100%	-	100%	461	1.213	(437)
Indra Bahrain Consultancy SPC	100%	-	100%	(2.545)	806	(1.565)
Indra Technology South Africa, PTY LTD	100%	-	100%	(979)	466	(230)
PT Indra Indonesia	99,99%	0,01%	100%	218	116	(363)
Indra Arabia Company LTD. (Arabia)	95%	5%	100%	18.399	7.549	(696)
Indra Beijing Information Technology Systems Ltd. (China)	100%	-	100%	2.748	2.946	243
Indra Australia Pty Limited	100%	-	100%	5.368	34.584	432
Indra Sistemas India Private Limited	100%	-	100%	1.813	1.830	(347)
Indra Technology Solutions Malasya Sdn. Bhd	100%	-	100%	(414)	344	(443)
Indra Kazakhstan Engineering LLP	51%	-	51%	(3.375)	38	(464)
Indra Philippines INC	50,10%	-	50%	21.956	32.960	3.404
Indra L.L.C (Oman)	99%	1%	100%	383	3.041	89
Indra Corporate Services, S.L.U.	100%	-	100%	2.565	18.849	775
Indra Corporate Services México S.A de C.V.	-	100%	100%	21	2.363	96
Indra Corporate Services Philippines, INC	-	100%	100%	79	175	(98)
Inertelco, S.A.	87,50%	-	88%	2.402	0	1
Metrocall, S.A.	-	52,50%	53%	9.453	3.901	1.423

This Appendix should be read together with Notes 1, 5 and 18f to the consolidated annual accounts, of which it forms an integral part.

Indra Sistemas, S.A. and Subsidiaries
Consolidated Annual Accounts at 31 December 2019

Financial data Group companies at 31 December 2018

Company name	Shareholdings Direct	Indirect	Total	Shareholders' funds	Total operating income	Individ. profit/(loss) after taxes
3.- Associates						
Saes Capital, S.A.	49%	-	49%	-	-	-
Eurofighter Simulation System, GmbH	26%	-	26%	-	-	-
Euromids SAS	25%	-	25%	-	-	-
A4 Essor SAS	21%	-	21%	-	-	-
Tower Air Traffic Services, S.L.	50%	-	50%	-	-	-
Societat Catalana per a la Mobilitat, S.A.	23,50%	-	24%	-	-	-
Green Border OOD	50%	-	50%	-	-	-
IRB Riesgo Operacional S.L.	33,33%	-	33%	-	-	-
Global Training Aviation, S.L.	35,06%	-	35%	-	-	-
SPA MOBEAL	24,50%	-	25%	-	-	-
Indra México						
Indra Isolux México SA de CV	50%	-	50%	-	-	-
Visión Inteligente Aplicada S.A de C.V	50%	-	50%	-	-	-
EFI Túneles Necaxa SA de CV	10%	-	10%	-	-	-

Company name	Direct	Indirect	Total	Shareholders' funds	Total operating income	Individ. profit/(loss) after taxes
TI Holding Group composition				**1.000.724**	**1.568.506**	**51.931**
1.- Parent company						
Indra Holding Tecnologia de la Información, S.L.U.				899.488	362	(1.091)
2.- Subsidiaries						
Indra soluciones TI Group	**100%**	**-**	**100%**	**829.687**	**1.335.688**	**27.456**
BPO Group	**100%**	**-**	**100%**	**70.960**	**150.633**	**10.070**
Business Consulting Group	**100%**	**-**	**100%**	**15.601**	**75.470**	**2.097**
Paradigma Digital, Sl	100%	-	100%	7.732	32.545	2.440
Indra Soluciones TI Group composition				**829.687**	**1.335.688**	**27.456**
1.- Parent company						
Indra Soluciones Tecnologia de la Información, S.L.U.				740.996	1.079.451	(30.838)
2.- Subsidiaries						
Tecnocomport- Tecnología e Informatica, Unipessoal, LDA.	100%	-	100%	3.917	15.898	715
Indra Producción de Software, S.L.U.	100%	-	100%	21.329	90.404	4.460
Indra Italia S.P.A. (Italy)	100%	-	100%	29.851	117.124	9.473
Softfobia	-	100%	100%	1.055	223	19
Unclick Srl	-	100%	100%	5	16	(0)
Riganera Srl	-	100%	100%	36	49	(40)
Indra Czech Republic S.R.O.	100%	-	100%	2.645	3.348	642
Indra Sistemas Polska Sp.z.o.o	100%	-	100%	(34)	1.782	(89)
Indra Sisteme S.R.L. (Moldova)	100%	-	100%	412	1.007	253
Indra Slovakia, A.S.	100%	-	100%	1.649	8.507	932
Indra Slovensko S.R.O.	-	100%	100%	2	0	(1)
Indra LTDA. (Kenya)	100%	-	100%	4.874	5.043	287
Tecnocom Peru, S.A.C.	100%	-	100%	7.371	13.853	638
Tecnocom, Telefonia y Redes de Mexico, S.A. de C.V.	100%	-	100%	478	4.561	(292)
Tecnocom Colombia, S.A.	100%	-	100%	(29)	4.283	(374)
Tecnocom Procesadora De Chile, S.A.	99,90%	0,10%	100%	5.657	7.370	1.992
Tecnocom Chile, S.A.	100%	-	100%	3.402	13.345	262
Tecnocom Procesadora de Medios de Pago, S.A.	80%	-	80%	4.756	5.644	536
Indra Colombia LTDA.	100%	-	100%	15.905	49.534	2.893
Soluciones y Servicios Indracompany Uruguay, S.A.	100%	-	100%	760	3.808	15
Indra Software Labs México, S.A. de C.V.	99,99%	0,01%	100%	(1.800)	12.053	314
3.- Associates						
I-3 Televisión S.L.	50%	-	50%	-	-	-

This Appendix should be read together with Notes 1, 5 and 18f to the consolidated annual accounts, of which it forms an integral part

Indra Sistemas, S.A. and Subsidiaries
Consolidated Annual Accounts at 31 December 2019

Financial data Group companies at 31 December 2018

Company name	Shareholdings Direct	Indirect	Total	Shareholders' funds	Total operating income	Individ. profit/(loss) after taxes
BPO Group composition				**70.960**	**150.633**	**10.070**
1.- Parent company						
Indra BPO S.L.U.				54.986	29.815	5.499
2.- Subsidiaries						
Indra BPO Servicios, S.L.U.	100%	-	100%	51.882	116.758	6.275
Indra II Business Outsourcing Portugal, Unipessoal, Limitada	-	100%	100%	650	614	68
OUAKHA Services, Sarl AU (Morocco)	100%	-	100%	(314)	0	(13)
Indra BPO Hipotecario, S.L.U.	100%	-	100%	3	0	0
Indra BPO México, S.S. de C.V.	99,99%	0,01%	100%	10.912	5.477	990
Business Consulting Group composition				**15.601**	**75.470**	**2.097**
1.- Parent company						
Indra Business Consulting, S.L.U.				12.683	62.815	(885)
2.- Subsidiaries						
Europraxis ALG Consulting, Ltd. (United Kingdom)	100%	-	100%	28	0	0
Indra Consultoría de Negociós Brasil LTDA.	99,99%	0,01%	100%	(5.187)	1.924	(14)
Indra Business Consulting ALG Mexico S.A. de C.V.	99,99%	0,01%	100%	4.891	11.329	1.610
Europraxis-ALG Consulting Andina, S.A.C. (Peru)	99,95%	0,50%	100%	301	0	(5)
Europraxis ALG Consulting Maroc, S.A. (Morocco)	65,71%	34,29%	100%	1	0	(24)
Prointec Group composition				**2.182**	**42.412**	**(2.023)**
1.- Parent company						
Prointec, S.A.U.				11.227	36.836	(1.699)
2.- Subsidiaries						
Consis Proiect SRL (Romania)	100%	-	100%	1.092	1.319	(94)
Ingenieria de Proyectos de Infraestructuras Mexicanas, SA de C.V.	99,99%	0,01%	100%	3.025	2.039	105
Prointec Engenharia, Ltda. (Brazil)	100%	-	100%	338	1.596	198
Prointec Panama, S.A.	75%	-	75%	(118)	0	0
Prointec USA LLC	100%	-	100%	1.394	1.390	203
3.- Associates						
Iniciativas Bioenergéticas, S.L.	20%		20%	-	-	-
Logistica Portuaria de Tuxpan , S.A.P.I de C.V.	25%		25%	-	-	-
Indra Advanced Technology SL Group composition				**48.553**	**21.188**	**721**
1.- Parent company						
Indra Advanced Technology, S.L.U.				47.716	0	477
2.- Subsidiaries						
AC-B air Traffic Control & Business Systems GmbH (Germany)	100%	-	100%	2.229	2.501	339
Avitech GmbH (Germany)	100%	-	100%	5.392	18.687	126
Avitech S.R.O. (Slovakia)	-	100%	100%	-	-	-
3. Associates						
Natming	25%		25%	-	-	-

This Appendix should be read together with Notes 1, 5 and 18f to the consolidated annual accounts, of which it forms an integral part

Indra Sistemas, S.A. and Subsidiaries
Consolidated Annual Accounts at 31 December 2019

Details of joint operations with third parties at 31 December 2019

Name	Direct Interest
With Prointec Engenharia	
CONSORCIO PPA	45,00%
CONSORCIO Prointec - PBLM	58,00%
CONSORCIO Prointec - Consenso - PBLM	47,10%
With Indra SI	
Indra SI SA-Retesar SA UTE	80,00%
Indra SI SA-DCM Solution SA UTE	90,00%
Deloitte & Co.SRL-Indra SI SA UTE	46,38%
Deloitte & Co.SRL-Indra Mant. Anses UTE	46,38%
With Indra Perú	
CONSORCIO LYNX LOTE 2	56,00%
CONSORCIO INGORMATICA EL CORTE INGLES	50,00%
CONSORCIO GMD	50,00%
CONSORCIO LYNX LOTE 3	78,00%
CONSORCIO MINCETUR	98,00%
CONSORCIO FABRICA DE SOFTWARE	50,00%
CONSORCIO REAPRO	85,00%
CONSORCIO SOLUCIONES DIGITALES	25,00%
CONSORCIOO INDRA PETROLEO	95,00%
CONSORCIO PROCOM AGUA	49,00%
CONSORCIO MINEDU	95,00%
CONSORCIO GESTION INDRA SMART	95,00%
CONSORCIO MANTENIMIENTO INDRA	90,00%
With Spanish Group companies	
UTE INDRA-ETRA	55,00%
UTE INDRA - SAINCO	64,00%
ETRALUX SA SICE INDRA (UTE PUCELA)	20,00%
UTE 2 INDRA - UNITRONICS	50,00%
UTE 3 INDRA - UNITRONICS	85,00%
UTE INDRA - ETRA	51,00%
UTE INDRA SISTEMAS, S.A. - EUROCOPTER ESPAÑA, SA	62,50%
UTE INDRA SISTEMAS, S.A. - TELVENT TRAF.Y TRANS.	50,00%
UTE GISS 11	35,00%
UTE INDRA - NOVASOFT - SADIEL	33,33%
UTE CIC-TF	50,00%
UTE AVIONICA	50,00%
UTE CEIDECOM	60,00%
UTE INDRA - CESSER	80,00%
UTE LINEA 9 TRAMO I Y II	64,00%
UTE LINEA 9 MANTENIMIENTO TRAMO IV	64,00%
UTE INDRA - ITP (1)	50,00%
UTE INDRA - ITP (2)	50,00%
UTE ACCESOS CGT MADRID	50,00%
UTE CONTROL ACCESOS DONOSTIA	50,00%
UTE INDRA - SALLEN	70,00%
UTE INDRA-INICIATIVAS AMBIENTALES	50,00%
UTE ACCESOS NOROESTE	30,00%
UTE AVIONICA DE HELICOPTEROS	50,00%
UTE MANTENIMIENTO RONDES 2012	30,00%
UTE INDRA - ALBATROS	60,00%
UTE CONTROL MOGAN	33,34%

Indra Sistemas, S.A. and Subsidiaries
Consolidated Annual Accounts at 31 December 2019

Details of joint operations with third parties at 31 December 2019

Name	**Direct Interest**
UTE INDRA-TECDOA	50,00%
UTE INDRA-INDRA SIST.SEGURIDAD AM 08/2011	50,00%
UTE SIVE INDRA - AMPER	50,00%
UTE INDRA-EADS CASA	50,00%
UTE JAÉN	52,12%
UTE SIVE II INDRA-AMPER	50,00%
UTE SEGURIDAD PEAJES	50,00%
UTE INDRA-PUENTES Y CALZADAS INFRAESTRUCTURAS	80,00%
UTE DGT NOROESTE 2014	65,00%
UTE INSTALACIONES MADRID ESTE	7,50%
INDRA SISTEMAS, SA-INDRA SISTEMAS DE SEGURIDAD, SA, U.T.E.	50,00%
UTE TELEBILLETICA	50,00%
UTE ABI CORREDOR NORTE	10,42%
SISTEMAS Y MONTAJES INDUSTRIALES, S.A.-INDRA SISTEMAS, S.A., U.T.E.	40,00%
UTE DI CUENCA	50,00%
UTE TUNELES DE PAJARES	35,15%
INDRA SISTEMAS, S.A. - INDRA SIST. DE SEGURIDAD, U.T.E.	50,00%
UTE INDRA-IECISA M-14-059	75,00%
UTE MANTENIMIENTO LEVANTE	50,00%
UTE INDRA - TELEFÓNICA SOLUCIONES II	50,00%
UTE CETRADA	33,00%
UTE AC-14 ACCESOS A CORUÑA	90,00%
UTE TUNELES ANTEQUERA	33,66%
UTE MANTENIMIENTO RENFE LOTE 1	50,00%
UTE MANTENIMIENTO RENFE LOTE 2	50,00%
UTE ITS MADRID 15	60,00%
UTE VCR 8X8	37,94%
UTE PROTEC 110	66,02%
UTE MTO. RENFE BCN	65,00%
UTE IRST F-110	50,00%
UTE INDRA-ACISA	50,00%
UTE TSOL-INDRA IV SITEL	35,00%
UTE ABI EXTREMADURA - CORREDOR OESTE	15,00%
UTE TUNELES DE GUADARRAMA	33,66%
UTE ZONA NORTE GC	20,00%
UTE tdE-INDRA	50,00%
UTE INDRA-DEITEL	55,00%
UTE GESTIO DE TRANSIT RONDES	80,00%
UTE ETRA-INDRA MANTENIMIENTO SAE, EBUS Y VEA	33,00%
UTE GESTIO VIARIA GVA SICE-INDRA	50,00%
UTE DGT ITS NORTE 2017	40,00%
UTE INDRA - ITP	50,00%
UTE DGT ITS SURESTE 2017	60,00%
UTE DGT ITS NOROESTE 2017	60,00%
UTE RENFE Y TU	38,00%
UTE INDRA-THALES BMS	50,00%
MANTENIMIENTO DE EQUIPOS DE VENTA Y CONTROL DE ACCESOS RENFE MADRID	75,00%
UTE INTERCOPTERS-INDRA	50,00%
UTE MANTENIMIENTO TELEBILLETICA PAIS VASCO	50,00%
UTE SOCIEDAD IBERICA DE CONSTRUCCIONES ELECTRICAS, S.A. E INDRA SISTEMAS, S.A.	88,00%
UTE MANTENIMIENTO SISTEMAS METRO MALAGA	30,00%
UTE SISCAP	66,00%

Indra Sistemas, S.A. and Subsidiaries
Consolidated Annual Accounts at 31 December 2019

Details of joint operations with third parties at 31 December 2019

Name	Direct Interest
20175305 UTE INDRA - ITP	50,00%
UTE MTTO. TELEBILLETICA RODALIES BCN 2	60,00%
UTE MTTO. TELEBILLETICA RODALIES BCN 3	60,00%
UTE INDRA-AERUM 2018	50,00%
UTE MANTENIMIENTO TELEBILLETICA PAIS VASCO 2	50,00%
UTE LINEA 9 REPOSICION EQUIPAMIENTO	64,00%
UTE SITRAPLUS	50,00%
UTE MTTO.TELEBILLETICA BCN IV	60,00%
UTE CGT LEVANTE	50,00%
UTE MTTO.TELEBILLETICA BCN V	60,00%
UTE MTTO.TELEBILLETICA PAIS VASCO 3	50,00%
UTE MTTO.TELEBILLETICA PAIS VASCO 4	50,00%
UTE MAR-2	60,00%
UTE INDRA - ITP 201862A4	50,00%
UTE INDRA - ITP 2018/1612	50,00%
UTE MTTO.TELEBILLETICA PAIS VASCO 5	50,00%
UTE TUNELES VILARIÑO-TABOADELA	52,00%
UTE MAESAL AIRBUS DS INDRA	34,35%
UTE MTTO.TICKETING MADRID 2	75,00%
UTE MTTO.TELEBILLETICA BCN VI	60,26%
UTE MTTO.TELEBILLETICA BCN VII	61,35%
UTE INDRA-COMSA	63,00%
UTE TUNELES DE GUADARRAMA III	50,00%
UTE INDRA AEROPUERTOS SEGUROS	50,00%
UTE INDRA-ITP (20195324)	50,00%
UTE MTTO.TELEBILLETICA PAIS VASCO 07/18	50,00%
UTE INDRA - ITE - 201853A1	50,00%
UTE CENTRO ESTRADA	33,00%
UTE PIV2011 (PROINTEC-GMV SISTEMAS-EORIAN SYSTEMS-ETRALUX)	50,58%
UTE INDRA EWS/ STN ATLAS	60,00%
UTE INDRA - ALVENTO	50,00%
UTE AEAT 03/07	26,54%
UTE INDRA-COMPAÑÍA VASCA DE INGENIERIA	60,00%
UTE INDRA - NETINEX	50,00%
UTE GISS 7201/10 LOTE 8	35,50%
UTE AEAT 42/10	35,18%
UTE GISS 7201/10 LOTE 6	34,00%
UTE INDRA AM 26/2011	50,00%
UTE INDRA-MNEMO	35,00%
UTE INDRA SISTEMAS, S.A. - SIA, S.p.A.	50,00%
UTE AEAT 10/2011	26,54%
UTE IECISA-INDRA-ZENSANIA-EMTE	37,50%
UTE ACCENTURE, SL-CORITEL-ACCENTURE O.S., SAU-INDRA	25,00%
UTE INDRA-TELEFONICA S.I.C.(SLAE)	50,00%
UTE INDRA - ALTIA (IMSERSO)	59,00%
UTE TGSS 7201/13G	49,00%
UTE INDRA SISTEMAS, SA-AVANTIC ESTUDIO DE INGENIEROS, SL, UTE	89,50%
UTE INDRA-OESIA	87,00%

