02

Consolidated anual accounts 2016

Consolidated Statements of Financial Position as at 31 December 2016 and 2015
(Expressed in Thousands of Euros)

Assets	Notes	2016	2015
Property, plant and equipment	6	103.446	136.927
Goodwill	7	471.907	470.408
Other intangible assets	8	284.869	289.213
Investments accounted for using the equity method	10	9.909	8.943
Non-current financial assets	11	175.030	41.185
Deferred tax assets	35	178.413	200.017
Total non-current assets		**1.223.574**	**1.146.693**
Assets classified as held for sale	9 y 12	31.180	1.655
Inventories	13	69.352	70.167
Other current assets	14	84.059	72.806
Derivatives	14	114	1.701
Current income tax assets	35	38.912	28.341
Trade and other receivables	15	1.210.932	1.401.382
Cash and cash equivalents	16	673.901	341.554
Total current assets		**2.108.450**	**1.917.606**
Total assets		**3.332.024**	**3.064.299**

Equity and liabilities	Notes	2016	2015
Share capital	17	32.826	32.826
Share premium	17	375.955	375.955
Reserves	17	(1.024)	(1.464)
Other equity instruments	17	23.882	17.259
Cash flow hedges	17	(26.773)	(30.409)
Treasury shares	17	(3.422)	(3.081)
Translation differences	17	(38.845)	(42.224)
Prior years' profits (losses)	17	2.319	(54.823)
Equity attributable to shareholders of the Parent		**364.918**	**294.039**
Non-controlling interests	17	13.044	13.607
Total equity		**377.962**	**307.646**
Financial liabilities relating to issues of debt instruments and other marketable securities	19	414.250	237.543
Bank borrowings	19	721.742	724.372
Other non-current financial liabilities	20	96.018	32.383
Government grants	21	2.743	5.994
Provisions for contingencies and charges	22	99.222	103.371
Deferred tax liabilities	35	12.401	3.330
Total non-current liabilities		**1.346.376**	**1.106.993**
Liabilities classified as held for sale	9 y 12	3	1.302
Financial liabilities relating to issues of debt instruments and other marketable securities	23	973	729
Current bank borrowings	23	59.742	78.648
Trade and other payables	24	1.173.525	1.173.181
Current income tax liabilities	35	17.964	11.678
Other liabilities	25	314.618	353.186
Derivatives	25	40.861	30.936
Total current liabilities		**1.607.686**	**1.649.660**
Total equity and liabilities		**3.332.024**	**3.064.299**

The accompanying Notes and Appendices are an integral part of the consolidated financial statements.

Consolidated Statements of Profit or Loss for the Years Ended 31 December 2016 and 2015 (Expressed in Thousands of Euros)

	Notes	2016	2015
Revenue	26	2.709.306	2.850.404
In-house work on non-current assets		22.784	34.288
Other income	27	40.125	52.131
Changes in inventories of finished goods and work in progress		(12.996)	(100.080)
Materials used and other supplies	28	(667.537)	(840.615)
Staff costs	29	(1.342.196)	(1.632.291)
Other operating expenses	30	(518.604)	(799.029)
Other gains or losses on non-current assets	31	(1.507)	(120.790)
Depreciation and amortisation charge	6 y 8	(67.836)	(85.480)
Profit (Loss) from operations		**161.539**	**(641.462)**
Finance income	9	6.468	857
Finance costs	9	(45.542)	(59.444)
Other net financial losses	32	(259)	(5.477)
Financial loss		**(39.333)**	**(64.064)**
Result of companies accounted for using the equity method	10	1.676	(377)
Profit (Loss) before tax		**123.882**	**(705.903)**
Income tax	35	(53.503)	64.051
Profit (Loss) for the year		**70.379**	**(641.852)**
Profit (Loss) attributable to the Parent		**69.931**	**(641.189)**
Profit (Loss) attributable to non-controlling interests	17	448	(663)
Basic earnings per share (in euros)	18	0,4270	(3,9127)
Diluted earnings per share (in euros)	18	0,4130	(3,5045)

The accompanying Notes and Appendices are an integral part of the consolidated financial statements.

Consolidated Statements of Comprehensive Income for the Years Ended 31 December 2016 and 2015
(Expressed in Thousands of Euros)

	Notes	2016	2015
Profit (Loss) for the year		70.379	(641.852)
Other comprehensive income:			
Items that will be reclassified to profit or loss:			
Income and expense recognised directly in equity		**(5.536)**	**(6.333)**
Translation differences		(9.617)	6.569
Cash flow hedges	17	5.441	(17.919)
Tax effect 17	17	(1.360)	5.017
Transfers to profit or loss		**(445)**	**2.359**
Cash flow hedges	17	(593)	3.276
Tax effect	17	148	(917)
Other comprehensive income for the year, net of tax		**(5.981)**	**(3.974)**
Total comprehensive income for the year		64.398	(645.826)
Total comprehensive income attributable to the Parent		**64.199**	**(645.693)**
Total comprehensive income attributable to non-controlling interests		199	(133)

The accompanying Notes and Appendices are an integral part of the consolidated financial statements.

Consolidated Statements of Changes in Equity for the Years Ended 31 December 2016 and 2015 (Expressed in Thousands of Euros)

	Share capital	Share premium	Reserves	Prior years' profits (losses)	Treasury shares	Other equity instruments	Other comprehensive income		Total	Non-controlling interests	Total
							Translation differences	Cash flow hedges			
Balance at 01/01/15	**32.826**	**375.955**	**1.949**	**582.894**	**(1.642)**	**17.046**	**(48.263)**	**(19.866)**	**940.899**	**12.675**	**953.574**
Distribution of 2014 profit:											
- Dividends	-	-	-	-	-	-	-	-	**-**	(270)	**(270)**
Treasury share transactions (Note 17)	-	-	221	-	(1.439)	-	-	-	**(1.218)**	-	**(1.218)**
Acquisitions of non-controlling interests (Note 17)	-	-	-	(48)	-	-	-	-	**(48)**	1.380	**1.332**
Other increases and decreases	-	-	(3.634)	3.520	-	213	-	-	**99**	(45)	**54**
Other comprehensive income for the year	-	-	-	-	-	-	6.039	(10.543)	**(4.504)**	530	**(3.974)**
Loss for the year	-	-	-	(641.189)	-	-	-	-	**(641.189)**	(663)	**(641.852)**
Balance at 31/12/15	**32.826**	**375.955**	**(1.464)**	**(54.823)**	**(3.081)**	**17.259**	**(42.224)**	**(30.409)**	**294.039**	**13.607**	**307.646**
Distribution of 2015 profit:											
- Dividends	-	-	-	-	-	-	-	-	**-**	(867)	**(867)**
Treasury share transactions (Note 17)	-	-	440	-	(341)	-	-	-	**99**	-	**99**
Acquisitions of non-controlling interests (Note 17)	-	-	-	(37)	-	-	-	-	**(37)**	37	**-**
Other increases and decreases	-	-	-	(12.752)	-	6.623	12.747	-	**6.618**	68	**6.686**
Other comprehensive income for the year	-	-	-	-	-	-	(9.368)	3.636	**(5.732)**	(249)	**(5.981)**
Profit for the year	-	-		69.931					**69.931**	448	**70.379**
Balance at 31/12/16	**32.826**	**375.955**	**(1.024)**	**2.319**	**(3.422)**	**23.882**	**(38.845)**	**(26.773)**	**364.918**	**13.044**	**377.962**

The accompanying Notes and Appendices are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows for the Years Ended 31 December 2016 and 2015 (Expresados en Miles de Euros)

	2016	2015
Profit (Loss) for the year	70.379	(641.852)
Income tax (Note 35)	53.503	(64.051)
Profit (Loss) before tax	123.882	(705.903)
Adjustments for:		
Grants (Note 21)	(24.367)	(42.120)
Provisions for trade and other receivables (Note 15)	11.603	127.413
Change in operating provisions (Note 25)	(6.080)	87.518
Short-term provision for collective redundancy procedure (Note 25)	-	51.300
Long-term provision for collective redundancy procedure (Note 22)	-	40.860
Gains or losses on non-current assets (Note 31)	1.507	120.790
Other	14.457	22.892
	(2.880)	408.653
- Depreciation and amortisation charge (Notes 6 and 8)	67.836	85.480
- Results of associates (Note 10)	(1.676)	377
- Financial loss (Note 9)	39.333	58.587
+ Dividends received	1.840	1.446
Profit (Loss) from operations before changes in working capital	**228.335**	**(151.360)**
Changes in trade and other receivables	54.310	50.491
Changes in inventories	1.371	153.393
Changes in trade and other payables	141	(21.700)
Cash flows from operating activities	**55.822**	**182.184**
Income tax paid	(46.927)	(6.712)
Net cash flows from operating activities	**237.230**	**24.112**

	2016	2015
Payments due to purchases of non-current assets:		
Property, plant and equipment	(9.042)	(11.081)
Intangible assets	(29.778)	(32.907)
Financial assets	(7.099)	(5.719)
Proceeds from disposals of non-current assets:		
Property, plant and equipment	-	1.010
Financial assets	3.190	565
Interest received	5.489	2.986
Other cash flows from investing activities	10.881	6.251
Cash flows used in investing activities	**(26.359)**	**(38.895)**
Changes in treasury shares	(339)	(2.034)
Dividends paid by companies to non-controlling shareholders	(867)	(520)
Increase in grants	-	4.004
Increase / (Decrease) in bank borrowings of other Group companies	75.148	(14.625)
Proceeds from issue of bank borrowings of the Parent	100.723	132.666
Repayment of bank borrowings of the Parent	(36.843)	(13.674)
Interest paid	(31.200)	(44.219)
Changes in other financial assets	(2.445)	2.750
Net cash flows used in financing activities	**104.177**	**64.348**
Net increase / (decrease) in cash and cash equivalents	**315.048**	**49.565**
Beginning balance of cash and cash equivalents	341.554	293.850
Effect of exchange rate changes on cash and cash equivalents	17.299	(1.861)
Net increase / (decrease) in cash and cash equivalents	315.048	49.565
Ending balance of cash and cash equivalents (Note 16)	**673.901**	**341.554**

The accompanying Notes and Appendices are an integral part of the consolidated financial statements.

1. DESCRIPTION, COMPOSITION AND ACTIVITIES OF THE GROUP

The Parent of the Group, Indra Sistemas, S.A. (the Parent), adopted its current name at the Extraordinary General Meeting held on 9 June 1993. Its registered office and tax domicile are at Avenida Bruselas 35, Alcobendas (Madrid).

The Parent's shares are traded on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges (see Note 18) and are included at the present date in the selective IBEX 35 index.

The company object of the Parent is the design, development, production, integration, operation, maintenance, repair and sale of systems, solutions and products that make use of information technologies as well as of any part or component thereof and all manner of services related thereto, including the civil engineering work required for their installation, being applicable to any field or industry; the provision of services in the areas of business and management consultancy, technological consultancy and training for any field or industry; and the provision of business activity and process outsourcing services relating to any field or industry.

Appendix I, which is an integral part of the notes to the Group's consolidated financial statements for the year ended 31 December 2016, shows the companies included in the scope of consolidation, together with their registered offices, lines of business and the related percentages of ownership.

The Group incorporated the following subsidiaries in the year ended 31 December 2016:

- On 26 October 2016, effective for accounting purposes from 1 January 2016, the Parent performed a spin-off to Indra Corporate Services, S.L. (Sole-Shareholder Company), as beneficiary of the activities comprising the administrative services corresponding to the following areas of the Parent: Administrative Services Centre (CSA); branch and permanent establishment management unit; treasury management services unit; occupational safety, health and welfare unit; compensation benefit, human capital management and personnel management administrative services unit; switchboard; purchase order management unit; general services unit; security unit; collections and management control administrative services unit; bidding legal-administrative support unit; corporate social responsibility and documentation departments; and quality administrative services unit. The activities transferred amounted to EUR 1,246 thousand. Pursuant to Article 71 of Law 3/2009, of 3 April, on structural changes to companies formed under the Spanish Commercial Code, the spin-off involved the transfer en bloc by universal succession of a portion (forming an economic unit) of the assets and liabilities of the spun-off company (which is not extinguished) to the beneficiary company. The activities constitute, from the organisational standpoint, an autonomous economic unit forming an economic operation (i.e. a unit capable of functioning through its own means), made up of all the assets, rights, obligations and legal relationships that are related to the contributed business and that are quantifiable.