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Indra Sistemas, S.A. and Subsidiaries
Consolidated Annual Accounts at 31 December 2019

Details of joint operations with third parties at 31 December 2019

Name	Direct Interest
UTE INDRA -TELEFÓNICA HDA	78,38%
UTE INDRA - LKS	65,00%
UTE INDRA - ALFATEC	70,00%
UTE TECNOBIT, S.L.U. - INDRA SISTEMAS, S.A.	41,67%
INDRA SISTEMAS, SA-AYESA ADVANCED TECHNOLOGIES, SA, U.T.E	65,00%
UTE INDRA - TECNOCOM	50,00%
UTE IMD INDRA.TELEF	69,76%
UTE GISS 7201/14G LOTE 1	57,00%
UTE GISS 7201/14G L.2	39,00%
UTE AV 20/2014	35,18%
UTE INDRA-ALTIA-R. CABLE	33,34%
UTE IBERMATICA-INDRA-BILBOMATICA	21,83%
UTE INDRA-CONNECTIS	73,90%
UTE INDRA-XERIDIA	76,30%
UTE AMTEGA 110/2015 L1	70,92%
UTE SALMANTINA	50,00%
UTE INDRA-COINTEC OSAKIDETZA	83,67%
UTE INDRA SISTEM	64,26%
UTE INDRA-AYESA CIS2	65,00%
UTE INDRA-BABEL Me y SS lote 3	90,00%
UTE INSS 7201/16G LOTE 1	22,00%
UTE INDRA-UNISYS	70,00%
UTE INDRA-TELEFONICA	50,00%
UTE INDRA-ALTIA	48,67%
UTE MNEMO-INDRA	48,19%
UTE INDRA-SUMAINFO	71,00%
UTE INDRA BPO-INDRA-TELEFONICA	8,49%
UTE AMTEGA 2017/PA/0027	38,12%
UTE AMTEGA 2017/PA/0039	41,50%
UTE TTE COREMAIN	50,00%
UTE AYESA TECNOCOM	50,00%
UTE SOLTEL GETRONICS	50,00%
UTE TECNOCOM SOPRA	50,00%
UTE GLOBAL ROSETTA T	50,00%
UTE SOPRA TES ADDING	40,00%
UTE GESEIN ALTRAN	34,00%
UTE GISS 7201/17G LOTE 2	43,00%
UTE INDRA - AYESA 17-00234	65,00%
UTE INDRA-SOLTEL	80,00%
UTE IB AV 22/2017 LOTE 4	95,00%
UTE IC AV 22/2017 LOTE 2	52,00%
UTE SCI AV 22/2017 LOTE 3	32,00%
UTE INDRA-ALTIA 362/2017	55,00%
UTE INDRA-PLEXUS 362/2017	40,00%
UTE INDRA - GETRONICS	73,90%
UTE INDRA-COINTEC LABSES	86,00%
UTE CIS AV 22/2017 LOTE 1	32,00%
UTE ALFATEC-INDRA	46,00%
UTE INDRA-SATOCAN	70,00%
UTE TECNOCOM -SOPRA	53,00%
UTE E1L4 INDRA - ALFATEC	70,00%
UTE E4L4 INDRA - ALFATEC	50,00%
UTE COREMAIN-INDRA	45,57%
UTE INDRA-LANIT	93,00%

Indra Sistemas, S.A. and Subsidiaries
Consolidated Annual Accounts at 31 December 2019

Details of joint operations with third parties at 31 December 2019

Name	**Direct Interest**
UTE SOPRA - TECNOCOM	40,00%
UTE IBERMATICA-TECNOCOM	45,00%
UTE E1L1 ALFATEC-INDRA	50,00%
UTE LUGO SMART	52,27%
UTE INDRA - XERIDIA	60,10%
UTE MINSAIT-IECISA MINECO	52,61%
UTE MINSAIT- EVERIS DAH	62,00%
UTE MINSAIT- GETRONICS	73,90%
UTE IBERMATICA-INDRA-BILBOMATICA	21,83%
UTE T-SYSTEMS - MINSAIT, ARXIUS	43,00%
UTE MINSAIT-SDG	52,00%
UTE MINSAIT-VODAFONE	75,00%
UTE MINSAIT-ISOTROL	75,00%
UTE PROINTEC-TYPSA-CEMOSA ALICANTE	34,00%
UTE PROINTEC-PRORAIL	50,00%
PROINTEC-CIVILPORT-ENRIQUE AMIGO (UTE TRAMO 2 TREN DEL SUR)	80,00%
MECSA-ESTUDIO TORRE ELORDUY	70,00%
PROINTEC-ALAUDA	70,00%
UTE PROINTEC-UG 21 (COIN-ALHAURIN)	60,00%
UTE PROINTEC-BLOM	50,00%
PROINTEC - AIRTHINK, S.L. (UTE PLANES DIRECTORES)	80,00%
GEOPRIN-EUROCONSULT ANDALUCIA-EUROCONSULT SA	50,00%
PROINTEC-AUDITORIAS E INGENIERIAS.A. (MONTAJE VIA)	50,00%
UTE PROINTEC-TALHER-GEOCISA-DRAGADOS	10,00%
UTE PROINTEC-EUSKONTROL	50,00%
UTE CEMOSA-TYPSA-PROINTEC	34,00%
UTE INOCSA-PROSER-PROINTEC	33,34%
UTE EIPSA-PROINTEC-EUSKONTROL (UTE VIADUCTO)	50,00%
UTE PAYMA COTAS S.A.U-PRO	50,00%
UTE CEMOSA-TYPSA-PROINTEC	33,00%
PROINTEC-ESTUDIO 7 VARIANTE BAÑADEROS	50,00%
UTE PROINTEC-ESTUDIO 7 CALDERETA	50,00%
PROINTEC-UG 21 (TOCON-ILLORA)	60,00%
PyG ESTRUCTURAS AMBIENTALES, S.L. – PROINTEC, S.A. (U.T.E. LODOS)	50,00%
PROINTEC, S.A.-INTEMAC, S.A.-PAYMA COTAS, S.A.U., UTE (UTE AEROPUERTO VALENCIA)	33,30%
AGUA Y ESTRUCTURAS, S.A. - PROINTEC (UTE AYEPRO)	50,00%
UTE CEMOSA-TYPSA-PROINTEC	33,00%
UTE PROINTEC-GIUR LP-2	50,00%
CONSORCIO P & B COLOMBIA	85,00%
UTE INOCSA-PROINTEC (TUNEL O CAÑIZO)	50,00%
UTE PROINTEC-ACCIONA-ASMATU	50,00%
UTE PROINTEC-BPG UTE PTL2016	50,00%
CONSORCIO SANAG	50,00%
UTE PROINTEC-AIRIA AEROPUERTO DE BARCELONA 2012	50,00%
UTE AUDING-CENSA-INTECSA INARSA-PROINTEC (UTE PORT BARCELONA)	33,00%
UTE PROINTEC-VIGUECONS ESTEVEZ	50,00%
CONSORCIO GMQ	40,00%
AMOREBIETA UTE	23,00%
UTE COLECTOR MURCIA	40,00%
UTE CIESA-PROINTEC	50,00%
UTES REDES VIARIAS	51,00%
UTE PROINTEC SAU E2F SL	70,00%
UTE AT METRO	60,00%
UTE ESTACION SANTIAGO	29,00%

Details of joint operations with third parties at 31 December 2019

Name	**Direct Interest**
APV UTE	50,00%
UTE PROINTEC ATECSUR	60,00%
UTE INCOSA-PROINTEC LOTE 2	50,00%
UTE SANEAMIENTO ALBACETE	50,00%
UTE PM CANARIAS	50,00%
UTE PROINTEC-AR2V	50,00%
UTE CORREDOR MEDITERRANEO	50,00%
CONSORCIO PROINTEC-CONSENSO-PBLM	7,40%
CONSORCIO PPA	5,00%
UTE AL KHOBAR 2	25,00%
UTE ATECSUR-PROINTEC	50,00%
UTE ALG - M & A	70,00%
CONSORCIO ALG ANDINA	90,00%
UTE IBC-ROCA	80,00%
UTE PASAIA	16,00%
UTE INDRA BPO-INDRA-TELEFONICA	78,04%
UTE INDRA-LKS-KZ2018	64,00%
UTE CAYMASA-MAILING	50,00%
INDRA + LKS KZ2019 UTE	64,00%
UTE INDRA BMB - T.SOLUCIONES	69,42%
AIE FORMALIZACIÓN ALCALA 265	20,00%
UTE INDRA-INDRA SIST.SEGURIDAD AM 08/2011	50,00%
UTE SEGURIDAD PEAJES	50,00%
INDRA SISTEMAS, SA-INDRA SISTEMAS DE SEGURIDAD, SA, U.T.E.	50,00%
UTE DI CUENCA	50,00%
UTE TUNELES DE PAJARES	17,10%
INDRA SISTEMAS, S.A. - INDRA SIST. DE SEGURIDAD, U.T.E.	50,00%
UTE TUNELES ANTEQUERA	16,34%
UTE INDRA SISTEMAS DE SEGURIDAD - MONTAJES ELÉCTRICOS ELECTRISUR	80,00%
UTE TUNELES DE GUADARRAMA	16,34%
With Sistemas Informáticos Abiertos	
UTE ALTIA-CONNECTIS-GESEIN-SIA P4/16	26,96%
UTE SIA-ITCONIC	61,80%
UTE SAYOS&CARRERA-SIA EXP. 17/182	30,00%
UTE VIEWNEXT-GESEIN-SOFTWARE AG-SIA	6,93%
UTE VIEWNEXT-AXIANS-SIA	15,47%

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Indra Sistemas, S.A. and Subsidiaries
Consolidated Annual Accounts at 31 December 2019

Details of joint operations with third parties at 31 December 2018

Name	Direct Interest
With Indra SI	
Indra SI SA-Retesar SA UTE	80,00%
Indra SI SA-DCM Solution SA UTE	90,00%
Deloitte & Co.SRL-Indra SI SA UTE	46,38%
Deloitte & Co.SRL-Indra Mant. Anses UTE	46,38%
With Indra Perú	
CONSORCIO PROCOM	49,00%
CONSORCIO INGORMATICA EL CORTE INGLES	50,00%
CONSORCIO GMD	50,00%
CONSORCIO NSC	90,00%
CONSORCIO MINCETUR	98,00%
CONSORCIO FABRICA DE SOFTWARE	50,00%
CONSORCIO REAPRO	85,00%
CONSORCIO SOLUCIONES DIGITALES	25,00%
CONSORCIOO INDRA PETROLEO	95,00%
CONSORCIO PROCOM AGUA	49,00%
CONSORCIO MINEDU	95,00%
CONSORCIO GESTION INFORMACION	44,00%
With Spanish Group companies	
UTE INDRA-ETRA	55,00%
UTE INDRA - SAINCO	64,00%
ETRALUX SA SICE INDRA (UTE PUCELA)	20,00%
UTE SAIH SUR	35,00%
UTE 2 INDRA - UNITRONICS	50,00%
UTE 3 INDRA - UNITRONICS	85,00%
UTE INDRA - ETRA	51,00%
UTE INDRA SISTEMAS, S.A. - EUROCOPTER ESPAÑA, SA	62,50%
UTE INDRA SISTEMAS, S.A. - TELVENT TRAF.Y TRANS.	50,00%
UTE GISS 11	35,00%
UTE INDRA - NOVASOFT - SADIEL	33,33%
UTE PEREZ MORENO SAU - COMSA SA - INDRA SISTEMAS	10,00%
PEREZ MORENO S.AU. COMSA S.A. INDRA SISTEMAS S.A.	20,00%
UTE CIC-TF	50,00%
UTE AVIONICA	50,00%
UTE CEIDECOM	60,00%
UTE ZONA NORTE	10,00%
UTE ALTA CAPACIDAD	20,00%
UTE INDRA - CESSER	80,00%
UTE LINEA 9 TRAMO I Y II	64,00%
UTE LINEA 9 MANTENIMIENTO TRAMO IV	64,00%
UTE INDRA - ITP (1)	50,00%
UTE INDRA - ITP (2)	50,00%
UTE ACCESOS CGT MADRID	50,00%
UTE MANTENIMIENTO SEMAFORICO TORREJON DE ARDOZ	50,00%
UTE CONTROL ACCESOS DONOSTIA	50,00%
UTE INDRA - SALLEN	70,00%
UTE TELVENT - INDRA - ATOS	33,00%
UTE SISTEMAS METRO MALAGA	50,00%
UTE INDRA-INICIATIVAS AMBIENTALES	50,00%
UTE ACCESOS NOROESTE	30,00%

Indra Sistemas, S.A. and Subsidiaries
Consolidated Annual Accounts at 31 December 2019

Details of joint operations with third parties at 31 December 2018

Name	Direct Interest
UTE AVIONICA DE HELICOPTEROS	50,00%
UTE MANTENIMIENTO RONDES 2012	30,00%
UTE INDRA - ALBATROS	60,00%
UTE IECISA - INDRA (ALFIL III)	42,00%
UTE CONTROL MOGAN	33,34%
UTE ACCESOS CGT MADRID II	50,00%
UTE INDRA-TECDOA	50,00%
UTE INDRA-INDRA SIST.SEGURIDAD AM 08/2011	50,00%
UTE SIVE INDRA - AMPER	50,00%
UTE INDRA-EADS CASA	50,00%
UTE INDRA-TELVENT	60,00%
UTE JAÉN	52,12%
UTE SIVE II INDRA-AMPER	50,00%
UTE SEGURIDAD PEAJES	50,00%
UTE INDRA-PUENTES Y CALZADAS INFRAESTRUCTURAS	80,00%
UTE DGT NOROESTE 2014	65,00%
UTE INSTALACIONES MADRID ESTE	7,50%
INDRA SISTEMAS, SA-INDRA SISTEMAS DE SEGURIDAD, SA, U.T.E.	50,00%
UTE TELEBILLETICA	50,00%
UTE ABI CORREDOR NORTE	10,42%
SISTEMAS Y MONTAJES INDUSTRIALES, S.A.-INDRA SISTEMAS, S.A., U.T.E.	40,00%
INDRA SISTEMAS, S.A. - ELEKTRA, S.A., U.T.E.	51,00%
FCC INDUSTRIAL E INFRAESTRUCTURAS ENERGÉTICAS, SAU-	30,00%
UTE DI CUENCA	50,00%
UTE CONTROL POLOPOS	50,00%
UTE TUNELES DE PAJARES	35,15%
INDRA SISTEMAS, S.A. - INDRA SIST. DE SEGURIDAD, U.T.E.	50,00%
UTE INDRA-IECISA M-14-059	75,00%
UTE MANTENIMIENTO LEVANTE	50,00%
UTE INDRA - TELEFÓNICA SOLUCIONES II	50,00%
UTE CETRADA	33,00%
UTE AC-14 ACCESOS A CORUÑA	90,00%
UTE TUNELES ANTEQUERA	33,66%
UTE MANTENIMIENTO RENFE LOTE 1	50,00%
UTE MANTENIMIENTO RENFE LOTE 2	50,00%
UTE ITS MADRID 15	60,00%
UTE VCR 8X8	37,94%
UTE PROTEC 110	66,02%
UTE MTO. RENFE BCN	65,00%
UTE IRST F-110	50,00%
UTE INDRA-ACISA	50,00%
UTE TSOL-INDRA IV SITEL	35,00%
UTE ABI EXTREMADURA - CORREDOR OESTE	15,00%
UTE TUNELES DE GUADARRAMA	33,66%
UTE ZONA NORTE GC	20,00%
UTE tdE-INDRA	50,00%
UTE INDRA-LKS KZ-gunea 019/2016	1,00%
UTE INDRA-DEITEL	55,00%
UTE GESTIO DE TRANSIT RONDES	80,00%
UTE ETRA-INDRA MANTENIMIENTO SAE, EBUS Y VEA	33,00%
UTE GESTIO VIARIA GVA SICE-INDRA	50,00%
UTE DGT ITS NORTE 2017	40,00%
UTE INDRA - ITP	50,00%

Details of joint operations with third parties at 31 December 2018

Name	**Direct Interest**
UTE DGT ITS SURESTE 2017	60,00%
UTE SOCIEDAD IBERICA DE CONST EL E INDRA SISTEMAS	88,00%
UTE DGT ITS NOROESTE 2017	60,00%
UTE RENFE Y TU	38,00%
UTE INDRA-THALES BMS	50,00%
MANTENIMIENTO DE EQUIPOS DE VENTA Y CONTROL DE ACCESOS RENFE MADRID	75,00%
UTE INTERCOPTERS-INDRA	50,00%
UTE MANTENIMIENTO TELEBILLETICA PAIS VASCO	50,00%
UTE SOCIEDAD IBERICA DE CONSTRUCCUIONES ELECTRICAS, S.A. E INDRA SISTEMAS, S.A.	88,00%
UTE MANTENIMIENTO SISTEMAS METRO MALAGA	30,00%
UTE SISCAP	66,00%
20175305 UTE INDRA - ITP	50,00%
UTE MTTO. TELEBILLETICA RODALIES BCN 2	60,00%
UTE MTTO. TELEBILLETICA RODALIES BCN 3	60,00%
UTE INDRA-LKS-KZ2018	1,00%
UTE SOCIEDAD IBERICA DE CONSTRUCCUIONES ELECTRICAS, S.A. E INDRA SISTEMAS, S.A.	88,00%
UTE INDRA-AERUM 2018	50,00%
UTE MANTENIMIENTO TELEBILLETICA PAIS VASCO 2	50,00%
UTE LINEA 9 REPOSICION EQUIPAMIENTO	64,00%
UTE SITRAPLUS	50,00%
UTE MTTO.TELEBILLETICA BCN IV	60,00%
UTE SOCIEDAD IBERICA DE CONSTRUCCUIONES ELECTRICAS, S.A. E INDRA SISTEMAS, S.A.	88,00%
UTE CGT LEVANTE	50,00%
UTE MTTO.TELEBILLETICA BCN V	60,00%
UTE MTTO.TELEBILLETICA PAIS VASCO 3	50,00%
UTE MTTO.TELEBILLETICA PAIS VASCO 4	50,00%
UTE MAR-2	60,00%
UTE INDRA - ITP 201862A4	50,00%
UTE INDRA - ITP 2018/1612	50,00%
UTE PIV2011 (PROINTEC-GMV SISTEMAS-EORIAN SYSTEMS-ETRALUX)	50,58%
UTE INDRA EWS/ STN ATLAS	60,00%
UTE INDRA - ALVENTO	50,00%
UTE INDRA - AGFA	61,00%
UTE AEAT 03/07	26,54%
UTE INDRA-BMB	51,00%
UTE BILBOMATICA, S.A. - INDRA SISTEMAS, S.A.	45,00%
UTE INDRA-COMPAÑÍA VASCA DE INGENIERIA	60,00%
UTE INDRA - NETINEX	50,00%
UTE GISS 7201/10 LOTE 8	35,50%
UTE AEAT 42/10	35,18%
UTE CGSI ASTURIAS LOTE 3	70,00%
UTE CGSI ASTURIAS LOTE 4	60,00%
UTE GISS 7201/10 LOTE 6	34,00%
UTE INDRA AM 26/2011	50,00%
UTE INDRA AM 26/2011	50,00%
UTE ACCENTURE - INDRA	35,00%
UTE INDRA-MNEMO	35,00%
UTE INDRA SISTEMAS, S.A. - SIA, S.p.A.	50,00%
UTE AEAT 10/2011	26,54%
UTE IECISA-INDRA-ZENSANIA-EMTE	37,50%
UTE INDRA-ALTIA (XUNTA DE GALICIA)	50,00%
UTE ACCENTURE, SL-CORITEL-ACCENTURE O.S., SAU-INDRA	25,00%
UTE INDRA-TELEFONICA S.I.C.(SLAE)	50,00%

This Appendix should be read together with Notes 1, 5 and 45 to the consolidated annual accounts, of which it forms an integral part.

Indra Sistemas, S.A. and Subsidiaries
Consolidated Annual Accounts at 31 December 2019

Details of joint operations with third parties at 31 December 2018

Name	Direct Interest
UTE INDRA - ALTIA (IMSERSO)	59,00%
UTE INDRA-ALTIA (AMTEGA)	50,00%
UTE INDRA-ARANZADI	50,00%
UTE TGSS 7201/13G	49,00%
UTE INDRA SISTEMAS, SA-AVANTIC ESTUDIO DE INGENIEROS, SL, UTE	89,50%
UTE INDRA-OESIA	87,00%
UTE INDRA -TELEFÓNICA HDA	78,38%
UTE INDRA - LKS	65,00%
UTE INDRA - ALFATEC	70,00%
UTE TECNOBIT, S.L.U. - INDRA SISTEMAS, S.A.	41,67%
INDRA SISTEMAS, SA-AYESA ADVANCED TECHNOLOGIES, SA, U.T.E	65,00%
UTE INDRA - TECNOCOM	50,00%
UTE INDRA - TECNOCOM	50,00%
UTE IMD INDRA.TELEF	69,76%
UTE GISS 7201/14G LOTE 1	57,00%
UTE GISS 7201/14G L.2	39,00%
UTE AV 20/2014	35,18%
UTE INDRA-ALTIA-R. CABLE	33,34%
UTE IBERMATICA-INDRA-BILBOMATICA	21,83%
UTE INDRA-MNEMO-SOPRA	66,05%
UTE INDRA-CONNECTIS	73,90%
UTE INDRA-XERIDIA	76,30%
UTE AMTEGA 110/2015 L1	70,92%
UTE SALMANTINA	50,00%
UTE INDRA-COINTEC OSAKIDETZA	83,67%
UTE INDRA SISTEM	64,26%
UTE INDRA-AYESA CIS2	65,00%
UTE INDRA-BABEL Me y SS lote 3	90,00%
UTE INSS 7201/16G LOTE 1	22,00%
UTE INDRA-UNISYS	70,00%
UTE INDRA-TELEFONICA	50,00%
UTE INDRA-ALTIA	48,67%
UTE MNEMO-INDRA	48,19%
UTE INDRA-SUMAINFO	71,00%
UTE INDRA BPO-INDRA-TELEFONICA	8,49%
UTE AMTEGA 2017/PA/0027	38,12%
UTE AMTEGA 2017/PA/0039	41,50%
UTE TTE COREMAIN	50,00%
UTE AYESA TECNOCOM	50,00%
UTE SOLTEL GETRONICS	50,00%
UTE AYESA TES	50,00%
UTE TECNOCOM SOPRA	50,00%
UTE GLOBAL ROSETTA T	50,00%
UTE SOPRA TES ADDING	40,00%
UTE GESEIN ALTRAN	34,00%
UTE GISS 7201/17G LOTE 2	43,00%
UTE INDRA - AYESA 17-00234	65,00%
UTE INDRA-SOLTEL	80,00%
UTE IB AV 22/2017 LOTE 4	95,00%
UTE IC AV 22/2017 LOTE 2	52,00%
UTE SCI AV 22/2017 LOTE 3	32,00%
UTE INDRA-ALTIA 362/2017	55,00%
UTE INDRA-PLEXUS 362/2017	40,00%
UTE INDRA - GETRONICS	73,90%

Indra Sistemas, S.A. and Subsidiaries
Consolidated Annual Accounts at 31 December 2019

Details of joint operations with third parties at 31 December 2018

Name	Direct Interest
UTE INDRA-COINTEC LABSES	86,00%
UTE CIS AV 22/2017 LOTE 1	32,00%
UTE ALFATEC-INDRA	46,00%
UTE INDRA-SATOCAN	70,00%
UTE TECNOCOM -SOPRA	53,00%
UTE E1L4 INDRA - ALFATEC	70,00%
UTE E4L4 INDRA - ALFATEC	50,00%
UTE COREMAIN-INDRA	45,57%
UTE INDRA-LANIT	93,00%
UTE SOPRA - TECNOCOM	40,00%
UTE IBERMATICA-TECNOCOM	45,00%
UTE E1L1 ALFATEC-INDRA	50,00%
UTE LUGO SMART	52,27%
UTE INDRA - XERIDIA	60,10%
UTE MINSAIT-IECISA MINECO	52,61%
TRIBUGEST-PROINTEC III	50,00%
UTE PROINTEC-TYPSA-CEMOSA ALICANTE	34,00%
UTE PROINTEC-MEDIO AMBIENTE Y PATRIMONIO SL (MAP)	50,00%
UTE PROINTEC-PRORAIL	50,00%
PROINTEC-CIVILPORT-ENRIQUE AMIGO (UTE TRAMO 2 TREN DEL SUR)	80,00%
MECSA-ESTUDIO TORRE ELORDUY	70,00%
PROINTEC-ALAUDA	70,00%
UTE PROINTEC-UG 21 (COIN-ALHAURIN)	60,00%
UTE PROINTEC-BLOM	50,00%
PROINTEC - AIRTHINK, S.L. (UTE PLANES DIRECTORES)	80,00%
MECSA-OVE ARUP	50,00%
GEOPRIN-EUROCONSULT ANDALUCIA-EUROCONSULT SA	50,00%
PROINTEC-AUDITORIAS E INGENIERIAS.A. (MONTAJE VIA)	50,00%
UTE PROINTEC-TALHER-GEOCISA-DRAGADOS	10,00%
UTE PROINTEC-EUSKONTROL	50,00%
UTE CEMOSA-TYPSA-PROINTEC	34,00%
UTE INOCSA-PROSER-PROINTEC	33,34%
UTE EIPSA-PROINTEC-EUSKONTROL (UTE VIADUCTO)	50,00%
UTE PAYMA COTAS S.A.U-PRO	50,00%
UTE CEMOSA-TYPSA-PROINTEC	33,00%
PROINTEC-ESTUDIO 7 VARIANTE BAÑADEROS	50,00%
UTE PROINTEC-ESTUDIO 7 CALDERETA	50,00%
PROINTEC-UG 21 (TOCON-ILLORA)	60,00%
PyG ESTRUCTURAS AMBIENTALES, S.L. – PROINTEC, S.A. (U.T.E. LODOS)	50,00%
PROINTEC, S.A.-INTEMAC, S.A.-PAYMA COTAS, S.A.U., UTE (UTE AEROPUERTO VALENCIA)	33,30%
AGUA Y ESTRUCTURAS, S.A. - PROINTEC (UTE AYEPRO)	50,00%
UTE CEMOSA-TYPSA-PROINTEC	33,00%
UTE PROINTEC-GIUR LP-2	50,00%
PROINTEC - INGENIA SERVICIOS GLOBALES DE INGENIERIA, S.L. (UTE TRAMO 7 PLAYA DEL INGLES)	70,00%
CONSORCIO P & B COLOMBIA	85,00%
UTE INOCSA-PROINTEC (TUNEL O CAÑIZO)	50,00%
UTE PROINTEC-ACCIONA-ASMATU	50,00%
UTE PROINTEC-BPG UTE PTL2016	50,00%
CONSORCIO SANAG	50,00%
UTE PROINTEC-AIRIA AEROPUERTO DE BARCELONA 2012	50,00%
UTE AUDING-CENSA-INTECSA INARSA-PROINTEC (UTE PORT BARCELONA)	33,00%
UTE PROINTEC-VIGUECONS ESTEVEZ	50,00%
CONSORCIO GMQ	40,00%
AMOREBIETA UTE	23,00%

Indra Sistemas, S.A. and Subsidiaries
Consolidated Annual Accounts at 31 December 2019

Details of joint operations with third parties at 31 December 2018

Name	**Direct Interest**
UTE COLECTOR MURCIA	40,00%
UTE CIESA-PROINTEC	50,00%
UTES REDES VIARIAS	51,00%
UTE PROINTEC SAU E2F SL	70,00%
UTE AT METRO	60,00%
UTE ESTACION SANTIAGO	29,00%
APV UTE	50,00%
UTE PROINTEC ATECSUR	60,00%
UTE INCOSA-PROINTEC LOTE 2	50,00%
UTE SANEAMIENTO ALBACETE	50,00%
UTE PM CANARIAS	50,00%
UTE PROINTEC-AR2V	50,00%
UTE ALG - CINESI (Plans Mobilitat)	50,00%
UTE ALG - M & A	70,00%
CONSORCIO ALG ANDINA	90,00%
UTE IBC-ROCA	80,00%
UTE INDRA BPO - INDRA BPO SERVICIOS	98,00%
UTE INDRA-LKS KZ-gunea 019/2016	64,00%
UTE INDRA BPO-INDRA-TELEFONICA	78,04%
UTE INDRA-LKS-KZ2018	64,00%
UTE CAYMASA-MAILING	50,00%
UTE AYESA-CAYMASA II	50,00%
UTE INDRA-BPO SERVICIOS	49,00%
UTE INDRA BMB - T.SOLUCIONES	69,42%
UTE INDRA BPO - INDRA BPO SERVICIOS	2,00%
AIE CRISTAL HIPOTECARIO 2009	20,00%
AIE FORMALIZACIÓN ALCALA 265	20,00%
UTE INDRA-INDRA SIST.SEGURIDAD AM 08/2011	50,00%
UTE SEGURIDAD PEAJES	50,00%
INDRA SISTEMAS, SA-INDRA SISTEMAS DE SEGURIDAD, SA, U.T.E.	50,00%
UTE DI CUENCA	50,00%
UTE TUNELES DE PAJARES	17,10%
INDRA SISTEMAS, S.A. - INDRA SIST. DE SEGURIDAD, U.T.E.	50,00%
UTE TUNELES ANTEQUERA	16,34%
UTE INDRA SISTEMAS DE SEGURIDAD - MONTAJES ELÉCTRICOS ELECTRISUR	80,00%
UTE TUNELES DE GUADARRAMA	16,34%

This Appendix should be read together with Notes 1, 5 and 45 to the consolidated annual accounts, of which it forms an integral part.

2019	US dollars	Pound sterling	Mexican peso	Argentinian peso	Chilean peso	Brazilian real	Peruvian sol	Swiss franc	Canadian dollar
Other financial assets	141	-	363	329	103	10.390	118	-	-
Total non-current assets	141	-	363	329	103	10.390	118	-	-
Trade and other receivables, non-Group	64.407	1.929	38.111	5.698	19.387	66.256	18.463	-	91
Other financial assets, non-Group	-	-	1	(30)	423	-	734	-	-
Total current assets	64.407	1.929	38.112	5.668	19.810	66.256	19.197	-	91
Total assets	64.548	1.929	38.475	5.997	19.913	76.646	19.315	-	91
Other financial liabilities	1.350	-	4.541	1.118	3.155	8.697	-	-	-
Total non-current financial liabilities	1.350	-	4.541	1.118	3.155	8.697	-	-	-
Other financial liabilities	-	-	-	-	-	-	-	-	-
Trade and other payables, non-Group	38.265	6.341	21.024	4.069	6.764	38.164	7.478	46	75
Total current liabilities	38.265	6.341	21.024	4.069	6.764	38.164	7.478	46	75
Total liabilities	39.615	6.341	25.565	5.187	9.919	46.861	7.478	46	75
Gross balance sheet exposure	**24.933**	**(4.412)**	**12.910**	**810**	**9.994**	**29.785**	**11.837**	**(46)**	**16**
Sales coverage	131.908	31.121	4.381	-	2.025	246	1.240	-	127
Purchase coverage	29.095	17.959	72	-	588	175	130	40	82
Financial derivatives - net coverage	102.813	13.162	4.309	-	1.437	71	1.110	(40)	45

This Appendix should be read together with Note 38(a)(I) to the consolidated annual accounts, of which it forms an integral part.

2019	Norwegian krone	Colombian peso	Moroccan dirham	Polish zloty	Bahraini dinar	Malaysian ringgit	Australian dollar	Other currencies	TOTAL
Other financial assets	-	9	24	-	-	-	-	361	11.838
Total non-current assets	-	9	24	-	-	-	-	361	11.838
Trade and other receivables, non-Group	15.165	37.607	2.072	-	23.692	11.800	14.776	52.520	371.974
Other financial assets, non-Group	-	5	-	-	-	43	6	663	1.845
Total current assets	15.165	37.612	2.072	-	23.692	11.843	14.782	53.183	373.819
Total assets	15.165	37.621	2.096	-	23.692	11.843	14.782	53.544	385.657
Other financial liabilities	-	1.019	-	-			-	1.425	21.305
Total non-current financial liabilities	-	1.019	-	-			-	1.425	21.305
Other financial liabilities	-	-	-	-	-	-	-		-
Trade and other payables, non-Group	3.982	15.675	786	7	985	268	9.988	39.437	193.354
Total current liabilities	3.982	15.675	786	7	985	268	9.988	39.437	193.354
Total liabilities	3.982	16.694	786	7	985	268	9.988	40.862	214.659
Gross balance sheet exposure	**11.183**	**20.927**	**1.310**	**(7)**	**22.707**	**11.575**	**4.794**	**12.682**	**170.998**
Sales coverage	263	8.725	-	-	-	-	11.388	108.157	-
Purchase coverage	3.384	-	-	50	-	-	2.406	3.553	-
Financial derivatives - net coverage	(3.121)	(8.725)	-	(50)	-	-	8.982	104.604	-

This Appendix should be read together with Note 38(of the annual consolidated accounts of which it forms an integral part.