  The sole shareholder decided to apply the tax neutrality regime provided for in Chapter VIII of Title VII of Legislative Royal Decree 4/2005, of 5 March, approving the Consolidated Spanish Income Tax Law to the entire approved spin-off transaction. To that end, and in compliance with Article 96 of the aforementioned Legislative Royal Decree, the beneficiary company submitted the corresponding communication to the Spanish Ministry of Finance stating its intention to avail itself of the above-mentioned special tax regime.

- On 20 July 2016, the Spanish company Indra BPO Hipotecario, S.L. was incorporated and all its share capital was subscribed and paid for EUR 3 thousand.

The Group liquidated the following subsidiary in the year ended 31 December 2016:

- On 15 September 2016, the subsidiary Indra Brasil Soluçoes e Serviços Tecnologicos S/A dissolved and liquidated its investee Indra USA IT Services, Inc.

Also, in the year ended 31 December 2016 the Group increased its percentage of ownership of the subsidiary indicated below over which it already had control:

- On 24 February 2016, the Parent acquired an additional 38% stake in Indra Technology South Africa PTY (LTD) for EUR 0 thousand. As a result of this acquisition, the Parent held all the shares of that company.

Also, in the year ended 31 December 2016 the Group reduced its percentage of ownership of the subsidiary indicated below over which it had control:

- On 24 June 2016, the Parent sold 30% of the shares of Indra Technology South Africa PTY (LTD) for EUR 0 thousand. As a result of this sale, the Parent now holds 70% of the shares of that company.

The Group incorporated the following subsidiaries in the year ended 31 December 2015:

- On 9 February 2015, the Parent and the Spanish subsidiary Indra Business Consulting, S.L.U. incorporated the Saudi company Indra Technology Solutions, Co. Ltd. and subscribed and paid all its share capital for SAR 5 million (EUR 1,225 thousand).

- On 10 February 2015, the subsidiary Indra Slovakia A.S. incorporated the Slovak company Indra Slovensko, S.R.O. and subscribed and paid all its shares for EUR 5 thousand.

- On 15 July 2015, the Parent incorporated the Omani subsidiary Indra L.L.C. and subscribed and paid 99% of its share capital for EUR 46 thousand (OMR 20 thousand). The remaining 1% was subscribed by the Spanish subsidiary Indra Business Consulting, S.L.U.

The following subsidiaries were sold, liquidated or merged in the year ended 31 December 2015:

- On 20 November 2015, the Parent sold its ownership interest in its subsidiary Soluziona, S.P. CA for EUR 93 thousand. This transaction was also subject to a maximum variable price that the Parent was entitled to receive if certain conditions and financial variables guaranteeing the continuity of the business sold arose.

- On 28 December 2015, the subsidiary Indra Sistemas Chile, S.A. dissolved and liquidated its investee Soluziona C y S Holding, S.A.

- On 31 December 2015, the subsidiary Indra USA, Inc. was merged by absorption with the subsidiary Indra Systems, Inc.

Also, in the year ended 31 December 2015 the Group increased its percentage of ownership of the subsidiary indicated below over which it already had control:

- On 14 October 2015, the Parent acquired an additional 0.1% of the share capital of Indra Philippines, Inc. for EUR 63 thousand (PHP 3,306 thousand). As a result of this acquisition, the Parent owned 50.10% of the shares of that company.

2. BASIS OF PRESENTATION AND COMPARATIVE INFORMATION

The consolidated financial statements were prepared by the Parent's directors from the accounting records of Indra Sistemas, S.A. and of the Group companies. The Group's consolidated financial statements for 2016 were prepared in accordance with the International Financial Reporting Standards adopted by the European Union (EU-IFRSs) that were effective at 31 December 2016 and with the other provisions of the applicable regulatory financial reporting framework, in order to present fairly the consolidated equity and consolidated financial position of Indra Sistemas, S.A. and Subsidiaries at 31 December 2016, and the Group's consolidated financial performance, consolidated cash flows and changes in consolidated equity for the year then ended.

The Group adopted EU-IFRSs for the first time on 1 January 2004.

The Parent's directors consider that the consolidated financial statements for 2016, which were authorised for issue on 23 March 2017, will be approved by the shareholders at the Annual General Meeting without any changes.

The consolidated financial statements for 2015 were approved by the shareholders at the Annual General Meeting held on 30 June 2016

Presentation criteria and formats

These consolidated financial statements are presented in thousands of euros, rounded off to the nearest thousand (EUR thousand), as the euro is the Parent's functional and presentation currency. Foreign operations are accounted for in accordance with the policies established in Note 4-w).

Key issues in relation to the measurement and estimation of uncertainty

The preparation of the consolidated financial statements in accordance with EU-IFRSs requires the application of significant accounting estimates and that judgements, estimates and assumptions be made when applying the Group's accounting policies. In this regard, following is a summary of the matters that entailed the greatest degree of judgment or complexity or in relation to which the assumptions and estimates are material for the preparation of the consolidated financial statements:

- The Group engages mainly in the performance of projects commissioned by customers. The Group recognises contract revenue in accordance with the percentage of completion method. This method is based on estimates of total contract costs and revenue, the contract costs to complete the contract, contract risks and other parameters. Group management reviews all the contract estimates on an ongoing basis and adjusts them accordingly (see Note 15).

- The costs incurred in development projects are capitalised to "Development Expenditure" if it is probable that the projects will generate future economic benefits that will offset the cost of the related asset recognised. In-process development projects are tested for impairment by discounting the projected cash flows to be obtained over the estimated useful life of the projects. Intangible assets are amortised on the basis of the best estimates of their useful lives. The estimation of these useful lives requires a certain degree of subjectivity and, therefore, the useful lives are determined on the basis of analyses performed by the corresponding technical departments so that they can be duly accredited (see Note 8).

- Each year, the Group tests goodwill for impairment. The determination of the recoverable amount of a division to which goodwill has been allocated entails the use of estimates by management. Recoverable amount is the higher of fair value less costs of disposal and value in use. The Group generally uses discounted cash flow methods to determine such amounts. The cash flow discounting calculations are based on five-year projections that take into account past experience and represent management's best estimate of the market performance in the future. The cash flows for the fifth and subsequent years are extrapolated using individual growth rates. The key assumptions for determining these values include growth rates, WACC, tax rates and working capital levels (see Note 7).

- The Group estimates the useful life of the property, plant and equipment and intangible assets in order to calculate the annual depreciation and amortisation charge. The determination of the useful life requires estimates in relation to the expected technological evolution of the related items, which entails a significant degree of judgement. The need to assess the possible existence of impairment makes it necessary to take into account factors such as technological obsolescence, the cancellation of certain projects and other changes in the circumstances projected.

- The Group recognises provisions for contingencies and charges. The ultimate cost of the litigation and contingencies may change depending on the interpretations of laws, opinions end assessments. Any change in these circumstances could have a significant effect on the amounts recorded under "Provisions for Contingencies and Charges" (see Note 22).

- Deferred tax assets are recognised for all deductible temporary differences and tax loss and tax credit carryforwards for which the Group is likely to have future taxable profits against which these assets can be offset. The Group has to make estimates to determine the amount of deferred tax assets that can be recognised, taking into account the related amounts and the dates on which the future taxable profits will be obtained and the period over which the taxable temporary differences will reverse (see Note 35).

- The Group is subject to regulatory and legal processes and to government inspections in various jurisdictions. If there is likely to be an obligation at year-end that will result in an outflow of economic benefits, a provision is recognised if the amount can be estimated reliably. Legal proceedings usually involve complex legal issues and are subject to substantial uncertainties. As a result, management exercises significant judgment when determining whether the proceeding is likely to result in an outflow of economic benefits and when estimating the related amount (see Note 22).

- Valuation adjustments arising from doubtful debts require a high degree of judgement by management and a review of individual balances based on the creditworthiness of customers, current market trends and a historical analysis of insolvencies at aggregate level (see Note 15).

- The calculation of provisions for onerous contracts is subject to a high degree of uncertainty. The Group recognises provisions for onerous contracts when the estimated total costs exceed the estimate of expected contract revenue. These estimates are subject to changes based on new information on the stage of completion (see Note 25).

Although these estimates were made on the basis of the best information available at the date of preparation of these consolidated financial statements, events that take place in the future might make it necessary to change these estimates. Changes in accounting estimates would be applied prospectively, recognising the effects of the change in estimates in the related future consolidated financial statements.

Standards and interpretations approved by the European Union that are effective and applicable to the consolidated financial statements for the year ended 31 December 2016

The standards applied for the first time in the consolidated financial statements for the year ended 31 December 2016 were as follows:

- Amendments to IFRS 11, Joint Arrangements. The amendments provide new guidance on the accounting treatment of an acquisition of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, Business Combinations. Also, the acquirer must disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments are effective for annual reporting periods beginning on or after 1 January 2016 and earlier application is permitted.

- Amendments to IAS 1, Presentation of Financial Statements. The amendments provide new guidance on applying the concept of materiality. The amendments are effective for annual reporting periods beginning on or after 1 January 2016 and earlier application is permitted.

- Amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortisation. The purpose of the amendments is to ensure that those who prepare financial statements do not use methods based on revenue to calculate the property, plant and equipment and intangible asset depreciation or amortisation charge. The amendments are effective for annual reporting periods beginning on or after 1 January 2016 and earlier application is permitted.

- Amendments to IAS 27, Equity Method in Separate Financial Statements. These amendments permit the use of the equity method in separate financial statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2016 and earlier application is permitted.

- Amendments to IFRS 10, IFRS 12 and IAS 28, Investment Entities. The amendments were issued to clarify that the exemption from preparing consolidated financial statements applies to an intermediate parent that is a subsidiary of an investment entity, even when the ultimate parent of the group measures the subgroup in its financial statements at fair value, as required by IFRS 10. These amendments to IAS 28 permit an entity that is not itself an investment entity, but which has an interest in an associate or joint venture that is an investment entity, to elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. An investment entity shall consolidate a subsidiary that is not itself an investment entity and whose main purpose and activities are providing services that relate to its parent's investment activities. However, if the subsidiary is itself an investment entity, the parent must measure its investment in the subsidiary at fair value. The amendments clarify that an investment entity that measures all its subsidiaries at fair value shall apply all the IFRS 12 disclosure requirements relating to investment entities. The amendments are effective for annual reporting periods beginning on or after 1 January 2016. Earlier application is permitted and retrospective application is required. These amendments do not apply to the Group.

- Amendments to IAS 19, Defined Benefit Plans: Employee Contributions. These amendments clarify the requirements for contributions from employees or third parties linked to service. If the amount of the contributions is independent of the number of years of service, the entity is permitted to recognise such contributions as a reduction of the service cost in the period in which the related service is rendered, instead of attributing the contributions to periods of service. If the amount of the contributions is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method required by the IAS for the gross benefit (i.e. either using the plan's contribution formula or on a straight-line basis). The amendments are effective for annual reporting periods beginning on or after 1 February 2015. Earlier application is permitted and retrospective application is required.

- Improvements to IFRSs, 2010-2012 cycle. The amendments are effective for annual reporting periods beginning on or after 1 February 2015 and earlier application is permitted.

- Improvements to IFRSs, 2012-2014 cycle. The amendments are effective for annual reporting periods beginning on or after 1 January 2016.

The application of the amendments to standards indicated in the preceding section did not have a material impact on the Group's consolidated financial statements.

a) Standards and interpretations issued, approved by the European Union, not yet effective at 1 January 2016 and which the Group expects to adopt from 1 January 2017 or subsequently (they have not been adopted early):

- IFRS 9, Financial Instruments. The standard includes the requirements for i) the classification and measurement of financial assets and financial liabilities; ii) financial asset impairment methodology; and iii) general hedge accounting. This standard supersedes IAS 39, Financial Instruments, Recognition and Measurement, which is in force up to the effective date of the new standard. The standard is effective for annual reporting periods beginning on or after 1 January 2018 and earlier application is permitted.

- IFRS 15, Revenue from Contracts with Customers and related Clarifications. The standard establishes a single model for recognising revenue from contracts with customers. IFRS 15 supersedes al the previous standards, interpretations and clarifications on revenue existing up to its effective date. The standard is effective for annual reporting periods beginning on or after 1 January 2018 and earlier application is permitted.