2018	US dollars	Pound sterling	Mexican peso	Argentinian peso	Chilean peso	Brazilian real	Peruvian sol	Swiss franc	Canadian dollar
Other financial assets	229	-	431	434	141	14.505	27	-	-
Total non-current assets	229	-	431	434	141	14.505	27	-	-
Trade and other receivables, non-Group	66.085	947	41.743	7.422	26.556	69.931	20.902	-	463
Other financial assets, non-Group	-	-	54	(46)	467	-	197	-	-
Total current assets	66.085	947	41.797	7.376	27.023	69.931	21.099	-	463
Total assets	66.314	947	42.228	7.810	27.164	84.436	21.126	-	463
Other financial liabilities	-	-	-	-	-	2.501	-	-	-
Trade and other payables, non-Group	39.688	33.392	24.533	5.167	6.732	34.531	8.145	211	-
Total current liabilities	39.688	33.392	24.533	5.167	6.732	37.032	8.145	211	-
Total liabilities	39.688	33.392	24.533	5.167	6.732	37.032	8.145	211	-
Gross balance sheet exposure	**26.626**	**(32.445)**	**17.695**	**2.643**	**20.432**	**47.404**	**12.981**	**(211)**	**463**
Sales coverage	178.722	12.601	6.755	-	3.349	65	1.717	0	468
Purchase coverage	22.028	28.706	260	-	859	648	51	51	1.044
Financial derivatives - net coverage	156.693	(16.106)	6.495	-	2.490	(583)	1.666	(51)	(577)

This Appendix should be read together with Note 38(a)(I) to the consolidated annual accounts, of which it forms an integral part.

2018	Norwegian krone	Colombian peso	Moroccan dirham	Polish zloty	Bahraini dinar	Malaysian ringgit	Australian dollar	Other currencies	TOTAL
Other financial assets	12	9	1	-	-	-	-	194	15.983
Total non-current assets	12	9	1	-	-	-	-	194	15.983
Trade and other receivables, non-Group	13.327	26.609	1.078	1.808	29.531	12.364	17.709	43.367	379.842
Other financial assets, non-Group	-	5	-	-	-	41	-	575	1.293
Total current assets	13.327	26.614	1.078	1.808	29.531	12.405	17.709	43.942	381.135
Total assets	13.339	26.623	1.079	1.808	29.531	12.405	17.709	44.136	397.118
Other financial liabilities	-	-	-	-	-	-	-	5	2.506
Trade and other payables, non-Group	11.199	13.110	79	30	707	1.438	10.869	35.578	225.409
Total current liabilities	11.199	13.110	79	30	707	1.438	10.869	35.583	227.915
Total liabilities	11.199	13.110	79	30	707	1.438	10.869	35.583	227.915
Gross balance sheet exposure	**2.140**	**13.513**	**1.000**	**1.778**	**28.824**	**10.967**	**6.840**	**8.553**	**169.203**
Sales coverage	0	6.344	-	311	-	-	9.662	100.803	-
Purchase coverage	7.754	99	-	0	-	-	1.861	87.708	-
Financial derivatives - net coverage	(7.754)	6.245	-	311	-	-	7.801	13.095	-

This Appendix should be read together with Note 38 of the annual consolidated accounts of which it forms an integral part.

Indra Sistemas, S.A. and Subsidiaries
Consolidated Annual Accounts at 31 December 2019
Most significant non-controlling interests at 31 December 2019 and 2018

2019

Thousand euro	Indra Filipinas	Inmize Sistemas	Electrica Soluziona	Metrocall	Normeka	Procesadora Medios de Pago	Other immaterial interests	**Total**
% non-controlling interest	49,9%	50%	49,3%	47,5%	34%	20%		
Statement of financial position information								
Non-current assets	7.612	-	55	8.442	289	1.925	-	18.323
Non-current liabilities	135	-	(5)	-	-	-	-	130
Total non-current net assets	7.747	-	50	8.442	289	1.925	-	18.453
Current assets	31.211	8.498	2.879	3.864	7.102	2.164	-	55.718
Current liabilities	(16.139)	(381)	(888)	(1.347)	(4.626)	(1.069)	-	(24.450)
Total current net assets	15.072	8.117	1.991	2.517	2.476	1.095	-	31.268
Net assets	22.819	8.117	2.041	10.959	2.765	3.020	-	49.721
Carrying amount of non-controlling interests (*)	**11.387**	**4.059**	**1.006**	**5.206**	**940**	**604**	**605**	**23.806**
Income statement information								
Total comprehensive income	3.359	146	505	1.506	575	342	-	6.433
Consolidated profit/(loss) allocated to non-controlling interests	**1.676**	**73**	**249**	**715**	**196**	**68**	**-**	**2.977**

(*) Does not include currency translation differences

2018

Thousand euro	Indra Filipinas	Inmize Sistemas	Electrica Soluziona	Metrocall	Normeka	Procesadora Medios de Pago	Other immaterial interests	**Total**
% non-controlling interest	49,9%	50%	49,3%	47,5%	34%	20%		
Statement of financial position information							-	
Non-current assets	1.513	-	66	2.230	370	2.835	-	7.014
Non-current liabilities	(780)	-	(5)	-	-	-	-	(785)
Total non-current net assets	733	-	61	2.230	370	2.835	-	6.229
Current assets	30.360	8.493	2.112	8.153	4.851	3.345	-	57.314
Current liabilities	(9.137)	(522)	(425)	(930)	(2.372)	(1.424)	-	(14.810)
Total current net assets	21.223	7.971	1.687	7.223	2.479	1.921	-	42.504
Net assets	21.956	7.971	1.748	9.453	2.849	4.756	-	48.733
Carrying amount of non-controlling interests (*)	**10.956**	**3.986**	**862**	**4.490**	**969**	**951**	**301**	**22.514**
Income statement information								
Total comprehensive income	3.404	153	183	1.423	341	536	-	6.040
Consolidated profit/(loss) allocated to non-controlling interests	**1.699**	**77**	**90**	**676**	**116**	**107**	**(68)**	**2.696**

(*) Does not include currency translation differences
This Appendix should be read together with Note 19 to the consolidated annual accounts, of which it forms an integral part.

Indra Sistemas, S.A. and Subsidiaries
Consolidated Annual Accounts at 31 December 2019
Significant shareholdings in associates at 31 December 2019 and 2018

2019	A4 Essor	Saes Capital	IRB Riesgo Operacional	Euromids	Global Training Aviation	Eurofigter Simulation Systems	Iniciativas Bioenergéticas	Societat Catalana per la Mobilitat	Other immaterial interests	Total
Thousand euro										
% non-controlling interest	21%	49%	33%	25%	35%	26%	20%	24%		
Non-current assets	-	4.020	(31)	153	36.327	336	40.445	60.130	13	141.393
Current assets	819	804	364	33.497	4.885	28.909	8.871	15.729	8.139	102.017
Non-current liabilities	(152)	(4.052)	(470)	(3.257)	(38.024)	(24.211)	(28.841)	(52.283)	(8.502)	(159.792)
Current liabilities	(621)	(2)	-	(31.542)	(2.296)	(3.860)	(19.804)	(24.070)	(29)	(82.224)
Revenue	(943)	(780)	(182)	(6.487)	(9.252)	(8.531)	(63.539)	(5.414)	(3.046)	(98.174)
Subcontracting and other expenses	897	10	319	7.636	8.360	7.357	62.868	5.908	3.425	96.780
Total	-	-	-	-	-	-	-	-	-	-

2018	A4 Essor	Saes Capital	IRB Riesgo Operacional	Euromids	Global Training Aviation	Eurofigter Simulation Systems	Iniciativas Bioenergéticas	Societat Catalana per la Mobilitat	Other immaterial interests	Total
Thousand euro										
% non-controlling interest	21%	49%	33%	25%	35%	26%	20%	25%		
Non-current assets	-	4.020	632	153	23.452	336	45.535	42.798	13	116.939
Current assets	756	569	359	33.421	4.567	27.735	14.606	17.279	7.708	107.000
Non-current liabilities	(152)	(4.052)	(1.144)	(3.130)	(25.351)	(22.574)	(34.764)	(47.661)	(8.502)	(147.330)
Current liabilities	(604)	(2)	-	(30.972)	(1.466)	(3.860)	(27.545)	(12.841)	(23)	(77.313)
Revenue	-	(550)	(207)	(6.712)	(8.575)	(16.586)	(47.417)	(4.329)	-	(84.376)
Subcontracting and other expenses	-	15	360	7.240	7.373	14.949	49.585	4.754	804	85.080
Total	-	-	-	-	-	-	-	-	-	-

This Appendix should be read together with Note 18 to the consolidated annual accounts, of which it forms an integral part.

1) Key highlights of year 2019

Net order intake in 2019 rose +8% in local currency (+7% in reported terms), with positive performances in both T&D and Minsait.

Revenues in 2019 grew by +4% in local currency (+3% in reported terms), driven by the Minsait division.

EBITDA (operating result plus depreciation and amortisation) in 2019 improved by +18%, equivalent to a margin of 10.8% in 2019 vs. 9.4% in 2018.

EBIT (operating result) in 2019 grew by +11% to €221 million vs. €199 million (equivalent to a margin of 6.9% vs. 6.4% in 2018).

Cash generation reached €8 million vs. €168 million in 2018, affected by the negative contribution of working capital during the first half of the year.

Net debt fell to €552 million in December 2019 against €483 million in 2018. The Net Debt/LTM EBITDA ratio (excluding the impact of IFRS 16) stands at 1.8x vs. 1.6x in 2018.

Main figures	FY19 (€M)	FY18 (€M)	Variation (%) Reported / Local currency
Net Order Intake	3,686	3,437	7.2 / 7.5
Revenues	3,204	3,104	3.2 / 3.6
Backlog	4,511	4,065	11.0
Gross Operating Result (EBITDA)	346	293	18.2 / 18.1
EBITDA Margin	10.8%	9.4%	1.4 pp
Operating Result (EBIT)	221	199	10.9 / 10.7
EBIT Margin	6.9%	6.4%	0.5 pp
Net Profit	121	120	1.3
Net Debt Position	552	483	14.2
Free Cash Flow	8	168	(95.5)
Basic EPS (€)	0.688	0.680	1.2

2) Analysis of the consolidated financial statements

Income statement

CONSOLIDATED INCOME STATEMENT (€M)	2019	2018
Revenue	3,204	3,104
Own work capitalised	70	61
Other operating income	21	24
Change in inventories of finished goods and work in progress	68	22
Materials consumed and other supplies	(795)	(751)
Staff costs	(1,758)	(1,607)
Other operating expenses	(462)	(561)
Other gains/(losses) on fixed assets	(2)	1
Depreciation and amortisation	(125)	(94)
Operating profit/(loss)	**221**	**199**
Financial income	5	7
Financial expenses	(48)	(42)
Other financial results	(1)	0
Net financial income/(expense)	**(44)**	**(35)**
Results of companies carried under the equity method	1	(1)
Profit/(loss) before tax	**178**	**164**
Corporate income tax	(51)	(42)
Profit/(loss) for the year	**126**	**122**
Profit/(loss) attributed to the parent company	**121**	**120**
Profit/(loss) attributed to non-controlling interests	5	2
Basic earnings per share (euro)	0.6883	0.6797
Diluted earnings per share (euro)	0.6396	0.6247

- Revenue in 2019 grew by +4% in local currency (+3% in reported terms), driven by the Minsait division. Income in the T&D division in 2019 remained stable. Growth in the Air Traffic segment (+4% in local currency) offset slight declines in both the Transport segment (-2% in local currency, mainly due to delays in the certification of milestones in certain relevant contracts in Asia, Middle East and Africa region) and in the Defence & Security vertical (-1% in local currency). Sales in the Minsait division in 2019 grew by +6% in local currency (+5% in reported terms), with all verticals showing solid growth except Public Administrations & Healthcare, in which growth has been stable due to the difficulty in making comparisons with last year resulting from the Elections projects in Asia, the Middle East and Africa.
- Own work capitalised in 2019 amounted to €70 million compared to €61 million in 2018.
- Personnel expenses increased by +9% in 2019, as a result of the rise in the average workforce (+14%).
- Consumption and other supplies (€795 million vs. €751 million in 2018; +6% increase), as well as Other operating expenses (EUR 462 million vs. EUR 562 million in 2018; -18% decrease).
- EBITDA (Operating result plus depreciation and amortisation) stood at €346 million in 2019 compared to €293 million in 2018, implying an increase in the EBITDA margin (EBITDA over sales) in the year to 10.8% vs. 9.4% in 2018.
- Depreciation stood at €125 million in 2019 compared to €94 million in 2018.
- The EBIT margin (operating result over sales) stood at 6.9% in 2019 vs. 6.4% in 2018:
    - The EBIT margin (operating profit over sales) in T&D (Transport & Traffic and Defence & Security) for 2019 was 12.2% vs. 13.2% in 2018.
    - The EBIT margin (operating profit over sales) in IT (Information Technology) for 2019 was 3.8% vs. 2.2% in 2018.
- Net financial income/(expense) worsened by €10 million compared to 2018, mainly due to the impact of IFRS 16, as well as higher financial costs due to exchange differences, mainly resulting from adjustments to hedges due to changes in the project milestone schedule and changes in scope. Gross average cost of borrowings fell to 1.8% in 2019 vs 2.0% in 2018.
- The tax expense was equivalent to a 29% tax rate in 2019 vs. 25% in 2018. The higher expense is due to the loss of the possibility of obtaining tax incentives for a period of nine months since 1 May 2019 resulting from the ruling on a tax issue in May 2019, and also to the losses generated in certain branches where a lower tax expense has not been generated because deferred tax assets have not been recorded (as in Kuwait, Algeria or Abu Dhabi) and to the profits made in jurisdictions with a higher rate than in Spain (such as Colombia, Belgium, Nigeria, Malaysia and the Dominican Republic).
- The Group’s net profit improved by +1.3% against 2018.

Statement of Financial Position and Cash Flow Statement

CONSOLIDATED CASH FLOW STATEMENT (€M)	2019	2018
Operating profit before changes in working capital	317	253
Cash from operating activities	(131)	28
Corporate income tax paid	(36)	(17)
Payments for acquisition of fixed assets (including financial assets)	(95)	(88)
Receipts on sale of fixed assets (excluding financial assets)		
Interest received	4	6
Other flows from investing activities	19	9
Interest paid	(34)	(23)
Repayment and amortisation of other financial liabilities	(35)	
Free cash flow (FCF)	***8***	***168***

- Free cash flow in 2019 stood at €8 million vs. €168 million in 2018, affected by the negative contribution of working capital during the first half of the year. Cash flow before working capital would have been €139 million compared to €140 million in 2018.
- Operating profit before changes in working capital in 2019 stood at €317 million compared to €253 million in 2018.
- Cash from operating activities amounted to €-131 million in 2019 (€28 million in 2018).
- Corporate income tax payable amounted to €36 million compared to €17 million in 2018, as in the previous year tax refunds from 2016 were received in Spain.
- Expenditure on the acquisition of fixed assets (excluding financial assets) amounted to €-95 million vs. €-88 million in 2018, in line with the greater investment commitments envisaged by the Company in the 2018-2020 strategic plan.

3) Human Resources

Final Workforce	2019	%	2018	%	Variation (%) vs 2018
Spain	28,023	56	26,622	61	5
America	17,252	35	13,071	30	32
Europe	2,240	4	2,073	5	8
Asia, Middle East & Africa	2,092	4	1,941	4	8
Total	**49,607**	**100**	**43,707**	**100**	**13**

Average Workforce	2019	%	2018	%	Variation (%) vs 2018
Spain	27,607	58	25,775	62	7
America	15,671	33	11,909	29	32
Europe	2,159	5	2,008	5	8
Asia, Middle East & Africa	1,972	4	1,879	4	5
Total	**47,409**	**100**	**41,572**	**100**	**14**

(*) Does not include SIA final workforce (742 employees)

At year-end 2019 the workforce consisted of 49,607 professionals, an increase of +13% compared with the previous year. The average workforce at the end of 2019 increased by +14%. Most personnel growth compared with 2018 was in the Minsait division (around 90% of the total increase in personnel) mainly due to a number of BPO projects, primarily in Latin America, which are very personnel-intensive.