The Group has not adopted any of the aforementioned standards issued that may be applied early.

The Group continues to assess the effects of IFRS 9 and the date on which it will be applied for the first time.

In connection with IFRS 15, the Group is adapting its current computer systems and is analysing the impact of the IFRS on the consolidated financial statements in relation to: (i) changes in transactions within the scope of the new standard with respect to the current standard; (ii) the identification of the performance obligations (obligations to transfer goods or services in contracts with customers) other than those currently identified that would make them distinct for the purpose of the recognition and measurement of the revenue; in addition to the new disclosure requirements of the standard in order to adapt to them in the most appropriate manner.

b) Standards and interpretations issued by the International Accounting Standards Board (IASB) but not yet approved by the European Union:

Standards	Proposed effective date
IFRS 16, Leases	1 January 2019
Amendments and interpretations	**Proposed effective date**
Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to IAS 7, Disclosure Initiative	1 January 2017
Amendments to IFRS 2, Share-based Payment	1 January 2018
Amendments to IFRS 4, Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
Improvements to IFRSs, 2014-2016 cycle	1 January 2017 and 2018
IFRIC 22, Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to IAS 40, Transfers of Investment Property	1 January 2018

The application of the amendments and of the revised standards included in the preceding table will not have a material impact on the Group's consolidated financial statements; however, they will result in more extensive disclosures in the notes to the consolidated financial statements.

The Group is analysing the extent to which IFRS 16 will affect the consolidated financial statements and is quantifying the amounts involved.

Comparative information

As required by EU-IFRSs, the figures for 2015 are presented for comparison purposes in these consolidated financial statements for 2016.

In 2016 the Group recognised accounts receivable for billable production amounting to EUR 105,079 thousand (see Note 15) under "Other Financial Assets" (see Note 11-c) in relation to projects performed by the Group that will foreseeably be billed in a period exceeding one year. The Group did not reclassify the comparative amounts for the two prior periods (IAS 1) as it considered it impracticable, since until 2016 the Company's management systems did not contain that information.

In addition, based on the type of offer involved, the Group has been presenting the historical financial information on the basis of the Solutions and Services operating segments. For the year ended 31 December 2016 the Group presents the financial information by business segment rather than by operating segment, since it considers that it more appropriately reflects the Group's business performance(see Note 4-u).

Changes in accounting policies

In 2016 the Group changed its accounting policy relating to the classification of accounts receivable for billable production to reflect more relevant and reliable information. In 2015 and prior years, the total amount in this connection was recognised under current assets in the consolidated statement of financial position. In 2016 EUR 105,079 thousand were recognised under "Other Non-Current Financial Assets" (see Note 11-c) relating to projects performed by the Group that will foreseeably be billed in a period exceeding one year. The Group did not reclassify the comparative amounts for the two prior periods (IAS 1) as it considered it impracticable, since until 2016 the Company's management systems did not contain that information..

3. DISTRIBUTION OF PROFIT

The Parent's Board of Directors will propose to the shareholders at the Annual General Meeting that the profit of EUR 82,582,399.82 be used to offset prior years' losses.

The proposals regarding the appropriation of the profit or loss for 2016 of the Group companies were prepared by their respective directors and have not yet been approved at the related Annual General Meetings.

4. ACCOUNTING POLICIES

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards and the related interpretations as adopted by the European Union (EU-IFRSs).

The accounting policies described below were applied on a consistent basis in the years presented in these consolidated financial statements.

The most significant policies are as follows:

a) Subsidiaries and business combinations

"Subsidiaries", including structured entities, are defined as companies over which the Parent exercises, directly or indirectly, control. The Parent controls an entity where it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of those returns. The Parent has power where it has existing substantive rights that give it the current ability to direct the relevant activities. The Parent is exposed, or has rights, to variable returns from its involvement with the investee when the returns from its involvement have the potential to vary as a result of the investee's 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 to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Subsidiaries are consolidated from the date of acquisition and are excluded from the scope of consolidation from the date on which control is lost.

Subsidiaries are fully consolidated and all their assets, equity, liabilities, income, expenses and cash flows are included in the consolidated financial statements after making the adjustments and eliminations corresponding to intragroup transactions.

The Group applied the exception set out in IFRS 1, First-time Adoption of International Financial Reporting Standards whereby only business combinations that occurred on or after 1 January 2004, the date of transition to EU-IFRSs, are accounted for using the equity method. Acquisitions of entities that occurred prior to that date were accounted for in accordance with the generally accepted accounting principles applied previously, after having made the restatements and adjustments required at the date of transition to EU-IFRSs.

The Group applied IFRS 3, Business Combinations (revised 2008) to transactions carried out on or after 1 January 2010.

In business combinations that occurred prior to 1 January 2010, the cost of the business combination includes any adjustment for contingent consideration if the adjustment is probable and can be measured reliably. Contingent consideration and subsequent adjustments to contingent consideration are subsequently accounted for as a prospective adjustment to the cost of the business combination.

In business combinations, the Group applies the acquisition method.

The acquisition date is that on which the Group obtains control of the acquiree.

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

The consideration transferred excludes any amounts that are not part of the exchange for the acquiree. Since 1 January 2010, the costs associated with an acquisition have been recognised as an expense on an accrual basis.

Contingent liabilities are measured until they are settled, or cancelled or until they expire at the higher of the amount initially recognised less, if appropriate, cumulative amortisation recognised in accordance with IAS 18, Revenue; and the amount that would be recognised in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

The Group recognises at their acquisition-date fair value the assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. Any non-controlling interest in the acquiree is measured at the proportionate share of the fair value of the net assets acquired. This criterion is only applicable to non-controlling interests that are present ownership interests and entitle the holder to a proportionate share of the acquiree's net assets in the event of liquidation. Otherwise, non-controlling interests are measured at fair value or market-based measure. The liabilities assumed include contingent liabilities to the extent that they represent present obligations arising from past events and whose fair value can be measured reliably. Also, the Group recognises indemnification assets transferred by the seller at the same time and using assumptions consistent with those used to measure the indemnified item of the acquiree, subject, where applicable, to an assessment of the collectibility of the indemnification asset and any contractual limitations on the indemnified amount.

The assets and liabilities assumed are classified and designated for subsequent measurement in accordance with the contractual terms, economic conditions, acquirer's operating or accounting policies and other factors that exist at the acquisition date, except in the case of leases and insurance contracts.

Any excess of the consideration transferred plus any non-controlling interest in the acquiree over the net assets acquired is recognised as goodwill. Any negative difference between the consideration transferred plus any non-controlling interest in the acquiree and the net identifiable assets acquired is recognised in profit or loss.

(i) Non-controlling interests

Non-controlling interests are presented in consolidated equity separately from the equity attributable to the shareholders of the Parent. Non-controlling interests in the consolidated profit or loss for the year (and in the total comprehensive income for the year) are also presented separately in the consolidated statement of profit or loss and in the consolidated statement of comprehensive income.

The share of the Group and of non-controlling interests in the consolidated profit or loss for the year (consolidated total comprehensive income for the year) and in the changes in the equity of the subsidiaries, after considering the adjustments and eliminations arising on consolidation, is determined on the basis of the ownership interests at year-end, without considering the possible exercise or conversion of the potential voting rights and after deducting the effect of dividends, whether or not such dividends have been declared, and of cumulative preference shares that are classified as equity. However, the share of the Group and of non-controlling interests is determined by considering the possible exercise of potential voting rights and other derivative financial instruments that, in substance, currently give access to the returns associated with an ownership interest in a subsidiary, i.e. the right to a share of future dividends and changes in the value of a subsidiary.

When losses attributed to the minority (non-controlling) interests incurred prior to 1 January 2010 exceed the minority's interests in the subsidiary's equity, the excess, and any further losses applicable to the minority, is allocated against the majority interest except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Profits obtained in subsequent years are assigned to the equity attributable to the shareholders of the Parent until the amount of the losses absorbed in prior reporting periods corresponding to the non-controlling interests has been recovered.

Since 1 January 2010, the results and each item of other comprehensive income have been allocated to the equity attributable to the shareholders of the Parent and to non-controlling interests in proportion to their investment, even if this gives rise to a balance receivable from non-controlling interests. Agreements between the Group and non-controlling interests are recognised as a separate transaction.

Any increase or decrease in non-controlling interests in a subsidiary where control is retained is recognised as a transaction involving equity instruments. Therefore, in the case of an increase no new acquisition cost arises and in the case of a decrease no gain or loss is recognised in profit or loss, but rather the difference between the consideration transferred or received and the carrying amount of the non-controlling interests is recognised in the reserves of the investor, without prejudice to the possibility of reclassifying the consolidation reserves and re-apportioning the other comprehensive income between the Group and the non-controlling interests. When the Group's interest in a subsidiary is reduced, the non-controlling interests are recognised in proportion to their interest in the consolidated net assets, including any goodwill.

The Group recognises put options on investments in subsidiaries granted to non-controlling interests at the acquisition date of a business combination as an advance acquisition of those investments, and a financial liability is recognised for the present value of the best estimate of the amount payable, which is part of the consideration transferred.

In subsequent years, changes in the financial liability, including the financial component, are recognised in profit or loss. Any discretionary dividends paid to the non-controlling interests up to the date on which the options are exercised are recognised as a distribution of profits. If the options are ultimately not exercised, the transaction is recognised as a distribution of ownership interests to the non-controlling shareholders.

Instruments with put rights and obligations arising on liquidation that meet the requirements for being classified as equity instruments in the separate financial statements of a subsidiary are classified as financial liabilities in the consolidated financial statements and not as non-controlling interests.

(ii) Other matters relating to the consolidation of subsidiaries

Intragroup transactions and balances and unrealised profits or losses were eliminated on consolidation. However, unrealised losses were deemed an indication of impairment of the assets transferred.

The accounting policies of the subsidiaries were adapted to the Group's policies for like transactions and other events in similar circumstances.

The financial statements of the subsidiaries used in the preparation of the consolidated financial statements refer to the same reporting date and period as those of the Parent.

b) Jointly controlled operations and assets

A joint arrangement is an arrangement in which there is a by-law or contractual arrangement to share control of an economic activity so that strategic financial and operating decisions about the activity require the unanimous consent of the entity and of the other venturers.

In jointly controlled operations and assets, the Group recognises in the consolidated financial statements the assets controlled by it, the liabilities incurred by it and the share, based on its percentage of ownership, of any assets held jointly and liabilities incurred jointly; as well as its share of the revenue from the sale of the output by the joint operation and its share of any expenses incurred jointly. Also, the consolidated statement of changes in equity and consolidated statement of cash flows include the share corresponding to the Group by virtue of the joint arrangements.

The reciprocal transactions, balances, income, expenses and cash flows were eliminated in proportion to the Group's interest in the joint arrangements.

Unrealised gains or losses on non-monetary contributions or "downstream" transactions between the Group and its joint arrangements are recognised on the basis of the substance of the transactions. In this regard, if the assets transferred remain in the joint arrangement and the Group has transferred the significant risks and rewards of ownership of the assets, only the proportional part of the gains or losses corresponding to the other venturers is recognised. Also, unrealised losses are not eliminated to the extent that they provide evidence of a reduction in the net realisable value of the asset transferred.

Only the portion of gains or losses on transactions between the joint arrangements and the Group that correspond to the other venturers are recognised, using the same recognition criteria in the case of losses as described in the preceding paragraph.

The Group made the adjustments necessary to give effect to uniform measurement and timing of recognition policies in order to include the joint arrangements in the consolidated financial statements.

The information on the jointly controlled economic activities, which are unincorporated temporary joint ventures (UTEs) is presented in Note 44-f.

(i) Joint ventures

Interests in joint ventures are accounted for using the equity method as described in c) above.

(ii) Joint operations

In joint operations, the Group recognises in the consolidated financial statements its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation and its expenses, including its share of any expenses incurred jointly.

In transactions involving sales or contributions by the Group to a joint operation, it recognises gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation, unless losses provide evidence of a reduction in the net realisable value of the assets transferred or of an impairment loss of those assets, in which case those losses are recognised fully.

In transactions involving purchases by the Group from a joint operation, it does not recognise its share of the gains and losses until it resells those assets to a third party, unless losses provide evidence of a reduction in the net realisable value of the assets purchased or of an impairment loss of those assets, in which case the Group fully recognises its share of those losses.