4) Analysis by vertical market

TRANSPORT AND DEFENCE

T&D	2019 (€M)	2018 (€M)	Variation (%) Reported	Local currency
Net Order Intake	1,476	1,323	11.5	11.5
Revenue	1,189	1,188	0.1	0.2
- Defence & Security	566	570	(0.9)	(0.9)
- Transport & Traffic	623	617	1.0	1.2
Book-to-bill	1.24	1.11	11.4	
Backlog / Revs LTM	2.54	2.29	10.7	

2019 T&D revenues remained stable. The growth registered in Air Traffic Management (+4% in local currency) offset the slight decline in both, Transport (-2% in local currency, mainly due to delays in milestone certification in some relevant projects in Asia, Middle East & Africa) and Defence & Security (-1% in local currency).

2019 T&D order intake grew +12%, driven by the Defence & Security contract signed with Lockheed Martin in order to manufacture the digital antenna of the F-110 frigate (2020-2027) for the Ministry of Defence and the Spanish Army.

Backlog/Revenues LTM ratio stood at 2.54x in 2019 vs 2.29x in 2018. Book-to-bill ratio stood at 1.24x vs 1.11x in 2018).

Defence & Security

- Defence & Security sales in 2019 fell slightly (-1% in local currency), affected by lower activity in the Security and Simulation area.
- By geographical area, most of the vertical's activity in 2019 was concentrated in Spain and Europe.
- 2019 order intake grew +41% in local currency and reported figures, boosted by the order intake registered in Spain due to the contract signed with Lockheed Martin in order to manufacture the digital antenna of the F-110 frigate (2020-2027) for the Ministry of Defence and the Spanish Army. Furthermore, AMEA also registered strong order intake in Defence Systems (Vietnam and Oman) and Radars (India).

Transport & Traffic

- 2019 Transport & Traffic went slightly up +1% in both local currency and reported terms. The growth posted in Air Traffic Management (+4% in local currency; c. 50% of sales) offset the decline in Transport (-2% in local currency; c. 50% of sales).
- By geographical area, most of the vertical's activity in 2019 was distributed between Asia, the Middle East and Africa, Spain and Europe.

- 2019 order intake decreased by -12% in local currency and reported terms, dragged by the difficult comparison vs 2018 in Air Traffic Management (Algeria and China) and Transport (maintenance phase of the High Speed Train Mecca-Medina). On the positive side, it is worth noting the order intake signed in Transport, especially in tolling (I-66 in USA) and the maintenance of the urban and interurban Ticketing in Riyadh.

INFORMATION TECHNOLOGY

Minsait	2019 (€M)	2018 (€M)	Variation (%)	
			Reported	Local currency
Net Order Intake	2,210	2,114	4.5	5.0
Revenue	2,015	1,916	5.2	5.7
- Energy & Industry	635	580	9.6	10.3
- Financial Services	697	661	5.5	5.4
- Telecom & Media	251	240	4.5	6.1
- PA & Healthcare	432	436	(0.8)	0.0
Book-to-bill	1.10	1.10	(0.6)	
Backlog / Revs LTM	0.74	0.70	5.8	

2019 Minsait sales went up +6% in local currency (+5% in reported terms), with all the verticals registering solid growth except for PPAA & Healthcare which remained stable due to the difficult comparison vs last year same period (Elections Business in AMEA).

The digital services contribution was €456 million (23% of Minsait's sales), which represents a growth of +13% compared to 2018. The areas related to innovation, digital customer experience, process robotization, data science, advanced analytics and cybersecurity remained particularly dynamic.

2019 order intake in Minsait up +5% in local currency and reported figures boosted by Public Administrations & Healthcare (Italy subsidiary stands out) and Telecom & Media (renewal of relevant contracts in Spain).

Backlog/Revenues LTM improved to 0.74x vs 0.70x in 2018. Book-to-bill ratio stood at 1.10x in both periods.

Energy & Industry

- 2019 Energy & Industry revenues increased by +10% in local currency and reported figures. The Industry segment (c. 39% of sales of the vertical) posted double-digit growth backed by the Services and Retail sectors and showed better relative performance than the Energy segment. Energy (c. 60% of sales) recorded above mid-single digit growth thanks to the positive performance in the Utilities and the Oil & Gas sector as well as by the inorganic contribution of ACS.
- By geographical area, most of the vertical's activity in 2019 was concentrated in Spain and the Americas.
- 2019 order intake decreased -5% in local currency (-6% in reported figures), affected by the difficult comparison vs 2018 when some relevant Energy contracts related to the implementation of proprietary products in AMEA were signed, as well as by some relevant contracts won in America.

Financial Services

- 2019 Financial Services sales increased by +5% in local currency (+6% in reported terms), backed by the positive performance in America with key clients as well as the mid-sized banking sector.
- By geographical area, most of the vertical's activity in 2019 was concentrated in Spain and the Americas.
- 2019 order intake went slightly up +0.3% in local currency, thanks to the the sign of a relevant contract in America (BPO in Brazil) which has offset the difficult comparison vs 2018 (renewal of a multiannual BPO contract signed with a Spanish banking entity).

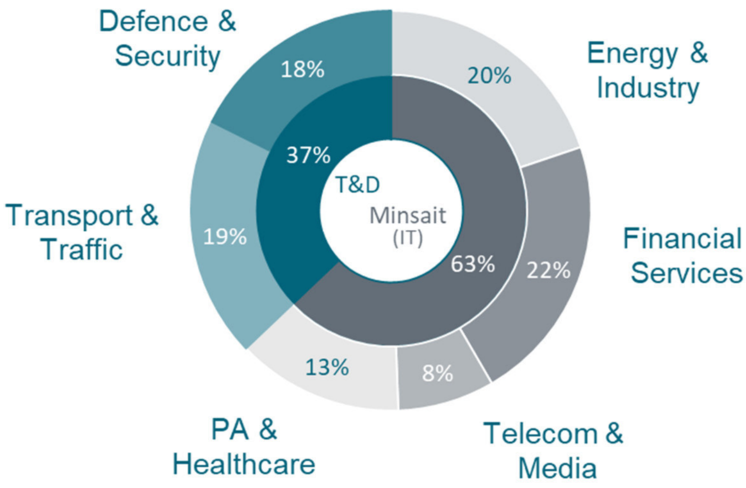
Telecom & Media

- 2019 Telecom & Media revenues grew by +6% in local currency (+5% in reported terms), mainly due to the higher activity registered with the main operators in Spain and America.
- By geographical area, most of the vertical's activity in 2019 was concentrated in Spain and the Americas.
- 2019 order intake went up by +11% in local currency (+10% in reported figures) chiefly thanks to the renewal of relevant contracts in Spain.

Public Administrations & Healthcare

- 2019 Public Administrations & Healthcare sales remained stable (+0% in local currency), which is a very positive performance taking into consideration the difficult comparison vs last year due to the Elections business in AMEA. Excluding the Elections business, sales would have increased by +6% in reported terms. It is worth mentioning the positive performance in Public Administrations in Spain, (Social Security Administration, Correos, and Regional Administration) and Europe (Italy).
- By geographical area, most of the vertical's activity in 2019 was concentrated in Spain and the Americas.
- 2019 order intake went up by +25% in local currency and reported figures, pushed by Europe (Digital space in the Italian subsidiary), Spain (Election Business, Social Security Administration and relevant Outsourcing contracts with Regional Administration) and America (Public Administration in Peru).

The relative importance of each vertical in relation to total sales for 2019 is as follows:



5) Analysis by geographical area

Revenue by Region	2019		2018		Variation (%)	
	(€M)	(%)	(€M)	(%)	Reported	Local currency
Spain	1,591	50	1,556	50	2.2	2.2
America	665	21	609	20	9.2	11.6
Europe	549	17	504	16	8.9	9.0
Asia, Middle East & Africa	399	12	434	14	(8.1)	(8.8)
Total	**3,204**	**100**	**3,104**	**100**	**3.2**	**3.6**

(*) Revenue reported in the "Europe" area in the notes to the accounts and in this Management Report differs from the sales figure in the annual report to the CNMV in the "European Union" area, since the latter only includes the Member States of the European Union.

By geographies, it is worth mentioning the growth registered in America (+12% in local currency; 21% of total sales), Europe (+9% in local currency; 17% of total sales) and Spain (+2%; 50% of total sales). However, sales in AMEA decreased by -9% (12% of total sales) due to the Election business.

Order intake is growing in all regions: Spain (+9% in local currency), Americas (+7% in local currency), Europe (+6% in local currency) and Asia, Middle East and Africa (+5% in local currency).

Spain

- Sales in 2019 increased by +2%, driven by the Minsait division, which recorded close to mid-digit growth.
- Income in 2019 in the Minsait division (approx. 75% of sales) improved in all verticals. The double-digit growth in the Public Administrations & Healthcare vertical (Social Security Administration, Postal Service and Regional Authorities) is noteworthy.

- Conversely, sales in the T&D division (approx. 25% of sales) decreased mainly due to the lower activity in the Simulation area in the Defence & Security vertical.
- Order intake in 2019 grew +9%, driven mainly by strong order intake in the Defence & Security vertical. due to the contract concluded with Lockheed Martin to manufacture the digital antenna for the F-110 frigates.

America

- Sales in 2019 grew by +12% in local currency (+9% in reported terms), driven by strong growth in the Minsait division.
- By country, in Brazil (the main country in the region representing around 30% of sales) sales grew +18% thanks to strong growth in the Energy & Industry vertical along with a good performance by Financial Services and Telecom & Media. Growth in Colombia and Peru was also noteworthy.
- The activity in America is mostly concentrated in Minsait (c. 85% of total sales in the region). All the Minsait verticals posted double-digit growth except for Public Administrations & Healthcare (repositioning towards private vs public clients).
- Sales in the T&D division (approx. 15% of sales) in 2019 registered double-digit declines in both Defence & Security (comparison is difficult as an important Electronic Defence and Security project took place in Mexico in 2018) and Transport & Defence (implementation of major ATM projects in Central America).
- Q4 19 revenues increased +4% in local currency, driven by double-digit growth in all Minsait division verticals.
- Order intake in 2019 grew by +7% in local currency (+6% in reported terms), driven by Financial Services (important Means of Payment contracts in Chile and Peru, and BPO in Brazil) and by the Transport segment in toll systems (I-66 in the US).

Europe

- Sales in 2019 increase +9% in local and reported currency, with close to double-digit growth in both the Minsait and T&D divisions.
- T&D division sales (around 65% of the region's sales) recorded growth in both the Defence & Security and Transportation & Traffic verticals in 2019.
- Within the Minsait division (approx. 35% of sales in the region), the Italian subsidiary's strong performance in the Public Administrations & Healthcare and Energy & Industry verticals should be noted.
- Order intake in 2019 grew by +6% in local and reported currency, with the Public Administrations & Healthcare and Air Traffic (European programmes) segments standing out.

Asia, Middle East & Africa

- 2019 revenues in AMEA decreased by -9% in local currency (-8% in reported terms), very positive performance considering the difficult comparison vs the previous year (Elections business). Excluding the Elections business, sales would have slightly increased.

- Sales in 2019 in the T&D division (approx. 80% of sales in the region) grew slightly, driven mainly by the Air Traffic Management segment (projects in Algeria, Morocco and China).
- Sales in 2019 in the Minsait division (around 20% of sales in the region) declined sharply due to a reduction in the Elections business.
- Order intake in 2019 in Asia, the Middle East and Africa grew by +5% in local currency and in reported terms, driven by the Defence & Security vertical (Defence Systems in Vietnam and Oman).

6) Research and development activities

The Group has continued to make a considerable effort in terms of both the human and financial resources channelled into the development of services and solutions, enabling it to position itself as a technological leader in the various sectors and markets in which it operates. The amount given over to research, development and technological innovation activities was €225,315 thousand which is equivalent to 7% of the Group's total sales in that year (€210,045 thousand, equivalent to 6.8% of the Group's total sales, in the previous year).

7) Average supplier payment period

Final Provision Two of Law 31/2014 amended the Spanish Companies Act in order to improve corporate governance, amending Additional Provision Three of Law 15/2010 which laid down measures to combat late payment in commercial transactions, to require that all companies must expressly disclose their average supplier payment period in the notes to the annual accounts. The Institute of Accountants and Auditors (ICAC) was also authorised to lay down the rules and calculation method.

This ruling is mandatory for all Spanish companies that draw up consolidated annual accounts, although only for companies based in Spain that are consolidated using the full or proportionate consolidation method.

On this basis, under a ruling dated 29 January 2016, the ICAC established the method for calculating the average supplier payment period for 2015 and subsequent periods.

The average supplier payment period is calculated using the following formula, in line with the ICAC ruling of 29 January 2016:

$$\text{Average supplier payment period} = \frac{\text{Ratio of transactions paid* Amount of payments made + Ratio of transactions pending payment * Total amount of payments due}}{\text{Total amount of payments made + Total amount of payments due}}$$

The data for the Spanish companies for 2019 and 2018 are as follows:

	2019	2018
	Days	Days
Average supplier payment period	59	58
Ratio of settled transactions	60	59
Ratio of transactions pending payment	55	52
	Amount € th	Amount € th
Total payments made	1,112,655	1,045,472
Total payments pending	259,298	255,833

8) Main business risks

The risks associated with the Group, its activity, the sector in which it operates and the environment in which it operates, which could adversely affect the achievement of the Group's objectives, are listed below.

These are not the only risks that the Group could face in the future. It could occur that future financial or non-financial risks, currently unknown or not considered to be relevant, might have an effect on the Group's business, results or financial or economic situation or on the market price of its shares or other securities issued by the Group.

It should also be borne in mind that these risks could have an adverse effect on the price of the parent company's shares or other securities issued by the Group, which could lead to a partial or total loss of the investment made due to various factors, as well as harming its reputation and image.

(A) FINANCIAL RISKS

The Group is exposed to various financial risks, including credit and liquidity risk, market risk (including foreign exchange risk and interest rate risk) and other specific risks arising from its financing structure. The Group's risk management model seeks to anticipate and minimise the adverse effects that the materialisation of such risks could have on the Group's financial profitability.

However, the management model might not operate adequately, or could even be insufficient. The Group is also subject to external risks that are beyond its internal control and that may adversely affect the Group's business, results or financial situation.

Market risks

o *Foreign exchange risk*

The Group's international presence, with projects in over 140 countries in different geographical areas such as Spain, the Americas, Europe, Asia, the Middle East and Africa, means that the Group is exposed to the risk of fluctuations in the exchange rates of the currencies in the countries in which it operates against the euro. At 31 December 2019, approximately 50% of the Group's total sales derived from international markets (the same percentage as in the previous year).

The main transactions carried out by the Group in currencies other than the euro during 2019 and 2018 are detailed below:

	Thousand euro	
	2019	**2018**
Sales	1,006,607	983,329
Purchases	574,656	565,728

In the recent past, various macroeconomic and/or geopolitical events have led to sharp movements in exchange rates against the euro in the various functional currencies with which the Group operates. In this respect, the Group's activity is exposed mainly to the following risks:

- *Translation exposure of accounting items*

The Group's main foreign subsidiaries account for all items in their income statements and balance sheets in each country's local currency (local functional currency). When preparing the Group's consolidated accounts, each of these items is translated to euros at the relevant rate in each case (average or spot rate as appropriate), and any necessary consolidation adjustments are made.

At 31 December 2019, the Group does not use financial instruments to hedge exchange rate fluctuations against the euro in any item in the income statement or balance sheets of these foreign subsidiaries, leaving the Group exposed to the effect of translating these accounting items on consolidation.

The following table reflects the sensitivity at 31 December 2019 and 2018 of the Group's equity and results, expressed in million euros, to changes of +/-5% in the exchange rate against the euro of the foreign subsidiaries' main functional currencies.

Variation in equity 2019

+5%	Thousand euro
Saudi riyal	1,007
Mexican Peso	1,403
Brazilian real	1,875

Variation in equity 2018

+5%	Thousand euro
Saudi riyal	1,003
Mexican Peso	1,166
Brazilian real	2,421

Variation in results 2019

+5%	Thousand euro
Saudi riyal	428
Mexican Peso	481
Brazilian real	557

Variation in results 2018

+5%	Thousand euro
Saudi riyal	(66)
Mexican Peso	240
Brazilian real	(153)

At 31 December 2019 and 2018, the Group's equity and consolidated results were most sensitive to changes in the euro exchange rates of the Saudi Arabian riyal, the Mexican peso and the Brazilian real. However, it could be that in the future the Group's profits or equity will be more sensitive to changes in the euro exchange rates of the functional currencies of the Group's foreign subsidiaries other than those included in the above tables, depending on the relative importance of the business of the Group's foreign subsidiaries.

- *Revenue and expense risk in currencies other than the functional currencies*

The Group is also exposed to foreign exchange risk in projects where revenues and expenses are in currencies other than the functional currency of each Group country.

To mitigate this risk, at 31 December 2019 the Group applies a policy of entering into foreign currency hedge agreements with financial institutions that replicate the expected collection and payment patterns for each project, although in some cases these hedges may not be effective or available.

However, delays or variations in project cash flow can lead to hedge renewals which can have a significant impact on project profitability, and losses on projects might even arise in highly volatile currency scenarios.

- *Risk of delay or changes in the scope of projects*

There is an additional risk related to the fulfilment of collection and payment forecasts in the projects when they are delayed or when changes in their scope take place. In such cases, the Group would be obliged to renegotiate the term or amount of the exchange rate insurance associated with the insured flows, which could give rise to additional financial costs or the generation of losses or profits in the event of a reduction in the project scope, depending on the performance of the currency concerned.

- Risk of a lack of competitiveness due to specific currency fluctuations

A significant part of the costs associated with the Group's export activity are denominated in euros. An appreciation of the euro (in particular against the US dollar) could make the commercial proposals submitted by the Group less competitive compared with the Group's international competitors whose cost base is denominated in weaker currencies, which may undermine the Group's competitiveness in international markets.

- Risk of exposure to non-convertible or non-repatriable currencies

The Group's international presence in more than 140 countries entails specific financial risks in terms of exchange rate variations, possible currency depreciation or devaluation, a possible freeze on payments abroad or the escalation of political problems specific to the countries in which the Group is present. Such factors, if they materialise, can plunge currencies into a period of instability and generate sharp fluctuations in their exchange rates.

In particular, the Group may be exposed to markets whose currencies may be subject to existing or emerging legal restrictions limiting their availability and transfer outside the country, normally imposed by local governments, and whose price is not determined by the free play of supply and demand.

- *Country credit risk exposure*

The Group operates in countries with limited solvency or high country risk according to the standards of international organisations such as the OECD (Organisation for Economic Co-operation and Development), IMF (International Monetary Fund) or World Bank, mainly in public projects such as Defence, Air Traffic or Transport.

To reduce this risk, whenever possible, the Group considers the use of Confirmed Letters of Credit and insurance coverage offered by international insurance companies and bodies such as CESCE (Compañía Española de Seguros de Crédito a la Exportación) and other ECAS (Export Credit Agencies) to mitigate country risk in those geographical areas with limited financial solvency.

However, it may not always be possible to obtain such coverage in higher risk countries where the Group operates, such as Nigeria, Argentina or Honduras.

o *Interest rate risk*

A considerable part of the cost of the group's financing is linked to variable interest rates, which are updated on a quarterly, half-yearly or annual basis depending on the contract in question and on changes in the reference rates on the interbank markets (normally the Euribor rate for the reference term). Therefore, a rise in the associated reference rates implies a higher cost of financing for the Group, with the consequent impact on the Group's profitability.

To partially limit this impact, the Group issues fixed-rate debt instruments and periodically assesses the advisability of arranging derivative financial instruments with financial institutions to manage these risks and hedge against interest rate fluctuations when market conditions so require.

At 31 December 2019, 50.5% of the Group's gross debt bears interest at fixed rates, including €600 million in bonds issued.

Additionally, in accordance with generally accepted accounting principles, the Group carries out exercises to verify the value of the assets included in its balance sheet which, to a large extent, involve rate references to discount the associated flows in order to calculate these values. An increase in these rates may give rise to value adjustments in part of the Group's asset and liability portfolio.

Additionally, in accordance with generally accepted accounting principles, the Group carries out exercises to verify the value of the assets included in its balance sheet which, to a large extent, involve rate references

to discount the associated flows in order to calculate these values. An increase in these rates may give rise to value adjustments in part of the Group's asset and liability portfolio.

The following table sets out the sensitivity of the Group's consolidated profits, expressed in million euro, to changes in interest rates at 31 December 2019 and 2018:

	2019		**2018**	
	Interest rate fluctuation		Interest rate fluctuation	
Impact on profits	+0.5%	-0.5%	+0.5%	-0.5%
before taxes	(1.73)	0.05	(1.32)	0.56

Credit risks

o *Customer counterparty risk*

The Group is exposed to credit risk insofar as any customer fails to meet its contractual payment obligations, resulting in losses for the Group. The Group has a broad customer portfolio, maintaining commercial relations with business groups, governments and public and public-private entities, which expose it to trade debts arising from ordinary commercial transactions both in Spain and abroad.

In order to minimise the possible impact of these factors, the Group regularly assesses the use of operational measures (letters of credit, collection insurance), accounting measures (doubtful debt provisions) and financial measures (use of non-recourse factoring lines to advance payment from certain customers).

Despite this, the Group remains exposed to credit risk due to default or delays in collection from its customers, which may result in impairment of balance sheet items (trade receivables) and a reduction in the income already reported (if the impact occurs in the same year), with the consequent impact on the Group's income statement and/or equity.

At 31 December 2019, trade and other receivables in the consolidated balance sheet totalled €1,051 million (€981 million in 2018), of which €42 million (€52 million in 2018) is outstanding for over 12 months. The above amount recorded under trade and other receivables includes trade provisions amounting to EUR 80 million (€81 million in 2018) and, depending on how the projects in progress develop, the Group cannot rule out the possibility of additional impairment.

Liquidity risk

o *Risk of access to funding sources*

The Group's cash generation capacity may not be sufficient to meet its operating payments and financial commitments, which could imply the need to obtain additional financial resources from alternative funding sources.

At 31 December 2019, the Group's gross borrowing position was €1,406 million (€1,401 million in 2018), including financing from Spanish and foreign financial institutions, capital markets (convertible bonds), institutional investors (private debt placements) and financing lines from non-banking entities, such as the CDTI (Centre for Technological and Industrial Development).

Despite the diversification in the Group's funding sources, the existence of factors that may make it difficult for the Group to access these sources (due to factors external to or associated with the Group), or the worsening of the economic (maturity, cost, repayment profile, etc.) or contractual (covenants, guarantees, etc.) terms on which this financing is available, may have a significant impact on the Group's strategic and financial flexibility and may even affect the Group's solvency.

o *Risk of access to funding sources for R&D activities*

The Group uses funding from R&D project financing entities, such as the CDTI, among others, which are important for the implementation of certain R&D projects. These loans have special characteristics in terms of duration, cost and repayment flexibility, sometimes linked to the commercial success of the product. At 31 December 2019, these loans represented 12% (13% in 2018) of the Group's gross borrowings.

A reduction in the availability or possible changes in the characteristics of such loans could limit the Group's ability to obtain resources for its R&D projects in said conditions, which would correlatively determine the need to resort to alternative sources of financing to a greater extent.

o *Liquidity risk*

The Group is exposed to the risk of not being able to meet its financial commitments on time via payment in cash or other equivalent financial assets.

At 31 December 2019 and 2018, the Group's long-term gross borrowings amounted to €1,379 million and €1,359 million, respectively (98% and 97% of the Group's gross borrowings, respectively), while short-term gross borrowings stood at €27 million and €42 million, respectively (2% and 3% of the Group's gross borrowings, respectively). The Group's cash and cash equivalents at 31 December 2019 amounted to €855 million (€918 million in 2018). As a result, at 31 December 2019 the Group's net borrowings amounted to €552 million (€483 million in 2018). In the short term, the Group depends on the generation of cash from its own operations and/or on obtaining additional financial resources from financial institutions to meet its obligations with respect to:

a. its commercial and operational payments, and

b. the repayment of amounts lent by financial institutions and the interest accrued on their respective due dates.

The Group makes cash flow forecasts to ensure that it has access to the necessary resources to meet its operational and financial needs. The Group also has undrawn financing lines amounting to €133 million in 2019 (€187 million in 2018).

However, these forecasts are based on the best estimates made by the Group at a given time on the foreseeable evolution of cash inflows and outflows and, as such, are subject to fluctuations due to the development of the business or the conditions in which the Group companies operate. Deviations from forecasts have been frequent in the past for the reasons explained above.

o *Risks arising from the seasonality of the Group's cash flow*

The nature of the budgetary and payment processes of some of the Group's customers (mainly customers associated with the public sector) means that project-related receipts may be concentrated around certain dates, mainly in the last weeks of the calendar year. During 2019, positive free cash flow of €8 million was generated (€168 million in 2018). In addition, public sector customers sometimes follow payment management processes that are conditional on review by other authorities or government entities, which can lead to delays or adjustments to their own payment schedules. This dynamic creates seasonality in the cash flows generated by the Group which could give rise to liquidity pressures in periods during which project-related receipts are structurally lower.

- *Risks arising from the availability of guarantees*

In the ordinary course of its business, the Group is required to provide guarantees to third parties as security for the performance of contracts and the receipt of advances. These guarantees are mainly issued by banks and insurance companies. In view of the Group's geographical diversification, these guarantees must be issued in many different geographical areas and currencies.

At 31 December 2019, the Group had provided guarantees to third parties issued by various banks and insurance companies mainly for the purpose of ensuring compliance with contracts, totalling €1,010 million (€1,012 million in 2018).

In this context, there is a risk that these banking and insurance entities could increase the cost and/or reduce the amounts or even cancel the lines granted to the Group for issuing these guarantees. Likewise, there is a risk that certain countries, currencies or customers with limited solvency or associated risk will be excluded, which would limit their commercial capacity and ability to attract business.

In addition, these guarantees are mostly linked to the successful execution of the projects, and therefore any problems in the delivery of these projects could entail the risk of the guarantees being enforced, which could affect the availability or cost of such guarantees in the future, with the consequent impact on the Group's commercial and financial capacity.

- *Risk of non-compliance with financial ratios*

Group companies are required to comply with certain solvency ratios, accumulated losses, current asset and liability liquidity ratios in relation to their activities and tenders with public authorities in certain geographical areas.

Regulatory, tax and legal changes or financial developments and/or changes in business could affect these ratios, which could have a financial impact and affect the Company's capacity to do business or meet its financial obligations.

At 31 December 2019, the Group's financing is not subject to compliance with financial ratios, with the exception of an R&D project financing facility arranged in December 2016 (representing less than 6% of the Group's gross borrowings) which includes the obligation that equity must represent a minimum against the sum of equity plus net borrowings.

- *Risk of supplier payment management using confirming lines*

The Group has confirming lines with financial institutions so that suppliers who wish to bring forward the collection of current invoices due may do so. These lines allow suppliers to effectively manage their collections. A reduction in the limits of these lines could lead to liquidity pressures at some of the Group's suppliers, which could be detrimental to the level of service or even the timely availability of contracted products. The Group maintains an appropriate policy of diversifying the number of its suppliers, but an adverse effect on some of them cannot be ruled out in the case described.

Accounting and reporting risks

- *Risks derived from changes in accounting standards*

The accounting and financial reporting standards governing the preparation of the Group's consolidated financial statements are subject to review and amendment by international accounting standards bodies and other regulatory authorities. Such regulatory changes may have a significant impact on the way the Group accounts for and presents its financial information.

(B) OPERATIONAL RISKS

Risks related to project management

- *Risks arising from price definition and scope in proposals*

An inadequate analysis of the scope of the project, the complexity of the systems and specific technical tasks to be performed, as well as a lack of previous experience, could lead to incorrect price estimates, a lack of specification and/or deficient contractual formalisation, as well as the inclusion of abusive clauses, penalties or the failure to reflect changes in the scope of the proposal, resulting in operations with lower than expected profitability or affecting compliance with product and deliverable requirements. In addition, inaccuracies in requirements and deliverables could lead to continuous changes resulting in non-acceptance of deliveries and non-payment or even cancellation of the contract on the grounds of non-performance.

There is a risk that the Group may not be able to deliver the solution offered or that the scope offered may require greater costs or that technological restrictions may prevent the delivery of the agreed scope in due time and form, which could be seriously detrimental to profitability and cash flow in such projects, with a significant impact on the Group's financial position.

- *Risks arising from project management*

A lack of good planning and organisation of project resources, of risk identification and evaluation based on the taxonomy defined for project risk management, of management of the relevant contract or experience of the manager, and the absence of a suitable risk and monitoring plan, could mean that deviations are not detected in time.

Furthermore, deviations in the implementation of a project could lead to contractual penalties and even the cancellation of certain projects. Such situations could affect the Group's reputation and commercial solvency not only with respect to the customer involved but also with respect to other customers in the same or other sectors and regions where the Group operates. In any event, no single project represents more than 10% of the Group's consolidated revenues.

The Group performs ongoing analyses of the expected future profitability of projects in progress with the best information available at any given time, which may give rise to significant provisions after completing this analysis if as a result of this process a higher cost than initially foreseen is expected.

In addition, the Group periodically reviews its project portfolio, identifying projects whose current development shows signs of potential losses, and provisions are made for these as they are identified. At 31 December 2019, the Group recorded a net movement in provisions for this item of €-30 million (€-25 million in 2018).

Finally, the Group's contracts with its customers usually contain provisions designed to limit its liability for damages caused or for defects or faults in its products or services. However, it cannot be guaranteed that these provisions will always, and effectively, protect the Group against legal claims, nor that, where appropriate, the liability insurance will be sufficient to cover all costs arising from such legal claims.

- *Customer-related risks*

The lack of a global vision on the customer's part as well as complex or unstable organisation could imply inadequate decision-making over the life of the project. High customer expectations that are not reflected in the contractual requirements or failure to meet deadlines can lead to customer dissatisfaction, misunderstandings and ongoing conflicts, which could result in non-payment, penalties, reduction in future business or the termination of the contract.

- *Design and planning risks*

High project complexity could lead to errors in product design or task planning after acceptance of the proposal. This could lead to delays, cost overruns, additional work, redesigns, etc., as well as affecting compliance with product and deliverable requirements, with the consequent negative impacts for the Group.

- *Product quality risk*

The absence of adequate instruments for ensuring and controlling the product and service quality through all phases of their production could increase their cost due to failure to detect and manage variances early, leading to additional work or contractual non-compliance. Additionally, the lack of systematic quality management would limit the organisation's capacity to prevent the repetition of known errors and continuous improvement.

- *Order intake and backlog risk*

The positive evolution of the Group's backlog in a given year depends on both the orders accumulating until the beginning of that year and the new orders generated during that year.

The cumulative order intake is affected by variables outside the Group such as exchange rate fluctuations (for contracts denominated in foreign currency), project scope adjustments, delays in the start-up of services or projects and even contract termination.

Obtaining new projects each year is conditional on the Group's capacity to adapt to the market's evolution in terms of competition, supply and product development.

All these events may have a material impact on the Group's order book and therefore on the Group's future revenues.

- *International expansion risk*

Due to its significant international presence, the Group is exposed to risks related to its adaptation to environments or markets in the regions in which it operates, as well as to risks derived from a lack of knowledge and experience in the geographical markets it intends to develop. This means that the Company may be exposed to reductions in demand or diminished productivity as a result of unfavourable conditions, as well as to changes in national policies and regulations applicable to the sectors in which it operates, all of which could affect the Group's financial, economic or equity situation.

Exposure to this type of risk may increase in those countries and emerging markets where political and good practice standards are less stable or less developed.

- *Risk derived from involvement in joint ventures, temporary consortia and associations*

The Group operates with more than 140 Temporary Consortia (UTEs) in different geographical areas (mainly Spain). Carrying out projects with Temporary Consortia or associations implies risks that could materialise due to an incorrect distribution of responsibilities, lack of capacity among associates, lack of solvency among associates that would force the Group to assume their operational commitments, or previous negative experiences. In addition, if the partners in the Temporary Consortia failed to meet their contractual obligations on a timely basis, the Group would have to comply with the obligations arising from such contracts, due to the unlimited joint and several liability of the Consortium members towards third parties.

Furthermore, since a significant part of the Group's business is in the Public Authorities sector, the Group frequently takes part in tenders grouped into Temporary Consortia. In this context, there is a risk that the Group's involvement in a Temporary Consortium to take part in a tender may be considered by the competition authorities (specifically the Spanish National Commission for Markets and Competition) as a way of concealing, under the legal appearance of a Temporary Consortium, the existence of collusive behaviour, particularly in cases where the agreement among the Consortium members is not duly supported from a business standpoint or includes covenants that have the aim or effect of distorting competition. Should this risk materialise, the competent competition authority could initiate penalty proceedings which could eventually lead to fines being imposed on the Group.

The Group sometimes takes part in business ventures involving consortia where it has a minority interest and is therefore exposed to the risk of changes in the conditions and/or scope of these projects.

- *Risk of loss of certification and accreditation*

Non-compliance with the requirements associated with third-party certifications or accreditations to which the Group has adhered could result in these being forfeited, jeopardising the current contracts related to them, access to and competitiveness in the markets in which they are required or valued, and generating a negative reputational impact.

- *Risk of disqualification from contracting with public authorities*

The Group operates with Public Authorities of differing characteristics and with very diverse regulatory and legal requirements and compliance standards in numerous markets and geographical areas. Possible litigation, disputes or claims with some of these Public Authorities could lead to the Group's disqualification from contracting with the Public Authority in the country concerned, impacting the Group in both economic and reputational terms. In addition, any failure to comply with certain balance sheet ratios could prevent the Group from taking part in tenders or even make it ineligible to enter into contracts with the public authorities.

- *Risk of damage to tangible fixed assets*

Physical damage to the Group's property and assets (at any stage of the project) caused by fire, explosion, terrorism or any natural phenomenon, accident or erroneous manoeuvre could require repairs, replacements or even jeopardise business continuity.

- *Information security risk*

The possible existence of vulnerabilities and threats that could undermine or result in the loss of confidentiality, availability and integrity of the information contained in the systems could have detrimental impacts on the Group. Cyber-risk is understood as the materialisation of threats that jeopardise the information that is processed, stored and transmitted by information systems that are interconnected.

- *System availability risk*

The lack of or reduction in availability of Indra's systems could generate delays or interruptions in processes, which could make it difficult to achieve objectives, place the company at a competitive disadvantage or affect the Group's image.