The acquisition by the Group of the initial interest and additional interests in a joint operation is accounted for applying, to the extent of its share of the individual assets and liabilities, all of the principles on business combinations accounting. However, in subsequent acquisitions of additional interests in a joint operation the previously held interests in the individual assets and liabilities are not remeasured.

c) Investments accounted for using the equity method

Associates are companies over which the Parent has significant influence, either directly or indirectly through a subsidiary. 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. When assessing whether significant influence exists, the Group considers the potential voting rights exercisable or convertible at each reporting date, as well as the potential voting rights held by the Group or by another entity.

An investment in an associate is accounted for using the equity method from the date on which significant influence starts to be exercised until the date when the Parent ceases to have significant influence.

The Group's share of the profits or losses of its associates obtained from the date of acquisition are recognised as an increase in or reduction of the value of the investments with a credit or charge to "Result of Companies Accounted for Using the Equity Method" in the consolidated statement of profit or loss.

d) Intangible assets

(i) Goodwill

Goodwill (see Note 7) arising from business combinations that have occurred since the date of transition (1 January 2004) is recognised initially at an amount equal to the difference between the cost of the business combination and the Group's interest in the net fair value of the assets acquired and liabilities and contingent liabilities assumed of the subsidiary or joint venture acquired.

Goodwill is not amortised. However, at each annual reporting date or whenever there are indications of impairment of the asset, goodwill is tested for impairment. To this end, goodwill arising from a business combination is allocated to each of the cash-generating units (CGUs) that are expected to benefit from the synergies of the combination and the criteria indicated in Note 4-f) are applied. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

An impairment loss recognised for goodwill must not be reversed in a subsequent period.

(ii) Other intangible assets

Intangible assets are recognised initially at acquisition or production cost. As described in Note 4-f), the carrying amount of these assets is adjusted each year for any possible impairment. The "Other Intangible Assets" relate to:

- Development expenditure: This includes the direct costs incurred in development projects specifically itemised by project.

  Expenditure related to research, development and innovation (R&D+i) projects are recognised directly in the consolidated statement of profit or loss for the corresponding year, except for costs incurred in development projects, which are capitalised to "Development Expenditure" when the following conditions are met:

  » It is possible to measure reliably the expenditure attributable to the performance of the project.

  » The assignment and allocation of the project costs and their timing of recognition must be clearly established.

  » There are sound reasons to foresee the technical success of the project, both if the Group intends to use the intangible asset directly and if it plans to sell the results of the project to a third party on its completion, if there is a market for it.

  » The economic and commercial profitability of the project is reasonably assured.

  » The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset is reasonably assured.

  » It is intended to complete the intangible asset and use or sell it.

  Development expenditure is only capitalised when it is certain that it will generate future economic benefits that will offset the costs capitalised in relation to the project.

The Group tests development projects for impairment in order that the appropriate valuation adjustments can be recognised. If development expenditure meets the definition of development expenditure assets, it is capitalised directly to the corresponding line item. On completion, the capitalised costs are transferred to "Computer Software" and they start to be amortised.

The amortisation of development expenditure (that is transferred to computer software) begins when the asset is available for use once the development process has been completed and the trials and quality controls applicable in each case are passed.

- Computer software: The amounts paid for title to or the right to use computer programs and the costs relating to programs developed by the Group are capitalised when those programs contribute to the generation of income for the Group.

  In no case do the amounts capitalised include the costs incurred in the modification or modernisation of the programs that are operational at the Group or those relating to review, consultancy and personnel training work carried out by other companies for the implementation of the programs.

  Computer software acquired in a business combination is measured at the fair value of the identifiable asset acquired at the date of exchange.

  The costs of completed development projects that are transferred to computer software are charged to profit or loss through their annual amortisation at a rate based on their estimated useful life.

- Intellectual property: Intellectual property is recognised at acquisition cost and is amortised over the period over which the rights arising from ownership of the intellectual property will be used.

  Intellectual property acquired in a business combination is measured at the fair value of the identifiable asset acquired at the date of exchange.

Useful life and amortisation: The Group assesses for each intangible asset acquired whether it has a finite or an indefinite useful life. For this purpose, an intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

The depreciable amount of the intangible assets with finite useful lives is amortised systematically over the years of estimated useful life of the assets, as follows:

	Amortisation method	Years of estimated useful life
Intellectual property	Straight-line	10 years
Computer software	Straight-line	1 to 10 years

For this purpose, depreciable amount is the cost of an asset less, where applicable, its residual value.

The Group reviews the useful life and amortisation method applied to the intangible assets at each reporting date. Changes in the criteria initially established are accounted for as a change in estimate.

The Group does not have any assets with a residual value.

An intangible asset with an indefinite useful life is not amortised, but rather is tested for impairment at least once a year, or more frequently if there are indications that it might have become impaired.

e) Property, plant and equipment

Property, plant and equipment are measured at cost less the related accumulated depreciation and any accumulated impairment losses. The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised. Maintenance and repair costs are expensed currently.

The cost of the property, plant and equipment or the values determined by independent third-party valuers are depreciated on a straight-line basis over the following years of estimated useful life:

	Years of useful life
Buildings	50
Plant, machinery and other fixtures	10
Furniture	10
Computer hardware	4
Transport equipment	7
Other items of property, plant and equipment	10

The Group reviews the useful life and depreciation method applied to the property, plant and equipment at the end of each reporting period. Changes in the criteria initially established are accounted for as a change in estimate.

f) Impairment of depreciable non-financial assets

The Group assesses the existence of indications of the possible impairment of depreciable non-financial assets in order to ascertain whether the carrying amount of the assets exceeds their recoverable amount.

In addition, irrespective of whether or not there is any indication of impairment, the Group tests, at least once a year, the goodwill, intangible assets with an indefinite useful life and intangible assets that are not yet ready for their intended use for impairment.

The recoverable amount of the assets is the higher of fair value less costs of disposal and value in use.

Value in use is determined on the basis of the expected future cash flows that will arise from the use of the asset, expected possible changes in the amount or distribution of the cash flows over time, the time value of money, the risk premium payable for the uncertainty attached to the asset and other factors which a market participant would consider when valuing the future cash flows from the asset.

Any negative difference arising from the comparison of the carrying amount of an asset with its recoverable amount is recognised in profit or loss.

The recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent from those from other assets or groups of assets. In the latter case, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The Group uses in the current period the detailed calculations made in a preceding period of the recoverable amount of a CGU to which an intangible asset with an indefinite useful life or an item of goodwill belongs, provided all of the following criteria are met:

a) The assets making up that unit have not changed significantly since the most recent recoverable amount calculation;

b) The most recent recoverable amount calculation resulted in an amount that exceeded the unit's carrying amount by a substantial margin; and

c) Based on an analysis of events that have occurred and circumstances that have changed since the most recent recoverable amount calculation, the likelihood that a current recoverable amount determination would be less than the unit's carrying amount is remote.

If there is an indication of an impairment of a CGU to which it has not been possible to allocate goodwill, the Group tests the CGU for impairment first, without including the goodwill, and recognises any impairment loss for that CGU. It then tests the group of CGUs to which the goodwill has been allocated and recognises any impairment loss for that group of CGUs.

When testing a CGU for impairment, the Group identified the corporate assets associated with it. If a portion of the corporate assets can be allocated on a reasonable and consistent basis to the CGU, the Group compares the carrying amount of the CGU, including the corporate assets, with its recoverable amount and, where necessary, recognises an impairment loss for the CGU. If the Group cannot allocate a portion of the corporate assets on a reasonable and consistent basis to the CGU, the Group compares the carrying amount of the unit, excluding the corporate assets, with its recoverable amount and, where necessary, recognises an impairment loss for the CGU. The Group then identifies the smallest group of CGUs to which a portion of the carrying amount of the corporate asset can be allocated on a reasonable and consistent basis and compares the carrying amount of that group of CGUs, including the corporate assets, with the recoverable amount of the group of units and, where necessary, recognises an impairment loss for the group of CGUs.

An impairment loss recognised for a CGU is first allocated to reduce the carrying amount of any goodwill allocated to it and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset, but not so as to reduce the carrying amount of each asset to below the highest of its fair value less costs to sell, its value in use and zero.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. An impairment loss recognised for goodwill must not be reversed in a subsequent period. An impairment loss recognised in prior periods for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount.

A reversal of an impairment loss is recognised with a credit to profit or loss. A reversal of an impairment loss may not increase the carrying amount of an asset to above that which would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset.

A reversal of an impairment loss for a CGU is allocated to the non-current assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets. but without increasing the carrying amount of an asset to above the lower of its recoverable amount and the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised.

g) Finance leases

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset to the Group are classified as finance leases. At the commencement of the finance lease term, the Group recognises an asset and a liability for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Finance charges arising from these leases are recognised in the consolidated statement of profit or loss using the effective interest method.

All other leases are operating leases and the leased assets are not recognised in the consolidated statement of financial position. Lease payments are recognised as an expense on a straight-line basis over the lease term.

Contingent rents are recognised as an expense when it is probable that they will have to be paid.

h) Financial instruments

(i) Classification of financial instruments

A financial instrument is classified on initial recognition as a financial asset, a financial liability or an equity instrument, in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument contained in IAS 32, Financial Instruments: Presentation.

For measurement purposes, financial instruments are classified in five categories: 1. financial assets and liabilities at fair value through profit or loss; 2. loans and receivables; 3. held-to-maturity investments; 4. available-for-sale financial assets; and 5. financial liabilities at amortised cost. The instruments are classified in the aforementioned categories on the basis of their characteristics and management's intentions at the date of initial recognition.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are those classified as held for trading from the date of initial recognition.

A financial asset or financial liability is classified as held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term,

- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Equity instruments that do not have a market price quoted on an active market and whose fair value cannot be estimated reliably are not classified in this category.

Financial assets and liabilities classified as at fair value through profit or loss are recognised initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument are amortised to profit or loss as they are incurred.

These instruments are subsequently measured at fair value through profit or loss. Fair value is not reduced by any transaction costs that might be incurred in the possible disposal of the instrument.

Loans and receivables

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

After initial recognition, receivables are measured at amortised cost using the effective interest method, provided that they have a fixed maturity exceeding one year.

The Group recognises allowances for doubtful debts for balances for which there is objective evidence of impairment.

Available-for-sale financial assets

The Group classifies in this category non-derivative financial instruments designated as such or which do not meet the requirements for being included in the aforementioned categories.

Available-for-sale financial assets are initially recognised at fair value plus the transaction costs that are directly attributable to the acquisition.

The financial assets classified in this category are subsequently measured at fair value through other comprehensive income. The amounts recognised in other comprehensive income are reclassified to profit or loss when the financial assets are derecognised and become impaired.

Financial assets measured at cost

Investments in equity instruments whose fair value is not reliably measurable and any derivative financial instruments associated with them that must be settled through the delivery of those unquoted equity instruments are measured at cost. However, if at any time the Group is able to obtain a reliable valuation of the financial asset, the asset is measured at that moment at fair value through equity.

The Group recognises income from investments in equity instruments measured at cost only to the extent that cumulative gains within equity arising after acquisition are distributed. Any dividends received that exceed such cumulative gains represent a recovery of part of the investment and, therefore, are recognised as a reduction of the carrying amount of the investment.

Financial liabilities

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

Convertible bonds

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

When issuing a compound financial instrument made up of a liability component and an equity component, the Group measures the equity component as the residual amount obtained after deducting from the fair value of the instrument as a whole the amount of the liability component, including any derivative financial instrument. The liability component is measured as the fair value of a similar instrument that does not have an associated equity component. Transaction costs incurred in issuing a compound financial instrument are distributed on the basis of the relative carrying amount of each component on classification.

Reverse factoring

The Group has arranged reverse factoring transactions with various banks in order to manage payments to its suppliers. The trade payables, payment of which is managed by the banks, are recorded under "Trade and Other Payables" in the consolidated statement of financial position until the related obligation is discharged or cancelled or expires.

Income received from banks as consideration for the assignment of business as a result of the acquisition of invoices or documents of payment to customers is recognised on an accrual basis in profit or loss.

Also, accounts payable to banks as a result of the assignment of trade payables are recognised as trade payables advanced by banks under "Trade and Other Payables" in the consolidated statement of financial position.

Offsetting

A financial asset and a financial liability are offset when, and only when, the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(ii) Impairment and credit losses relating to financial assets

An impairment loss is recognised on a financial asset or group of financial assets if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset.

The Group recognises impairment and credit losses on loans and other receivables and debt instruments by recognising a financial asset adjusting account. When the impairment or credit loss is considered irreversible, the carrying amount of the asset is written off against the adjusting account. Reversals of impairment losses are also recognised with a credit to the adjusting account.

Impairment of available-for-sale financial assets

Any reduction in the fair value of an available-for-sale financial asset that has been recognised directly in other comprehensive income is reclassified to profit or loss when there is objective evidence of impairment. The amount of the impairment loss recognised in profit or loss is calculated as the difference between the acquisition cost, net of any reimbursement or repayment of the principal, and the current fair value, less any impairment loss previously recognised in profit or loss.

An impairment loss recognised for investments in equity instruments must not be reversed in a subsequent period. Subsequent increases in the fair value of equity instruments are recognised in other comprehensive income.

Any increase in the fair value of debt instruments that can be objectively attributed to an event that occurred after the recognition of the impairment loss is recognised in profit or loss up to the limit of the amount of the previously recognised impairment loss and any excess is recognised in other comprehensive income.

Derecognition of financial assets

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 a financial asset (or a group of similar financial assets).

A financial asset is derecognised when the rights to the cash flows from it expire or have been transferred and the Group has transferred substantially all the risks and rewards of its ownership. Also, where the Group retains the contractual rights to receive the cash flows of a financial asset, it only derecognises the financial asset when it assumes a contractual obligation to pay those cash flows to one or more recipients in an arrangement that meets the following conditions:

- Payment of the cash flows is conditional upon the prior collection thereof;
- The Group is prohibited from selling or pledging the financial asset.
- The cash flows collected on behalf of the eventual recipients are remitted without material delay. In addition, the Group is not entitled to reinvest such cash flows. Investments in cash or cash equivalents made by the Group during the short settlement period from the collection date to the date of required remittance to the eventual recipients are not subject to this rule, provided that the interest earned on such investments is passed to the eventual recipients.

In transactions in which a financial asset is derecognised in full, the financial assets obtained or the financial liabilities, including liabilities for administrative services incurred, are measured at fair value.

In transactions in which a financial asset is partially derecognised, the carrying amount of the complete financial asset is allocated to the part sold and to the part retained, including any assets relating to administrative services, in proportion to the relative fair values of those parts.

If a financial asset is derecognised in full, the difference between its carrying amount and the amount of the consideration received, net of transaction costs, including assets obtained or liabilities assumed and any gain or loss deferred in other comprehensive income, is recognised in profit or loss.

The financial asset derecognition criteria in transactions in which the Group entity neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset are based on an assessment of the degree of control retained. Thus:

- If the Group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.
- If the Group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset and recognises an associated liability. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of that asset. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. The associated liability is measured in such a way that the net carrying amount of the transferred asset and the associated liability is the amortised cost of the rights and obligations retained by the Group, if the transferred asset is measured at amortised cost, or equal to the fair value of the rights and obligations retained by the Group, if the transferred asset is measured at fair value. The Group continues to recognise any income arising on the transferred asset to the extent of its continuing involvement and recognises any expense incurred on the associated liability. Recognised changes in the fair value of the transferred asset and the associated liability are accounted for consistently with each other in profit or loss or in equity, following the general criteria described above, and must not be offset.

Transactions in which the Group retains substantially all the risks and rewards of ownership of the transferred financial asset are accounted for by recognising a financial liability for the consideration received.

Derecognition and modification of financial liabilities

The Group derecognises a financial liability (or part of it) when it either discharges the liability or is legally released from primary responsibility for the liability either by process of law or by the creditor.

An exchange of debt instruments between the Group and a counterparty or substantial modifications of the terms of an existing financial liability are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, provided that the instruments have substantially different terms.

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

The Group recognises in profit or loss the difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed.

(iii) 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. The measurement is performed on the basis of the premise that a transaction takes place in the principal market, i.e. the market with the greatest volume and level of activity for the asset or liability. In the absence of a principal market, it is assumed that the transaction takes place in the most advantageous market for the asset or liability, i.e. 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 an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Market participants are independent of each other, are knowledgeable, are able to enter into a transaction for the asset or liability and are willing to enter into a transaction for the asset or liability, i.e. they are motivated but not forced or otherwise compelled to do so.

Assets and liabilities measured at fair value can be classified on the basis of the following levels:

- Level 1: fair value is calculated using quoted prices in active markets for identical assets or liabilities.

- Level 2: fair value is calculated on the basis of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The methods and assumptions used to determine the fair values of this Level, by class of assets or liabilities, take into account the estimation of future cash flows discounted to present value using the zero coupon interest rate curves of each currency of the last business day of each reporting period, and that amount is translated to euros at the exchange rates prevailing on the last business day of each reporting period. All the valuations described above are performed using internal tools.

- Level 3: fair value is calculated on the basis of inputs that are unobservable inputs for the asset or liability. To measure 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 the various derivative financial instruments is calculated as follows:

- For derivatives quoted on an organised market, at their market price at year-end.

- In the case of derivatives not quoted on an organised market, the Indra Group calculates the fair value of the financial derivatives taking into account observable market inputs, by estimating future cash flows discounted to present value using the zero coupon interest rate curves of each currency of the last business day of each reporting period, translated to euros at the exchange rates prevailing on the last business day of each reporting period. These valuations are performed using internal tools. Once the gross market value has been obtained, a debt valuation adjustment (DVA) or credit valuation adjustment (CVA) is made for own credit risk or counterparty risk, respectively. The CVAs and DVAs are measured on the basis of the future potential exposure of the instrument (creditor or debtor position) and the risk profile of the counterparties and of the Indra Group. In 2016 and 2015 the value of the CVAs and DVAs made was not material.

The fair value of non-financial assets and liabilities is determined in the case of real estate on the basis of appraisals conducted by independent valuers and for other assets and liabilities on the basis of available market prices or, if a market cannot be identified, by discounting future cash flows.

i) Treasury shares of the Parent

Equity instruments of the Parent acquired by the Group are presented at acquisition cost separately as a reduction of equity in the consolidated statement of financial position, regardless of the reason for their acquisition. No gain or loss is recognised on treasury share transactions.

The subsequent retirement of the equity instruments of the Parent reduces share capital by the par value of those shares and the positive or negative difference between the acquisition price and the par value of the shares is charged or credited to reserves.

Transaction costs relating to equity instruments, including issue costs related to a business combination, are deducted from equity, after considering any tax effect.

j) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits at banks. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For these purposes, cash and cash equivalents include investments maturing in less than three months from the date of acquisition.

k) Non-current assets and disposal groups classified as held for sale

The Group classifies a non-current asset or disposal group as held for sale when the decision to sell it has been taken and the sale is expected to occur within twelve months.

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

Non-current assets classified as held for sale are not depreciated, but rather at the end of each reporting period the related valuation adjustments are made to ensure that the carrying amount is not higher than fair value less costs to sell.

Income and expenses arising from non-current assets and disposal groups classified as held for sale which do not qualify for classification as discontinued operations are recognised under the related heading in the statement of profit or loss on the basis of their nature.

l) Inventories

Inventories are measured at the lower of FIFO cost and net realisable value. Work in progress includes direct labour costs, the cost of materials used, and the cost of other services acquired for the projects. Direct acquisitions of the materials or services required for the projects are measured at acquisition cost, and labour costs are measured at standard cost, which does not differ significantly from actual cost.

m) Government grants

The non-refundable grants received by the Group to finance research and development expenditure are deducted from the assets to which grants relate and are recognised as income in the consolidated statement of profit or loss as the projects capitalised to “Other Intangible Assets” are amortised.

Financial liabilities including implicit grants in the form of interest rates that are lower than market rates are initially recognised at fair value. The difference between that value, adjusted where appropriate by the costs incurred in issuing the financial liability, and the amount received, is recognised as a government grant on the basis of the nature of the grant awarded.

n) Provisions and contingencies

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Present obligations arising from past events which could give rise to a loss for the Group which are uncertain as to their amount and timing are recognised as provisions for contingencies and charges on the liability side of the consolidated statement of financial position at the present value of the most probable amount that it is considered the Group will have to disburse to settle the obligation.

These provisions are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at each reporting date.

The amounts recognised in the consolidated statement of financial position correspond to the best estimate at the reporting date of the disbursements required to discharge the present obligation, after taking into account the risks and uncertainties relating to the provision and, where significant, the interest cost arising from discounting, provided that the disbursements that are to be made in each period can be reliably estimated. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the specific risks not taken into account in the future cash flows relating to the provision at each reporting date.

A single obligation is measured at the individual most likely outcome. Where the provision being measured involves a large population of similar items, the obligation is measured by weighting all possible outcomes by their associated probabilities. Where there is a continuous range of possible outcomes, and each point in that range is as likely as any other, the mid-point of the range is used to measure the obligation.

The interest cost relating to provisions is recognised as a finance cost in profit or loss.

Provisions do not include the related tax effect or the expected gains on the sale or abandonment of assets.

If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, provisions are reversed. A provision is reversed with a credit to the item in the consolidated statement of profit or loss in which the related expense would have been recognised and any excess is recognised in “Other Income”.

(i) Provisions for restructuring costs

A provision for restructuring costs is recognised when the Group has an implicit obligation due to the existence of a detailed formal plan and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. A restructuring provision includes only the direct expenditures arising from the restructuring not associated with the ongoing activities of the Group.

(ii) Provisions for onerous contracts

The amount of provisions for onerous contracts is determined on the basis of the present value of the unavoidable costs, which is the lower of the cost of fulfilling the contract, net of any income that might be obtained, and any compensation or penalties arising from failure to fulfil the contract.

(iii) Operating provisions

These relate to the amount of the estimated expense to be incurred in repair or review work relating to projects delivered that are still under warranty.

(iv) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past events that is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised, but rather are disclosed, unless the possibility of an outflow in settlement is considered to be remote.

o) Termination benefits

Under current legislation, companies are required to pay termination benefits to employees terminated under certain conditions, except in situations of just cause. The Group recognises the benefits payable as soon as the decision to terminate the employment relationship has been approved and communicated to the parties affected.

In August 2015 the Parent launched a collective redundancy procedure. The principal conditions of this procedure are indicated in Note 29.

p) R&D loans

R&D loans are granted as aid for the Group's R&D activities and are refundable, generally at more than five years, and bear an explicit interest rate equal to zero.

They are initially recognised on the liability side of the consolidated statement of financial position at the present value of the future cash flows, discounted at the market interest rate, and the difference with respect to the face value of the loans is recognised as a reduction of the related accrued expense and, therefore, they are considered to be a grant related to income if the expense has been incurred, or a grant related to assets if the expense has not been incurred or has been capitalised.

In subsequent years, the loans are remeasured with finance income or finance costs, as appropriate.

q) Classification of assets and liabilities

Asset and liability balances are presented in the consolidated statement of financial position, in terms of maturity, as follows:

Non-current: liabilities maturing at over twelve months from the reporting date in the course of the Group's normal operating cycle and assets that are expected to be realised, sold or consumed in such a period.

Current: assets that are expected to be realised, sold or consumed in the course of the Group's normal operating cycle and liabilities maturing within twelve months of the reporting date.

r) Income tax

The income tax expense or benefit comprises current tax and deferred tax.

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

Current and deferred income tax is recognised in profit or loss unless it arises from a transaction or economic event recognised in the current period or in a prior period in equity, or from a business combination.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences and 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. For these purposes, temporary differences are differences between the carrying amount of an asset or liability and its tax base.

The Group recognises investment tax credits by applying the current or deferred tax asset recognition and measurement criteria, unless they constitute government grants. Tax credits constituting government grants are recognised, presented and measured in accordance with the corresponding accounting policy. For these purposes, the Group treats as government grants tax credits the deduction of which is independent from the existence of gross tax payable and which have conditions (in terms of operations and substance) additional to the performance or retention of an investment.