- *Risk due to insufficient insurance coverage*

Although the Group seeks to insure the risks to which it is reasonably exposed and considers that its insurance coverage meets normal market standards, it cannot guarantee that its policies will cover all its liabilities or damages in the event of an incident.

In this respect, the Group could be required to bear significant costs in the event that (i) its insurance policies do not cover a given loss; (ii) the amounts insured by those policies are insufficient; or (iii) the insurance company is unable to pay the amounts insured, notwithstanding the increase in the insurance premiums.

In 2019, a fire occurred at the station in Jeddah, Saudi Arabia, which caused significant material losses in Indra's assets. However, most of the costs incurred are expected to be recovered via the insurance indemnity.

Risks related to support processes

- *Supplier management risk*

The absence of mechanisms for the approval, evaluation and operational monitoring of suppliers could lead to operational deviations, penalties for delays, dependencies, and risks associated with technological obsolescence and legal compliance. Quality shortcomings or non-compliance with the conditions of supply or delivery of the products or services provided externally could lead to additional work and delays, adversely affecting the margin and the Group's ability to meet its commitments with its customers.

The creation of long-term relationships with suppliers is a key factor in the successful development of the Group's business. However, greater dependence on any of these suppliers in the Group's operations could result in a reduction in the Company's flexibility when dealing with unexpected adverse circumstances that could arise in relation to such suppliers, as well as a reduction in the Group's negotiating power. Likewise, in the event of inappropriate practices by any of the members of its supply chain, the Group could be affected by legal, financial and operational contingencies or damage to its image, among others.

The Group also works in all the sectors in which it operates with a number of niche suppliers specialised in specific products and services that the Group requires to develop and implement its projects. Therefore, in the event that these niche suppliers are unable to supply their products or services within the agreed time frame, it may not be easy to replace them in a short period of time, which could lead to a deviation in the project's implementation time, adversely affecting the Group's results. In addition, any changes in such suppliers' pricing policies could significantly affect the profitability of the associated projects.

- *Risk of investor and shareholder relations*

Inadequate communication between the Financial, Investor Relations and Legal departments could lead to distortion in institutional or financial messages and could adversely affect the Group's image in the eyes of investors and shareholders. Inadequate frequency of these communications could adversely affect the relationship with investors and shareholders.

- *Brand positioning risk*

The lack of knowledge and perception of the Group's brand by the target audience and the absence of marketing and communication plans can hamper the implementation and growth of the brand.

- *Risk of errors in support processes*

The existence of possible failures in all transversal processes that support the Group's activities could have a negative impact, in relation to infrastructures and/or invoicing, collection and payments processes, etc.

- *Risk derived from relations with trade unions, employers' associations and employees*

Inadequate management of relations with workers' legal representatives, as well as inadequate communication with professionals, could lead to lawsuits or impacts in the news media.

- *Health and safety risk*

The deficient application of the Occupational Risk Prevention management system in installations, machines, equipment and chemical products, activities and professionals (e.g. blackmail, kidnapping, extortion, etc.) could lead to significant economic and/or legal contingencies between the Group and its workers. In addition, the emergence of infectious diseases on a global scale could jeopardise professionals' health.

Productivity related risks

- *Risk related to productive efficiency*

Lack of efficiency in processes (e.g. manufacturing or software development) or in the use of resources could lead to negative impacts on the Group.

- *Strategy and resource planning risk*

Inadequate resource planning, and the absence of an outsourcing strategy, could impact resources and related costs.

In turn, the profitability of some of the Group's businesses requires the active management of the Group's existing professional pyramids, which is often limited either by the Group's financial capacity or by specific labour regulations in certain countries.

- *Risk derived from the supply strategy*

The absence of planning and foresight in procurement from a global perspective, rather than project by project, could cause a loss of opportunities for savings or cost reductions, failure to take part in tenders due to the terms involved or an inadequate diversification of the supply base, or conversely, its excessive concentration.

- *Risk of warehouse management for the Group's own and third party materials*

In relation to warehouse management, the inappropriate management of both the Group's own and third party materials could lead to a failure to optimise costs (financial, obsolescence, etc.).

Key personnel risks

- *Risk related to undesired turnover*

Inadequate management of key personnel could result in a loss of talent. This could adversely impact the generation of value opportunities or specific offerings, or could significantly increase the costs of attracting substitute resources. Other factors that could lead to undesired turnover are the misjudgement of the working climate or an inadequate compensation and benefits policy which is not in line with the market, professional development and Group objectives. The Group's capacity to attract, retain and train the right professionals at all times is therefore of key importance, avoiding turnover in certain professional groups whose replacement costs are high. In this context, the Group cannot guarantee that it will be able to retain such key personnel in the future or that it will succeed in attracting the talent it needs in the market.

During 2019, undesired turnover stood at 13%.

- *Risk derived from a lack of talent*

Indra's lack of attractiveness or the lack of profiles required for a specific job in the market could make it difficult to attract resources with the resulting adverse impact on the Group.

The sectors in which the Group operates are characterised by a high degree of specialisation, due to a high rate of innovation and constant technological change, which requires the Company to have highly qualified employees with the specific know-how for the development of its projects, mostly with a substantial technological component.

- *Risk of a lack of training in key areas*

The lack of availability of employees with the required education and training in key areas makes it difficult to culminate the projects and initiatives proposed by the Group.

Reputational risk

Reputational risk is defined as the probability of negative events, public opinions and perceptions, which adversely affect the Group's income, brand, support and public image. This is a transversal risk and is considered to be related to and interdependent with other risks.

The Group's reputation is linked to operational risks such as product quality and safety, customer satisfaction, information security, health and safety, personnel management and subcontracting, as well as other types of risks related to regulatory compliance such as integrity, legal responsibility and corporate governance.

Although the Group has adopted internal control measures aimed at mitigating these risks, it remains exposed to other factors that it might not be able to foresee and control internally, to factors outside its business structure and to the risk that the conduct of certain Group members could affect its image. If this were to occur, any of these situations could adversely affect the Group's brand and therefore its ability to maintain its competitive position in the markets in which it operates.

Non-financial and sustainability risks

These are the risks, opportunities or both of an environmental, social or corporate governance nature that can affect an entity. These are key factors in assessing sustainability, sustainable development objectives (SDAs) and ethical impact from the viewpoint of a business's investment. Indra has identified the most relevant compliance, financial, operational and strategic risks related to sustainability. As the main measures to manage these risks, we should note the creation of the Sustainability Committee. Indra is included in various prestigious indices: Dow Jones, MSCI, FTSE4Good and the Bloomberg Gender-Equality Index (GEI). For more information, see the Sustainability report attached to this report.

(C) COMPLIANCE RISKS

- <u>*Legislative, regulatory and tax compliance risks*</u>

As part of its ordinary activity, the Group is exposed to litigation and claims, whether from employees, subcontractors, third parties, suppliers, tax authorities, competition agencies, or customers, among others. Uncertainty about the outcome of litigation and claims carries the risk that a negative outcome will adversely affect the Group's business and reputation, as well as its results or its financial, economic or equity position.

The Group carries out a process for quantifying and rating these risks on a recurring basis, based on the best information available at a given time. There is a risk that this impact may be underestimated or that events may occur that cause the classification and quantification of a dispute or claim to change significantly, with a greater impact than initially anticipated.

The Group provides for 100% of the amount involved in proceedings in which it is a defendant and whose risk of occurrence has been classified as "probable" (i.e. the risk of the Group being found liable, or its claim being dismissed, is greater than 50%). At 31 December 2019, the Group is a defendant in litigation totalling €40 million (€46 million in 2018). Provisions at 31 December 2019 amounted to €46 million (€46 million in 2018). For further details on the ongoing proceedings and litigation affecting the Group, see Note 24.

As the Group operates in various countries it is exposed to compliance with varying applicable laws and regulations: (i) of each of the markets in which it operates; (ii) of the European Union; and (iii) of the obligations derived from international treaties, as well as their possible future amendment.

The main risks of regulatory non-compliance that may significantly affect the Group's business are those arising from its ordinary activities, as well as those deriving from national and international measures to prevent crime and fraud. In addition, it is important to note the regulations in force in each country which, in the event of non-compliance, could lead to the imposition of penalties on the Group.

The legal consequences of a crime (or like offence) being committed on behalf of the legal entity and for its direct or indirect benefit could also have economic and reputational impacts on the Group.

In addition, the Group's activities are subject to the tax legislation of each country and to the double taxation treaties between the countries in which it operates, and it must therefore comply with successive amendments to such legislation. With regard to tax benefits in favour of the Group, potential tax reforms in the countries in which it operates may lead to the cancellation of such benefits, resulting in additional costs for the Group and therefore adversely affecting its business and financial position.

Also worth noting are the effects of any changes in Spanish tax legislation, which could have an impact on the Group's consolidated results as a result of possible adjustments to deferred taxes at the relevant tax rates, or limitations on deductions, as well as on cash flows, as a result of the need to bring forward payments and defer recoveries of tax credits.

- *Risk of non-compliance with Corporate Governance recommendations*

Possible non-compliance with the recommendations and best practices in the area of Corporate Governance or non-alignment with the guidance of investors and proxy advisors could lead to shareholders not approving or giving sufficient support to the proposed resolutions submitted to the General Shareholders' Meeting by the Board.

- *Employment and Social Security regulation risk*

Inadequate personnel management for employment and Social Security purposes (e.g. illegal assignment of employees) could lead to non-compliance with legislation (regulations and case law) and result in significant economic and/or legal contingencies between the Group and its employees, trade unions and central government.

In this respect, the Group operates in markets with specific regulations for certain groups of professionals (for example, the Brazilian labour legislation relating to professionals from subcontracted companies) that may involve significant labour risks and contingencies. Even though the Group has a consistent human resources policy, it is inevitable that it will have to adapt to the local situations of each country, which may lead to risk situations related to such legislation.

- *Intellectual and industrial property risks*

Failure by the Group to comply with current legislation in relation to intellectual property or industrial property rights could lead to penalties or indemnities.

- *Integrity risk*

Non-compliance with the Group's internal policies (including the Code of Ethics) by employees or third parties could have a negative impact on the Group's reputation and image vis-à-vis its stakeholders, in addition to economic and Sustainability impacts, among others.

- *Environmental risk*

Inadequate management of environmental issues associated with production activities could lead to: direct damage to the environment (ecosystems, water, air, soil) or indirect damage to people and goods; decreased protection of the environment and difficulty ensuring a sustainable environmental impact; and non-compliance with environmental regulations with the resulting risk of legal penalties and liability.

- *International business risk*

Non-compliance with current international trade legislation in any country where the Group operates could lead to international sanctions with the associated negative impacts.

- *Competition risk*

Non-compliance with current competition legislation in any country in which the Group operates could lead to penalties with the associated negative impacts.

- *Non-compliance in relation to product quality and safety*

Non-compliance with laws and regulations on product and service safety could affect the level of quality offered to customers and may result in financial penalties for the Group.

- *Data protection risk*

Non-compliance with current regulations on data protection, both at Group level and in the context of its operations, could lead to financial penalties and reputational damage.

(D) STRATEGIC RISKS

Industry risks

- *Risk of exposure to the Spanish market*

The national economy could be affected by a decrease in investment in Public Authorities, as well as in private customers due to the decline in the country's economic and socio-political situation, which could lead to a loss of earnings.

Despite the effort to internationalise the Group in recent years, it is highly dependent on the Spanish market. During 2019 and 2018, 50% of total sales derived from Spain.

- *Relevance of the global economic, socio-political and employment situation to the business*

The economic, socio-political and employment situation and global macroeconomic trends affect the Group's business, given its international presence.

On the one hand, budgetary constraints resulting, inter alia, from the problems caused by high public deficits (for instance, in Europe) result in a direct (public customers) and indirect decline in business for the Group.

The Group is also affected by the slowdown in emerging economies in recent years. Exposure to these economies represents a significant risk for the Group's business in these markets.

Additionally, geopolitical tensions, international uncertainty, terrorist actions, the growth of populist and/or nationalist political parties opposed to globalisation or the uncontrolled spread of infectious diseases, among other matters, undermine investor confidence and could considerably affect the economic situation in those countries in which the Group operates, either through budgetary restrictions on sensitive areas for the Group's operations (such as defence, transport, etc.), changes in regulations in sensitive sectors (e.g. the banking sector), increased dependence on local suppliers to the detriment of multinationals such as the Group, interruptions in supply chains, possibility of default or decreased productivity, which might even jeopardise business continuity. Any of these circumstances, as well as any other that could affect the world economy, could have a significant impact on the Group's business.

- *Technological risks*

The Group is exposed to a number of technological risks that could have a significant impact on the Company in economic terms and from a credibility and image viewpoint. Technological risks are those associated with constant change in technology, as well as those derived from IT Security and, particularly, those that could lead to a loss of information belonging to the Group or its customers.

- *Technological competition risks*

Some of the sectors in which the Group operates are in a constant process of evolution and innovation, which means that the technologies used or developed by the Group may become obsolete, making it necessary to make a considerable effort to maintain the Group's technological development. The lack of flexibility, effective investment and knowledge to take on technological changes from disruptive technologies could place the Group at a disadvantage with respect to its competitors. In this context, it is necessary not only to accommodate constant technological changes but also to be able to anticipate them sufficiently in advance to be able to adapt the Group's technological resources in order to provide a quality, up-to-date, reliable and safe service to customers.

In addition, the Group's customers are facing disruptive changes in their own business models that are threatened by new competitors based on much more advanced technological platforms (i.e. new fintech operators versus traditional banks). The capacity of these customers to adapt to such changes is key to ensuring their survival in the medium term and their limited response capacity could adversely affect the Group as it could lose business from them.

- *Risks associated with fluctuations in prices of materials, services and labour*

Fluctuations in the prices of materials and services and/or qualified labour could involve risks related to an increase in the costs associated with the Group's operations.

- *Price competition risk*

Price competition in the market for services or commodities could lead to a decline in competitiveness due to price cuts by one or more competitors, resulting in a loss of customers.

- *Risk associated with the incorrect use of proprietary intellectual and industrial property by third parties*

A possible lack of detection, application, registration or control measures or inadequate contractual protection against customers and suppliers could lead to a loss of rights to such know-how with serious consequences for the Group.

The technologies developed by the Group, as well as the knowledge it possesses in relation to certain areas or sectors which is incorporated into its services and solutions, are very valuable intangible assets, and therefore their protection is essential for its business. The Group adopts mechanisms to protect technology against copies, viruses, unauthorised access, identity theft, hardware and software failures, computer fraud, loss of computer records and technical problems, among others.

The protection of the Group's know-how is entrusted to all its professionals, and in particular to its legal services. In accordance with the Group's Code of Ethics and Legal Compliance, all professionals are obliged to protect their technology and know-how, among other essential assets. Specifically, the legal services are responsible for safeguarding the Group's intellectual and industrial property, through:

1. adequate contractual protection in relations with customers and suppliers, and
2. active management of their rights through the registration and monitoring of intellectual property records and filings, patents and trademarks.

However, the measures adopted by the Group could be insufficient to protect its know-how and technologies, adversely affecting the Group.

o *Risk related to regulatory changes*

Changes in regulations in the various geographical areas and markets in which the Group operates could lead to higher costs due to the need to adapt operations to these regulations and/or a decline in earnings due to possible business discontinuance.

o *Climate change risk*

The lack of an adaptation and communication strategy in relation to climate change could impact the business strategy due to the direct economic and reputational impact and associated risks and opportunities.

o *Risk arising from the implementation of the 2018-2020 Strategic Plan*

The 2018-2020 Strategic Plan aims to complete the Group's transformation and facilitate its profitable growth, through four principles:

- Progressing towards greater specialisation in the operational model through the subsidiarisation of IT activities to improve the orientation towards results, agility and strategic flexibility.
- Continuing to develop the product portfolio to give it greater added value.
- Accelerating the business transformation to become a sales-oriented company.
- Continuous improvement in productivity to increase the Company's competitiveness and profitability.

This process of continuous optimisation and adjustment entails risks derived from both the implementation of the process itself and from the failure to take the measures required to achieve the proposed objectives. Furthermore, the objectives contemplated in the 2018-2020 Strategic Plan are based on estimates and forecasts for the Group at the time of its announcement. These estimates are subject to risks, uncertainties and other factors that could cause the final results to differ from the projected results.

Risks derived from relations with third parties

o *Customer counterparty risk*

Excessive dependence on certain customers could lead to a loss of profitability in the customer portfolio and curb the Group's growth and sales capacity. In addition, supplier rationalisation processes that could be carried out by large corporations could cause the Group to lose all or part of its business with these customers.

The Group has a broad and diversified portfolio of large customers with which it seeks to build long-term sustainable relationships. Its main customers include large corporate groups, governments and public and public-private entities in the various jurisdictions in which it operates. At 31 December 2019 and 2018 no Group customer accounted for more than 10% of consolidated revenue.

The success of the Group's business is linked to maintaining or increasing demand for its projects and services, which in turn depends on the proper functioning of the business and the budgetary or financial limitations of its customers. Therefore, all factors that can affect its customers' business will indirectly affect the Group's results.

o *Risk of finding the right alliances, partners and technology partners*

The failure to seek, attract or align with technology partners could be detrimental to the Group's service offer and therefore limit its growth and competitiveness.