(i) Recognition of deferred tax liabilities

The Group recognises deferred tax liabilities in all cases except for those:

- arising from the initial recognition of goodwill or the initial recognition (except in the case of a business combination) of other assets and liabilities in a transaction that affects neither accounting profit (loss) nor taxable profit (tax loss);
- relating to taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, when the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

(ii) Recognition of deferred tax assets

The Group recognises deferred tax assets provided that:

- it is probable that taxable profits will be available against which the deferred tax asset can be utilised or when tax legislation provides for the possibility of the deferred tax assets being converted in the future into a tax-related account receivable. However, the assets arising from the initial recognition of goodwill or the initial recognition (except in the case of a business combination) of other assets and liabilities in a transaction that affects neither accounting profit (loss) are not recognised;
- they relate to deductible temporary differences arising from investments in subsidiaries, associates, and interests in joint ventures, to the extent that, and only to the extent that, it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised;

The Group recognises the conversion of a deferred tax asset into a tax-related account receivable when it becomes claimable pursuant to current tax legislation. In this connection, the deferred tax asset is derecognised with a charge to the deferred income tax expense and the account receivable is recognised with a credit to current income tax. Similarly, the Group recognises the exchange of a deferred tax asset for government debt securities when title to the latter is obtained.

The Group recognises the payment obligation arising from the public charge as an operating expense with a credit to the tax-related account payable.

It is probable that taxable profit will be available against which a deductible temporary difference can be utilised when 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 period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. Where the only future taxable profits relate to the existence of taxable temporary differences, the deferred tax assets arising from tax loss carryforwards are limited to 70% of the amount of the deferred tax liabilities recognised.

In order to determine the future taxable profits, the Group takes into account tax planning opportunities, provided that it intends to take them or that it is probable that they will be taken.

(iii) Measurement of deferred tax assets and liabilities

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and on the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets and liabilities. For these purposes, the Group treated the tax credit for the reversal of temporary measures implemented by Transitional Provision Thirty-Seven of Spanish Income Tax Law 27/2014, of 27 November, as an adjustment to the tax rate applicable to the deductible temporary difference associated with the non-deductibility of the depreciation and amortisation charge recognised in 2013 and 2014.

At the reporting date the Group reviews the carrying amount of the deferred tax assets in order to reduce it if it is not probable that there will be sufficient future taxable profits from which to deduct them.

Any deferred tax assets that do not meet the aforementioned conditions are not recognised. The Group reviews again at year-end whether the conditions required for recognising previously unrecognised deferred tax assets have been 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 date of realisation or settlement.

s) Earnings per share

The Group calculates the basic earnings per share using the weighted average number of shares available during the period. The available shares are defined as the difference between the shares issued and the treasury shares held. The calculation of the diluted earnings per share also includes the dilutive effect generated by the instruments convertible into shares or with a capital component.

t) Derivative financial instruments and hedge accounting

Derivative financial instruments that qualify for hedge accounting are initially recognised at fair value plus any transaction costs that are directly attributable to the arrangement thereof or less any transaction costs that are directly attributable to their issue. However, transaction costs are subsequently recognised in profit or loss to the extent that they do not form part of the effective change in the hedge. Those that do not qualify for hedge accounting are classified and valued as financial assets or liabilities at fair value through profit or loss.

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

At the inception of the hedge, the Group designates and formally documents the hedging relationship and the objective and strategy for undertaking the hedge. Hedge accounting only applies when the hedge is expected to be highly effective from inception and in subsequent years in offsetting the changes in the fair value or cash flows of the hedged risk during the life of the hedge (prospective analysis) and the actual effectiveness of the hedge, which can be reliably calculated, is within a range of 80-125% (retrospective analysis).

Additionally, in relation to cash flow hedges of forecasted transactions, the Group assesses whether such transactions are highly probable and whether they are exposed to changes in cash flows that might ultimately affect profit for the year.

The Group has arranged forward foreign currency purchase and sale contracts. These forwards are considered to be derivative financial instruments that qualify for hedge accounting. They are accounted for as follows:

a) In the case of foreign currency hedges of the fair value of monetary financial assets and liabilities held in foreign currencies, both changes in the fair value of the derivative financial instruments designated as hedges and changes in the fair value of the hedged item due to the hedged risk are recognised with a charge or credit, as appropriate, to the consolidated statement of profit or loss.

b) In the case of the cash flow hedges, changes in the fair value of the hedging derivatives are recognised, if the hedges are effective, in other comprehensive income in the consolidated statement of comprehensive income in the same year as that in which the forecast transaction or the firm commitment affects profit or loss.

The fair value of the currency forwards is calculated on the basis of the exchange rate of each currency at each reporting date (Level 2 of the fair value hierarchy).

The Group has also arranged financial derivatives relating to interest rate hedges, which are aimed at eliminating or significantly reducing interest rate risk. The fair value of the interest rate hedges is based on valuation techniques such as those described in section III of Note 4-h. All the interest rate hedges are effective as cash flow hedges. The gains or losses arising from the measurement of the hedging instrument at fair value relating to the portion of the hedge that is identified as effective are recognised as income and expenses in equity (Level 2 of the fair value hierarchy).

u) Segment reporting

Based on the type of services involved, the Group has been presenting the historical financial information on the basis of the Solutions and Services operating segments. For the year ended 31 December 2016 the Group presents the financial information by business segment rather than by operating segment, since it considers that it more appropriately reflects the Group's business performance (see Note 2-b).

The business segments are the result of grouping together the various vertical markets in which the Group operates. The business segments are:

- Transport and Defence ("T&D"). The vertical markets grouped together in this segment are: the "Defence and Security" market and the "Transport and 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 " Government and Healthcare" market.

The Group uses the contribution margin as an indicator to measure the operating profitability of a specific segment or business unit of the Group without taking into account corporate costs, since such costs are not directly attributable to any specific segment or business. This margin is that resulting from the difference between the sales and the direct and indirect costs of the Group's various segments or business units. The direct costs are those directly attributable to the sales recognised in a specific period and include the cost of the own or subcontracted resources used in the projects, as well as any cost incurred that is necessary for the development and completion of a project; costs of materials, project travel expenses, etc. Indirect costs are those which, although linked to a segment or business unit of the Group, are not directly attributable to billable projects or to sales recognised in a given period. Indirect costs include, but are not limited to, commercial costs, costs incurred in the preparation of tenders, or the costs of managing a given segment, etc. The contribution margin does not take corporate costs into account, since such costs are not directly attributable to any specific segment or business.

Also, in order to facilitate comparisons between segments with a different relative weight in the total sales of the Group, the contribution margin to sales ratio of the segments or business units is used, which is taken to be the contribution margin per every euro of sales of a specific segment.

For consolidation purposes, assets and liabilities (non-current assets, goodwill, net working capital, accounts receivable from and payable to public authorities, etc.) are distributed according to the business area in which they were generated. In addition, borrowings and the associated finance costs, as well as other assets not directly distributable among the business segments, such as cash and cash equivalents, are attributed to other activities not distributable among the segments that are shown in the "Corporate" (non-distributable) column.

In addition, based on the different characteristics of the geographical areas in which the Group operates, the following geographical areas have been identified: Spain, the Americas, Europe and Asia, the Middle East and Africa. These notes to the consolidated financial statements only include disclosures on these geographical areas in relation to external sales, investments and assets used.

v) Revenue recognition

The Group recognises the revenue from its projects using the percentage of completion method, based on the contract services performed at the reporting date as an percentage of total estimated contract services to be performed. In accordance with this method, the total expected profit is deferred and recognised in profit or loss over the years in which the project is carried out, based on the percentage of completion of the project at each reporting date.

The percentage of completion of a transaction, which is used for recognising the Group's revenue, is determined as the proportion that contract costs incurred to date bear to the estimated total costs of the contract.

If the amount billed exceeds the revenue determined by applying the percentage of completion method based on costs incurred, the excess amount is recognised as customer advances. However, any amount corresponding to unbilled revenue (in contracts in which the amount billed is lower than the revenue determined by applying the percentage of completion method) is recognised under "Accounts Receivable" in the consolidated statement of financial position.

The Group periodically assesses whether contracts for services should be considered to be onerous contracts and, if so, recognises the necessary provisions.

w) Foreign currency transactions and balances

Foreign currency transactions are translated to the functional currency by applying the spot exchange rate between the functional currency and the foreign currency in question on the transaction date.

Monetary assets and liabilities denominated in foreign currency are translated to the functional currency at the year-end exchange rates, while non-monetary items measured at historical cost are translated at the exchange rates prevailing on the transaction date. Lastly, non-monetary assets measured at fair value are translated to the functional currency by applying the exchange rate prevailing at the date when the fair value was determined.

In presenting the consolidated statement of cash flows, the cash flows from foreign currency transactions are translated to euros at the exchange rates prevailing at the date on which the cash flows took place. The effect of fluctuations in exchange rates on cash and cash equivalents expressed in foreign currencies is presented separately in the consolidated statement of cash flows under "Effect of Foreign Exchange Rate Changes".

The exchange gains and losses related to monetary financial assets or liabilities denominated in foreign currency are recognised in profit or loss.

Monetary financial assets denominated in foreign currency classified as held for sale are considered to be recognised at amortised cost in the foreign currency and, therefore, the exchange differences associated with the changes in amortised cost are recognised in profit or loss and the other changes in fair value are recognised as indicated in Note 4-i).

(i) Translation of foreign operations

The Group applied the exemption provided for in IFRS 1, First-time Adoption of International

Financial Reporting Standards in relation to cumulative translation differences and, accordingly, the translation differences recognised in the consolidated financial statements that were generated prior to 1 January 2004 are included in retained earnings in reserves. Since that date, foreign operations with a currency that is not that of a hyperinflationary economy have been translated to euros as follows:

- Assets and liabilities, including goodwill and adjustments to the net assets arising from the acquisition of the operations, including comparative balances, are translated to euros at the exchange rates prevailing at the end of the reporting period;
- Income and expenses, including comparative balances, are translated to euros at the exchange rates prevailing at the date of each transaction; and
- The resulting exchange differences are recognised as translation differences in other comprehensive income.

This approach is also used for the translation of the financial statements of the companies accounted for using the equity method, and the translation differences corresponding to the Group's ownership interest are recognised in other comprehensive income.

The translation differences recognised in other comprehensive income are reclassified to profit or loss as an adjustment to the gain or loss on the sale, following the policies described in the sections on subsidiaries and associates.

(ii) Entities located in hyperinflationary economies

Since the sale of the subsidiary in Venezuela in 2015 the Group has not had any entities located in hyperinflationary economies.

5. BUSINESS COMBINATIONS

In the years ended 31 December 2016 and 2015 the Parent did not acquire any subsidiaries and there were no business combinations for which the initial accounting had not yet been completed.

6. PROPERTY, PLANT AND EQUIPMENT

The detail of "Property, Plant and Equipment" in the consolidated statements of financial position as at 31 December 2016 and 2015 is as follows:

	Balance at 31.12.15	Changes in the scope of consolidation	Translation differences	Additions	Disposals	Transfers	Balance at 31.12.16
	Thousands of euros						
Cost:							
Land	15.758	-	1.430	-	(25)	(6.996)	10.167
Buildings	74.356	-	4.670	113	(247)	(23.039)	55.853
Plant, machinery and other fixtures	193.882	(820)	415	3.442	(4.449)	175	192.645
Furniture	40.060	-	574	1.112	(948)	314	41.112
Transport equipment	2.762	-	(17)	261	(255)	13	2.764
Computer hardware	69.831	(31)	1.583	2.966	(5.624)	1.838	70.563
Other items of property, plant and equipment	9.877	(58)	1.206	605	(667)	(174)	10.789
	406.526	**(909)**	**9.861**	**8.499**	**(12.215)**	**(27.869)**	**383.893**
Accumulated depreciation:							
Buildings	(21.959)	-	(26)	(1.316)	76	328	(22.897)
Plant, machinery and other fixtures	(144.393)	328	(397)	(12.152)	4.173	(500)	(152.941)
Furniture	(29.094)	-	(324)	(2.716)	821	(356)	(31.669)
Transport equipment	(1.417)	-	(23)	(234)	161	(20)	(1.533)
Computer hardware	(62.273)	26	(1.161)	(4.257)	5.582	(1.944)	(64.027)
Other items of property, plant and equipment	(6.150)	45	(688)	(986)	340	59	(7.380)
	(265.286)	**399**	**(2.619)**	**(21.661)**	**11.153**	**(2.433)**	**(280.447)**
Impairment losses:							
Buildings	(4.313)	-	(1.108)	-	-	5.421	-
	(4.313)	**-**	**(1.108)**	**-**	**-**	**5.421**	**-**
Carrying amount:							
Land	15.758	-	1.430	-	(25)	(6.996)	10.167
Buildings	48.084	-	3.536	(1.203)	(171)	(17.290)	32.956
Plant, machinery and other fixtures	49.489	(492)	18	(8.710)	(276)	(325)	39.704
Furniture	10.966	-	250	(1.604)	(127)	(42)	9.443
Transport equipment	1.345	-	(40)	27	(94)	(7)	1.231
Computer hardware	7.558	(5)	422	(1.291)	(42)	(106)	6.536
Other items of property, plant and equipment	3.727	(13)	518	(381)	(327)	(115)	3.409
Total	**136.927**	**(510)**	**6.134**	**(13.162)**	**(1.062)**	**(24.881)**	**103.446**

	Thousands of euros						
	Balance at 31.12.14	Changes in the scope of consolidation	Translation differences	Additions	Disposals	Transfers	Balance at 31.12.15
Cost:							
Land	10.744	-	-	-	(552)	5.566	15.758
Buildings	56.251	-	166	5	(1.139)	19.073	74.356
Plant, machinery and other fixtures	192.403	(635)	(2.561)	5.428	(3.418)	2.665	193.882
Furniture	39.428	(193)	287	1.449	(1.361)	450	40.060
Transport equipment	2.969	(66)	(146)	476	(673)	202	2.762
Computer hardware	67.397	(1.340)	(2.346)	4.665	(2.524)	3.979	69.831
Other items of property, plant and equipment	11.568	(21)	(1.914)	1.953	(444)	(1.265)	9.877
Property, plant and equipment in the course of construction	221	-	-	-	(174)	(47)	-
	380.981	**(2.255)**	**(6.514)**	**13.976**	**(10.285)**	**30.623**	**406.526**
Accumulated depreciation:							
Buildings	(20.653)	-	(45)	(1.530)	394	(125)	(21.959)
Plant, machinery and other fixtures	(140.575)	460	2.461	(13.618)	3.272	3.607	(144.393)
Furniture	(26.141)	141	(306)	(2.740)	957	(1.005)	(29.094)
Transport equipment	(1.493)	38	59	(341)	490	(170)	(1.417)
Computer hardware	(58.186)	1.266	1.445	(5.383)	2.081	(3.496)	(62.273)
Other items of property, plant and equipment	(6.585)	20	1.052	(1.165)	275	253	(6.150)
	(253.633)	**1.925**	**4.666**	**(24.777)**	**7.469**	**(936)**	**(265.286)**
Impairment losses:							
Buildings	-	-	-	(4.313)	-	-	(4.313)
	-	**-**	**-**	**(4.313)**	**-**	**-**	**(4.313)**
Carrying amount:							
Land	10.744	-	-	-	(552)	5.566	15.758
Buildings	35.598	-	121	(5.838)	(745)	18.948	48.084
Plant, machinery and other fixtures	51.828	(175)	(100)	(8.190)	(146)	6.272	49.489
Furniture	13.287	(52)	(19)	(1.291)	(404)	(555)	10.966
Transport equipment	1.476	(28)	(87)	135	(183)	32	1.345
Computer hardware	9.211	(74)	(901)	(718)	(443)	483	7.558
Other items of property, plant and equipment	4.983	(1)	(862)	788	(169)	(1.012)	3.727
Property, plant and equipment in the course of construction	221	-	-	-	(174)	(47)	-
Total	**127.348**	**(330)**	**(1.848)**	**(15.114)**	**(2.816)**	**29.687**	**136.927**

The additions to "Plant, Machinery and Other Fixtures" in 2016, as in 2015, were due mainly to the continuation of the refurbishment and expansion of the facilities at the Parent's new offices.

The additions to "Computer Hardware" relate to the technological updating of the equipment, mainly at the Parent..

The disposals in 2016 gave rise to a loss of EUR 509 thousand (31 December 2015: EUR 1,160 thousand), and this amount was recognised in the consolidated statement of profit or loss (see Note 31).

The transfers recognised under "Land and Buildings" in 2016 relate mainly to the transfer to "Non-Current Assets Classified as Held for Sale" of the properties of the subsidiary Indra Brasil Soluçoes e Serviços Tecnologicos S/A amounting to EUR 6,996 thousand (2015: EUR 17,272 thousand) (see Note 12).

The detail of the assets held under finance leases at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Cost:		
Plant, machinery and other fixtures	8.476	8.476
Computer hardware	1.970	2.046
Other items of property, plant and equipment	380	400
	10.826	**10.922**
Accumulated depreciation:		
Plant, machinery and other fixtures	(6.813)	(5.508)
Computer hardware	(1.756)	(1.309)
Other items of property, plant and equipment	(107)	(51)
	(8.676)	**(6.868)**
Carrying amount:		
Plant, machinery and other fixtures	1.663	2.968
Computer hardware	214	737
Other items of property, plant and equipment	273	349
Total	**2.150**	**4.054**

The main finance lease, amounting to EUR 8,476 thousand, relates to the acquisition of a flight simulator and was entered into by the Parent in 2011. This lease will expire in September 2018 and bears interest at 4.3%. The lease payments payable at the reporting date amount to EUR 2,340 thousand (EUR 1,316 thousand current and EUR 1,024 thousand non-current). These amounts include the purchase option amounting to EUR 115 thousand and do not include finance costs.

The detail of the minimum payments and the present value of the obligations under finance leases, by maturity, is as follows:

2016	Minimum payments	Interest	Purchase option
Within one year	1.682	73	-
Between one and five years	1.046	15	116
	2.728	**88**	**116**

2015	Minimum payments	Interest	Purchase option
Within one year	1.889	231	-
Between one and five years	2.605	87	116
	4.494	**318**	**116**

The obligations under finance leases are effectively secured. If the event of default, the rights on the leased asset are automatically transferred to the lessor.

At 31 December 2016, fully depreciated property, plant and equipment amounted to EUR 177,900 thousand (31 December 2015: EUR 160,685 thousand).

The Group takes out insurance policies to cover the risks to which its property, plant and equipment are subject. It is considered that these policies sufficiently cover the related risks.

7. GOODWILL

In order to conduct impairment tests, goodwill was allocated to the Group's CGUs based on the country of each operation and the business segment.

The Group's goodwill is summarised as follows:

	Thousands of euros					
	2016			2015		
	Cost	Accumulated impairment losses	Carrying amount	Cost	Accumulated impairment losses	Carrying amount
Indra EWS	14.462	-	14.462	14.462	-	14.462
Indra ATM	29.447	-	29.447	29.447	-	29.447
Brazil	99.259	(99.259)	-	99.259	(99.259)	-
Indra Italia	20.504	-	20.504	20.504	-	20.504
Indra Navia	26.117	-	26.117	24.660	-	24.660
Consultancy Group	36.608	(13.139)	23.469	36.608	(13.139)	23.469
BPO Group	58.925	-	58.925	58.925	-	58.925
Azertia Group	65.546	(8.582)	56.964	66.701	(8.582)	58.119
Prointec Group	30.424	(4.470)	25.954	30.437	(3.576)	26.861
Soluziona Group	168.193	(3.000)	165.193	166.761	(3.000)	163.761
Other	63.768	(12.896)	50.872	63.096	(12.896)	50.200
Total	**613.253**	**(141.346)**	**471.907**	**610.860**	**(140.452)**	**470.408**

Thousands of euros				
	31.12.15	Translation differences	Impairment losses	31.12.16
Indra EWS	14.462	-	-	14.462
Indra ATM	29.447	-	-	29.447
Indra Italia	20.504	-	-	20.504
Indra Navia	24.660	1.457	-	26.117
Consultancy Group	23.469	-	-	23.469
BPO Group	58.925	-	-	58.925
Azertia Group	58.119	(1.155)	-	56.964
Prointec Group	26.861	(13)	(894)	25.954
Soluziona Group	163.761	1.432	-	165.193
Other	50.200	672	-	50.872
Total	**470.408**	**2.393**	**(894)**	**471.907**

Thousands of euros					
	31.12.14	Translation differences	Disposals	Impairment losses	31.12.15
Indra EWS	14.462	-	-	-	14.462
Indra ATM	29.447	-	-	-	29.447
Brazil	84.902	(2.299)	-	(82.603)	-
Indra Italia	20.504	-	-	-	20.504
Indra Navia	24.660	-	-	-	24.660
Consultancy Group	32.553	-	-	(9.084)	23.469
BPO Group	58.925	-	-	-	58.925
Azertia Group	58.893	(774)	-	-	58.119
Prointec Group	27.796	(41)	-	(894)	26.861
Soluziona Group	166.624	(1.323)	(1.371)	(169)	163.761
Other	64.519	(2.337)	-	(11.982)	50.200
Total	**583.285**	**(6.774)**	**(1.371)**	**(104.732)**	**470.408**

In the year ended 31 December 2016, as in the year ended 31 December 2015, there were no additions to "Goodwill" in the consolidated statement of financial position, or changes in the CGUs to which the goodwill was allocated.

Key assumptions used in the projections

The Group periodically assesses the recoverability of the goodwill shown in the foregoing table. In order to do this, it uses the business plans of the various CGUs to which the goodwill is allocated, discounting estimated future cash flows.

The assumptions on which these cash flow projections are based are supported by past experience and reasonable forecasts of the business plans of the various CGUs. These forecasts are checked against the future market growth expected by various specialist sources, taking into consideration the company's position in that market and the strategic elements that could change that situation (innovation, breakthrough to other markets, etc.).

The detail of the assumptions used to calculate the recoverable amount of each of the existing significant CGUs is as follows:

	Annual growth rate Revenue (5 years)		Post-tax discount rate		Residual growth rate		Residual EBIT margin		Days working capital	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Indra EWS	(0,1%)	(0,5%)	7,50%	7,91%	1,96%	1,00%	23,26%	23,68%	(9)	(19)
Indra ATM	2,8%	0,0%	7,50%	7,91%	1,96%	1,91%	14,04%	12,02%	65	139
Brazil	-	7,7%	-	12,30%	-	4,93%	-	6,96%	-	91
Indra Italia	9,1%	7,7%	8,08%	7,62%	1,40%	1,54%	11,32%	10,33%	100	100
Indra Navia	3,5%	3,3%	4,88%	6,25%	2,70%	2,82%	7,44%	10,96%	60	80
Consultancy Group	13,1%	6,9%	7,62%	8,02%	1,96%	1,50%	16,53%	8,74%	60	108
BPO Group	1,1%	3,1%	7,50%	7,77%	1,96%	1,91%	9,79%	10,39%	20	37
Azertia Group	2,3%	1,9%	7,91%	7,77%	2,07%	1,91%	15,65%	10,80%	75	37
Prointec Group	7,6%	10,3%	8,00%	8,14%	2,21%	1,91%	8,69%	13,72%	81	142
Soluziona Group	6,6%	6,7%	8,33%	8,40%	2,97%	2,00%	10,20%	8,95%	73	82

In all cases, sensitivity analyses are conducted on the discount rate and residual growth rate used, to verify that reasonable changes in these assumptions will not have an impact on the possible recoverability of the goodwill recognised. A sensitivity analysis was also conducted on the key assumptions: sales, margins, working capital and residual EBIT.

Cash flows are discounted to calculate their present value at a post-tax rate that includes the specific risks of the assets and the risks not envisaged in the cash flows themselves, such as the country risk. This rate is calculated by using the Capital Asset Pricing Model (CAPM). The figures used in these calculations are obtained from independent external sources of information of acknowledged prestige, and the results are checked against the rates used by independent financial analysts in the valuation of comparable businesses. Accordingly, in 2016 the post-tax rates ranged from 4.88% to 8.33%.

The projections cover a period of five years. The cash flows from the sixth year onwards comprise the terminal value, and are estimated as perpetual returns at a constant growth rate (residual growth rate) based on a normalised flow reflecting the CGU's operations in perpetuity. The residual growth is estimated for each CGU taking into consideration the type of business and expected long-term inflation in each CGU's field of activity, and is checked against external sources of information. The growth rates used in the projections made in 2016 are between 1.4% and 2.97%.