Risks related to the Product and Project Portfolio

o *Risk due to a lack of suitable commercial channels*

The lack of commercial channels for detecting new potential markets and the needs of current and potential customers could reduce the Group's capacity to generate contracts, with the consequent impact.

o *Risk in product offer management*

If the Group is unable to offer innovative products (or present any offer due to a lack of certificates), tailored to the needs of local customers with a suitable balance between solutions and services and reflecting social and environmental responsibility, it could lose market share and profitability, impacting its image and potential results.

Risks related to acquisitions, organisation and planning

o *Risk derived from returns on investment/divestment*

Failure to achieve the objectives set out in the investment/divestment projects could entail a risk of reduced profitability for the Group. In addition, non-compliance with business plans for intangible assets recorded in the balance sheet and goodwill, or the emergence of liabilities that were concealed or unknown at the time of acquisition, could oblige the Group to adjust their value with the resulting financial impact.

Taking advantage of inorganic growth opportunities is essential in sectors with a strong technology base and which require the incorporation of new technologies to complement internal development, as well as in sectors where scale is a crucial factor in competing companies' profitability and competitive positioning.

The success of the inorganic growth strategy will depend on the ability to find suitable acquisition targets on favourable terms, and on the ability to finance and complete these transactions successfully. The integration of new businesses also involves risks inherent to the acquisition process itself and subsequent integration.

In addition, the acquisition of certain businesses could be subject to the fulfilment of certain requirements (e.g. competition, defence, etc.) which could limit the attractiveness of the assets to be acquired or even preclude their acquisition.

There is a risk that the Group will encounter difficulties in integrating the acquired businesses, such as the failure to achieve cost reductions or the expected commercial synergies, which could result in the acquisitions not being as advantageous in financial terms as would have been expected. There is also a risk that the expected operational, tax and/or financial synergies will not be achieved as a result of possible legislative changes. There are also risks associated with the increase in the Group's debt or even the emergence of liabilities not identified in the prior due diligence processes, or the possible impact of impairment of the assets acquired.

Certain specific risks relating to acquisitions are set out below:

- *Emergence of liabilities that were concealed or unknown at the time of acquisition.*
- *Risks arising from integration.*
- *The resulting group may not be able to retain key managers and professionals, or to manage the workforce efficiently.*

At 31 December 2019, the Group recorded net intangible assets (excluding goodwill) totalling €373 million.

Similarly, the Group could be required to make provision for goodwill arising from corporate transactions in the past if the future prospects associated with such business are insufficient to justify the carrying value of the goodwill. At 31 December 2019, the Group recorded goodwill totalling €885 million (€812 million in 2018).

- *Risk derived from the organisational and operational structure*

An inadequate segregation of functions and responsibilities or an inappropriate organisational model not aligned with the Group's objectives could make these difficult to achieve. In addition, the lack of a clear allocation of responsibilities or the absence of policies and procedures concerning acquisitions and equity interests in new companies, as well as the lack of a controlled and managed integration or segregation, could jeopardize the objectives of both the Group and the new business.

- *Risk due to difficulty in change management*

High levels of competition, economic internationalisation and the emergence of new technologies have put pressure on change in organisations and on renewal processes, which are based on permanent innovation and adaptation of their corporate culture, with particular emphasis on attracting, developing and retaining talent.

Resistance to change and lack of transformation projects could hinder adaptation and progress.

- *Planning and forecasting risk*

If planning and budgeting are not in line with strategy and objectives, are not realistic or are not suitably monitored, expenses could be incurred and income and profits could decline.

9) Significant events after the reporting date

1. The emergence of the coronavirus COVID-19 in China in January 2020 and its recent global expansion to a large number of countries led to the viral outbreak being classified as a pandemic by the World Health Organisation on March 11.

   Considering the complexity of markets due to their globalisation and the absence, for the time being, of effective medical treatment against the virus, the consequences for the economy in general, and for the Group's operations in particular, are uncertain and will depend to a large extent on the evolution and extension of the pandemic in the coming months, as well as on the reaction and adaptation capacity of all the economic players affected.

   In this context, we have identified the following risks that could affect the Company's operations or financial situation:

- *Business activity*: The changing and unpredictable nature of events is already having an impact on our commercial network's capacity to achieve incremental business or even to be able to specify the final terms of recently obtained business. These difficulties could be compounded over time if the current conditions of uncertainty are maintained or even worsen.

- *Capacity to provide services to our customers*: part of our services require direct access to our facilities and systems, as well as in some cases to our customers' facilities and systems. When such access is not possible, due to the impossibility of remote access, the absence due to illness of our own or our customers' personnel or the closure of our customers' facilities or our own facilities from which we provide our services, our capacity to provide our customers with the usual services could be affected.

- *Capacity to execute projects abroad*: the possibility of national or supra-national authorities imposing restrictions on the movement of passengers or goods between countries or geographical areas may have a direct impact on our ability to execute projects or deliver finished products in other countries.

- *Production capacity*: some of our operations depend on the availability of materials produced by third parties through the national and international networks that make up our supply chain. To the extent that these suppliers are not able to produce or deliver their final products to us, our own production capacity could be affected. Likewise, possible regulatory restrictions could limit the access of our professionals to production centres that are not suitable for remote work, which could also jeopardise the continuity of our production capacity.

- *Protection of people*: The high transmissibility of the disease and the restrictions on physical contact to control it could impact working methods, as well as implying changes in the application of the Occupational Risk Prevention management system in facilities, machines, equipment, activities and professionals. Although the guidelines set by the authorities have been strictly followed to date and additional or early measures have even been taken, further measures could be required in the short term to ensure the protection of people.

The Group's directors and management are constantly monitoring the situation in order to minimise any possible impacts, both financial and non-financial, that might arise.

Particular attention is being paid to the Group's liquidity situation which at year-end was in the position described in Note 17 and which is being further strengthened by the following actions currently in progress:

- Negotiations for the reduction of a significant part of debt maturities expected for 2021, amounting to €134 million at year-end. Debt maturities scheduled for 2020 are not significant and amount to €14 million.

- Increase and extension of bank facilities for medium- and long-term financing and an increase in available short-term financing lines. In this respect, the Group already had undrawn short-term financing lines totalling €136 million at year-end.

It should also be noted that, with the exception of a €80 million loan from the European Investment Bank, none of the Group's existing forms of financing are subject to compliance with financial covenants, which could lead to their possible early maturity in the event of a potential impairment of the financial figures.

Although, for all the above reasons, at the date of preparation of this Management Report it is too early to make a detailed assessment or quantification of the possible impact that COVID-19 will have on the Group due to the uncertainty of its consequences in the short, medium and long term, based on the preliminary assessment made using the available information and according to the monitoring processes established above, we still consider the application of the accounting principles and policies detailed in the annual accounts to be valid at their date of preparation, having not detected at the present time any significant impacts additional to those already indicated which would need to be disclosed in this Management Report.

2. On 31 January 2020, the period expired for the loss of the possibility of obtaining public subsidies or aid and the right to enjoy tax or Social Security benefits or incentives resulting from the tax inspection. On 6 February 2020, Madrid Criminal Court No. 26 issued a ruling declaring the criminal liability of the parent company to be extinguished due to compliance with the penalty and the definitive closure of the proceedings.

3. With regard to the "Arbitration relating to the consortium costs arising from the High-Speed Railway Line between Mecca and Medina in Saudi Arabia" on 2 March 2020, INECO, RENFE and ADIF filed a complaint against the other members of the Spanish consortium.

10) <u>Capital structure</u>

At 31 December 2019 the parent company's subscribed and paid-up capital amounted to €35,330,880.40, divided into 176,654,402 ordinary shares with a par value of €0.20 each. All share capital is made up of ordinary shares belonging to the same class and therefore conferring the same rights and obligations; there are no restrictions on the transfer of these shares or on voting rights.

The parent company's main shareholders at 31 December 2019, holding an interest of over 3%, are: SEPI (18.7%); Corporación Financiera Alba (10.5%); Fidelity Management & Research LLC (9.4%); Norges Bank (3.9%).

11) Other corporate information

The additional information traditionally contained in this section relating to (i) rules applicable to the amendment of the Company's Bylaws; (ii) restrictions on the transfer of shares and any restrictions on voting rights; (iii) powers of the members of the Board of Directors and, in particular, those relating to the possibility of issuing or repurchasing shares; (iv) significant agreements entered into by the company which come into force, are amended or terminate in the event of a change of control in the company following a takeover bid; and (v) agreements between the company and its directors, managers or professionals which provide for compensation when they resign or are dismissed without due cause or if the employment relationship ends as a result of a takeover bid, is set out in the Annual Corporate Governance Report (sections B.3, A.10, C.1.9, C.1.38 and C.1.39 respectively) in accordance with the provisions of Article 540 of the Spanish Companies Act. Said report, as mentioned in section 12 below, forms an integral part of this Management Report.

12) Shareholder remuneration

No dividends were paid by the parent company in 2019.

The parent company's Board of Directors will propose to the shareholders in general meeting that profits, amounting to €38,778,333.96, should be applied in full to offset prior-year losses.

The proposed distributions of 2019 profits in Group companies have been drawn up by their respective boards and will be submitted for approval at the relevant General Shareholders' Meetings.

13) Derivatives

The Group pursues an active policy of hedging risks arising from exchange rate fluctuations by arranging hedges and derivative instruments with financial institutions.

The Group is also considering the use of interest rate swaps to manage its exposure to interest rate fluctuations mainly in its long-term floating rate bank loans.

At present, no interest rate swaps have been entered into.

14) Annual Corporate Governance Report

The Annual Corporate Governance Report is attached hereto as an integral part of this report, in accordance with the provisions of Article 538 of the Spanish Companies Act. The Annual Corporate Governance Report has been drawn up in accordance with the model approved by Circular 2/2018 of the National Securities Market Commission.

The Annual Corporate Governance Report is an integral part of the Management Report and can be consulted on the CNMV website (www.cnmv.es) to which it has been sent by the Company, and on the corporate website (www.indracompany.com).

15) Treasury shares

Making use of the delegated authority conferred by the General Shareholders' Meeting, the Company directly holds 282,006 shares at 31 December 2019 for a total of €2,788 thousand.

During 2019, the Company acquired 8,035,267 of its own shares on the stock exchange (5.35% of annual volume) and sold 8,181,750 of its own shares (5.45% of annual volume).

On 28 October 2019 the Company terminated the liquidity agreement with BEKA FINANCE, S.V., S.A. and entered into a new agreement with Banco de Sabadell S.A. (price-sensitive information with registration numbers 282938 and 282939 respectively)

16) Non-financial information

The Sustainability Report/Non-Financial Information Statement forms part, as an appendix, of the Management Report and is therefore subject to the same rules for approval, filing and publication as the Management Report, having been drawn up by the Board of Directors together with the Management Report at its meeting on 23 March 2020. The Sustainability Report includes the necessary information to understand the Company's performance, results and situation and the impact of its business activities with respect to, at least, environmental and social issues, as well as those related to personnel, respect for human rights and the struggle against corruption and bribery, among others. The Sustainability Report can also be consulted at the company's website (www.indracompany.com).

17) Alternative Performance Measures

Following the guidelines of the European Securities and Markets Authority (ESMA) on Alternative Performance Measures (APMs), Group management believes that certain APMs provide useful additional financial information that should be considered when assessing performance. In addition, Management uses these APMs when taking financial, operational and planning decisions, as well as in the assessment of Group performance. The Group presents the following APMs that it considers useful and appropriate for decision making by investors and which provide the greater reliability with respect to the Group's performance.

EBITDA

- Definition/Reconciliation: EBITDA stands for earnings before interest, tax, depreciation and amortisation.
- Explanation of use: It is a financial indicator that the Company uses to determine its productive performance and that investors use for company valuations.
- The Group also uses the EBITDA Margin as a performance indicator, which is the ratio of EBITDA to sales in a given period. This indicator is interpreted as the Group's operating profit for every euro of sales.
- Consistency of the criteria applied: There is no change in criteria with respect to the previous year.

CONSOLIDATED INCOME STATEMENT (€M)	2019	2018
EBIT	221	199
Depreciation and amortisation	125	94
EBITDA	***346***	***293***

EBIT

- Definition/Reconciliation: It is defined in the annual income statement.
- Explanation of use: EBIT (earnings before interest and tax) is a financial indicator that the Company uses to determine its productive performance and that investors use for company valuations.
- The Group also uses the EBIT Margin as a performance indicator, which is the ratio of EBIT to sales in a given period. This indicator is interpreted as the Group's operating profit for every euro of sales.
- Consistency of the criteria applied: There is no change in criteria with respect to the previous year.

2019

€M	T&D	Minsait	Total
Total sales	1,189	2,015	3,204
Contribution margin	234	262	496
Contribution margin (%)	*19.7%*	*13.0%*	*15.5%*
EBIT	145	76	221
EBIT margin (%)	12.2%	3.8%	6.9%

Net borrowings

- Definition/Reconciliation: Amounts owed to credit institutions and bonds or other non-current marketable securities less cash and cash equivalents. Net borrowings is calculated by subtracting the balance under "Cash and cash equivalents" from the balances under the headings "Current and non-current bank borrowings" and "Financial liabilities due to the issuance of debentures and other current and non-current marketable securities" as these figure in the consolidated statements of financial position.
- Explanation of use: This is a financial indicator that the Group uses to measure the company's leverage.

  In this respect, the Group uses the Net debt/EBITDA ratio as an indicator of its level of leverage and capacity to repay its financial debt. For this reason, the EBITDA figure used in the calculation of the ratio for interim periods is determined taking into account the equivalent annual EBITDA figure for the 12 months immediately prior to the date of calculation of the ratio.
- Consistency of the criteria applied: There is no change in criteria with respect to the previous year.

CONSOLIDATED BALANCE SHEET (€M)	2019	2018
Cash and cash equivalents	**855**	**918**
Non-current liabilities	**(1,380)**	**(1,359)**
Bank borrowings	(785)	(765)
Financial liabilities due to the issuance of debentures and other marketable securities	(595)	(594)
Current liabilities	**(27)**	**(42)**
Bank borrowings	(9)	(8)
Financial liabilities due to the issuance of debentures and other marketable securities	(18)	(34)
Net borrowings	***(552)***	***(483)***

Free cash flow

- Definition/Reconciliation: These are the funds generated by the Group before dividend payments, net financial investments and other similar amounts, and investment in treasury shares (Note 2. Statement of Financial Position and Cash Flow Statement). It is calculated on the basis of profit before taxes in the consolidated cash flow statement: deducting grants, provisions and gains/losses on fixed assets and other items, adding depreciation and amortisation, adding the results of subsidiaries and other investees, adding financial results, adding dividends received, adding cash from operating activities, deducting payments for the acquisition of property, plant and equipment and intangible assets, deducting financial results and corporate income tax paid, and adding or deducting other flows from investing activities.
- Explanation of use: This is the cash generated by the Group's own business operations that is available to the providers of funds (shareholders and financial creditors) once the parent company's investment needs have been met. It is an indicator that investors use for valuing companies.
- Consistency of the criteria applied: There is no change in criteria with respect to the previous year.

Contribution margin

- Definition: Difference between sales and direct and indirect costs in the Group's various segments or business units. Direct costs are those directly attributable to sales recognised in a specific period and include the cost of own or subcontracted resources used in projects as well as any costs incurred necessary for the development and completion of a project: cost of materials, project travel expenses, etc. Indirect costs are those that, while linked to a Group segment or business unit, are not directly attributable to billable projects or to sales recognised in a given period. Indirect costs include, among others, commercial costs, costs of preparing proposals, cost of management of a certain segment, etc. The contribution margin does not take into account corporate costs, as these are not directly attributable to a particular segment or business.

  This parameter could also be calculated on the basis of operating results, summing corporate costs (rent, structural personnel, general services, etc.) as well as impairment and provisions.

- Explanation of use: The contribution margin measures the operating profitability of a particular Group segment or business unit without taking into account corporate costs, as these are costs not directly attributable to a particular segment or business.

  Additionally, in order to facilitate comparison between segments with a different relative importance in the Group's total sales, the contribution margin to sales ratio of a certain segment or business unit is used, which is interpreted as the contribution margin for each euro of sales in a specific segment.

- Consistency of the criteria applied: There is no change in criteria with respect to the previous year.

Order intake

- Definition: This is the volume of contracts successfully obtained over a period. The order intake figure should not be confused with the Revenue figure since the amount of a contract secured in a particular year (and which is accounted for as order intake in that year) may be spread over a number of years.
- Explanation of use: As it reflects the amount of contracts obtained in a given year, the order intake figure is an indicator of the future performance of the Group's business.
- Consistency of the criteria applied: There is no change in criteria with respect to the previous year.

Order backlog

- Definition: This is the accumulated order intake less sales made plus/minus exchange rate and contract renegotiation adjustments, among others. It reflects the amount of a sale remaining until the completion of a project to complete the order intake figure.
- Explanation of use: As it reflects the amount of contracts obtained pending implementation, this figure is an indicator of the future performance of the Group's business.
- Consistency of the criteria applied: There is no change in criteria with respect to the previous year.