The normalised flow that serves as a basis for calculating the terminal value is calculated by adjusting the fifth year's flow as follows:

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

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

$\text{Amortisation}_{\text{Normalised Flow}} = \text{Amortisation}_{\text{Year 5}}$

$\text{Investment}_{\text{Normalised Flow}} = \text{Amortisation}_{\text{Normalised Flow}}$

$\text{Investment in working capital}_{\text{Normalised Flow}} = \text{Days working capital}_{\text{Year 5}} / 365 \times \text{Sales}_{\text{Year 5}} \times g$ (1)

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

$\text{Normalised Flow} = (\text{Sales} - \text{Operating expenses} - \text{Investment} - \text{Investment in working capital} - \text{Tax})_{\text{Normalised Flow}}$

"g" is the residual growth rate.

(1) Investment in working capital is calculated based on residual growth.

The discounted amount of the terminal value as a percentage of the total recoverable amount of the most significant amounts of goodwill in 2016 and 2015 is as follows:

	2016	2015
Indra EWS	80%	76%
Indra ATM	79%	75%
Brazil	-	66%
Indra Italia	68%	86%
INDRA NAVIA	89%	85%
Consultancy Group	83%	82%
BPO Group	79%	75%
Azertia Group	81%	69%
Prointec Group	80%	76%
Soluziona Group	82%	78%

The detail of the carrying amounts of the most significant CGUs, including goodwill, and of the recoverable amounts thereof at 31 December 2016 and 2015 is as follows:

	2016 Thousands of euros		
	Carrying amount (1)	Recoverable amount(2)	Difference (2)-(1)
Indra EWS	(13.475)	261.802	275.277
Indra ATM	36.255	91.209	54.954
Brazil	-	-	-
Indra Italia	63.507	135.274	71.767
INDRA NAVIA	36.753	154.459	117.705
Consultancy Group	30.295	150.267	119.972
BPO Group	71.805	163.595	91.790
Azertia Group	61.613	195.348	133.735
Prointec Group	49.151	68.781	19.630
Soluziona Group	244.429	556.405	311.977

	2015 Thousands of euros		
	Carrying amount (1)	Recoverable amount(2)	Difference (2)-(1)
Indra EWS	4.178	186.122	181.944
Indra ATM	50.048	75.258	25.210
Brazil	220.850	138.247	-82.603
Indra Italia	37.869	78.236	40.366
INDRA NAVIA	40.871	132.223	91.352
Consultancy Group	35.869	26.785	-9.084
BPO Group	81.554	158.927	77.374
Azertia Group	75.734	144.484	68.750
Prointec Group	57.672	56.778	-894
Soluziona Group	267.751	267.582	-169

The breakdown among the main assets of the carrying amount of the most significant CGUs at 31 December 2016 and 2015 is as follows:

	Non-current assets, net		Working capital		Goodwill		Other		Carrying amount CGU	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Indra EWS	4.018	10.229	(31.955)	(20.513)	14.462	14.462	-	-	(13.475)	4.178
Indra ATM	-	-	6.808	20.601	29.447	29.447	-	-	36.255	50.048
Brazil	-	16.843	-	124.798	-	79.209	-	-	-	220.850
Indra Italia	1.242	3.227	43.291	14.138	20.504	20.504	(1.530)	-	63.507	37.869
Indra Navia	431	748	10.273	12.847	26.117	27.276	(68)	-	36.753	40.871
Consultancy Group	0	233	6.826	12.167	23.469	23.469	-	-	30.295	35.869
BPO Group	11.221	6.034	1.824	16.594	58.925	58.925	(165)	-	71.805	81.554
Azertia Group	-	89	8.033	20.909	53.580	54.736	-	-	61.613	75.734
Prointec Group	5.156	1.291	18.774	29.519	25.954	26.862	(733)	-	49.151	57.672
Soluziona Group	6.291	8.458	72.189	92.148	168.578	167.145	(2.629)	-	244.429	267.751

The results of the sensitivity analysis of the impairment test conducted on the goodwill allocated to the CGUs are as follows:

2016

	Change in WACC		Residual growth rate	
Impact on recoverable amount of CGUs:	-1 p.p.	+1 p.p.	-0,5 p.p.	+0,5 p.p.
Indra EWS	60.165	(41.790)	(18.379)	22.028
Indra ATM	20.742	(14.376)	(5.771)	6.917
Indra Italia	22.201	(16.425)	(5.420)	6.297
INDRA NAVIA	128.917	(47.855)	(24.399)	38.924
Consultancy Group	34.838	(24.322)	(9.929)	11.853
BPO Group	36.921	(25.629)	(10.799)	12.943
Azertia Group	43.026	(30.406)	(11.912)	14.145
Prointec Group	15.069	(10.620)	(4.367)	5.193
Soluziona Group	133.520	(91.324)	(38.742)	46.716

2016

	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
Indra EWS	(19.167)	(11.141)	(8.963)	(622)
Indra ATM	(7.986)	(6.572)	(5.337)	(531)
Indra Italia	(10.369)	(10.742)	(8.461)	(1.269)
INDRA NAVIA	(24.920)	(21.688)	(19.947)	(2.187)
Consultancy Group	(20.628)	(9.302)	(7.736)	(1.359)
BPO Group	(14.842)	(16.430)	(13.315)	(1.072)
Azertia Group	(13.490)	(13.079)	(10.460)	(1.058)
Prointec Group	(8.390)	(8.411)	(6.835)	(1.045)
Soluziona Group	(54.299)	(58.424)	(48.190)	(7.955)

2015

	Change in WACC		Residual growth rate	
Impact on recoverable amount of CGUs:	-1 p.p.	+1 p.p.	-0,5 p.p.	+0,5 p.p.
Indra EWS	34.860	(25.910)	(10.372)	11.990
Indra ATM	15.799	(11.241)	(3.473)	4.104
Brazil	21.182	(16.192)	(3.320)	3.803
Indra Italia	18.309	(13.017)	(4.201)	4.954
INDRA NAVIA	55.901	(30.565)	(13.369)	17.936
Consultancy Group	9.685	(7.060)	(2.036)	2.374
BPO Group	33.702	(23.794)	(9.147)	10.853
Azertia Group	28.595	(20.226)	(7.750)	9.195
Prointec Group	23.732	(17.100)	(5.361)	6.296
Soluziona Group	89.589	(64.946)	(20.978)	24.532

2015

	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
Indra EWS	(9.575)	(7.914)	(5.946)	(2.228)
Indra ATM	(2.640)	(6.534)	(5.128)	(1.831)
Brazil	(4.432)	(22.829)	(16.941)	10.919
Indra Italia	(3.120)	(8.705)	(6.926)	(2.577)
INDRA NAVIA	(5.793)	(12.666)	(11.027)	(2.876)
Consultancy Group	(1.639)	(5.941)	(4.623)	(1.693)
BPO Group	(6.838)	(14.790)	(11.684)	(4.071)
Azertia Group	(5.855)	(11.993)	(9.480)	(3.301)
Prointec Group	(4.177)	(8.854)	(6.920)	(2.552)
Soluziona Group	(16.957)	(52.350)	(41.086)	(15.556)

This sensitivity analysis disclosed that the significant CGUs are not exposed to significant risks in relation to reasonably possible changes in the financial and operating variables, considered individually.

In 2016, according to the calculations made, there were no indications that the goodwill allocated to these CGUs might have become impaired.

In 2015 impairment losses of EUR 89,999 thousand were recognised at the Brazil CGU (since the recoverable amount of the Brazil CGU was less than its carrying amount at 31 December 2015), EUR 82,603 thousand of which related to goodwill, which was written down in full, and EUR 7,396 thousand to other intangible assets of the CGU; impairment losses were recognised at the Consultancy CGU (EUR 9,084 thousand) and at the Other CGU (EUR 11,982 thousand), of which EUR 8,848 thousand related to Indra Portugal.

A sensitivity test was conducted on the discount parameters, and it was concluded that the recoverable amount exceeds the carrying amount in all cases. The sensitivity range used takes into account changes in the discount rates of over 10% and changes in perpetuity growth of over 30%, and the discount parameters are in all cases in line with those habitually used in the market.

The detail of the amount by which the value allocated to the key assumptions must change in order for the recoverable amount to equal the carrying amount of each CGU is as follows.

	2016	
	WACC	
	Assumption	Amount required to equal carrying amount
Indra EWS	7,50%	N.A.
Indra ATM	7,50%	15,37%
Indra Italia	8,08%	16,85%
Indra Navia	4,88%	12,28%
Consultancy Group	7,62%	24,53%
BPO Group	7,50%	14,20%
Azertia Group	7,91%	18,58%
Prointec Group	8,00%	11,05%
Soluziona Group	8,33%	14,62%

	2015	
	WACC	
	Assumption	Amount required to equal carrying amount
Indra EWS	7,91%	58,58%
Indra ATM	7,91%	10,75%
Indra Italia	7,62%	12,49%
Indra Navia	6,25%	13,52%
Grupo Consultoría	8,02%	9,55%
Grupo BPO	7,77%	13,11%
Grupo Azertia	7,77%	13,58%
Grupo Prointec	8,14%	13,71%
Grupo Soluziona	8,40%	12,08%

	2016				
	Change in sales	EBIT margin		Days working capital	
	Amount required to equal carrying amount	Assumption*	Amount required to equal carrying amount	Assumption*	Amount required to equal carrying amount
Indra EWS	(71,81%)	23,26%	(5,58%)	(9)	75
Indra ATM	(34,41%)	14,04%	3,74%	65	93
Indra Italia	(34,61%)	11,32%	2,84%	100	121
Indra Navia	(23,62%)	7,44%	1,54%	60	76
Consultancy Group	(28,92%)	16,53%	1,03%	60	102
BPO Group	(30,92%)	9,79%	2,90%	20	39
Azertia Group	(49,57%)	15,65%	2,89%	75	110
Prointec Group	(11,70%)	8,69%	5,81%	81	89
Soluziona Group	(28,73%)	10,20%	3,71%	73	90

* Amount for normalised year (2021)

	2015				
	Change in sales	EBIT margin		Days working capital	
	Amount required to equal carrying amount	Assumption*	Amount required to equal carrying amount	Assumption*	Amount required to equal carrying amount
Indra EWS	(89,64 %)	23,68 %	1,99 %	(19)	752
Indra ATM	(47,74 %)	12,02 %	8,16 %	139	276
Brazil	-	6,96 %	6,96 %	91	91
Indra Italia	(64,69 %)	10,33 %	5,69 %	100	257
Indra Navia	(78,85 %)	10,96 %	3,75 %	80	398
Consultancy Group	(30,62 %)	8,74 %	7,05 %	108	168
BPO Group	(56,57 %)	10,39 %	5,16 %	37	227
Azertia Group	(58,83 %)	10,80 %	5,06 %	37	246
Prointec Group	(69,31 %)	13,72 %	7,18 %	142	369
Soluziona Group	(51,27 %)	8,95 %	5,63 %	82	194

* Amount for normalised year (2020)

8. OTHER INTANGIBLE ASSETS

The detail of "Other Intangible Assets" in the consolidated statements of financial position as at 31 December 2016 and 2015 is as follows:

	Thousands of euros						
	Balance at 31.12.15	Changes in the scope of consolidation	Translation differences	Additions	Disposals	Transfers	Balance at 31.12.16
Cost:							
Intellectual property	39.279	-	(11)	6.888	-	-	46.156
Computer software	325.571	(3)	847	116	(814)	29.619	355.336
Development expenditure	139.693	-	896	22.784	(5.179)	(28.180)	130.014
Other intangible assets	21.028	-	131	-	(102)	1.356	22.413
	525.571	**(3)**	**1.863**	**29.788**	**(6.095)**	**2.795**	**553.919**
Accumulated amortisation:							
Intellectual property	(11.634)	-	12	(512)	-	-	(12.134)
Computer software	(131.949)	3	(699)	(42.448)	679	(1.507)	(175.921)
Development expenditure	(9.988)	-	(126)	(1.367)	5.179	-	(6.302)
Other intangible assets	(13.024)	-	18	(1.848)	-	(868)	(15.722)
	(166.595)	**3**	**(795)**	**(46.175)**	**5.858**	**(2.375)**	**(210.079)**
Grants:							
Development expenditure	(42.608)	-	-	(6.510)	17.302	-	(31.816)
	(42.608)	**-**	**-**	**(6.510)**	**17.302**	**-**	**(31.816)**
Impairment losses:							
Intellectual property	(6.063)	-	-	-	-	-	(6.063)
Computer software	(18.956)	-	-	-	-	-	(18.956)
Other intangible assets	(2.136)	-	-	-	-	-	(2.136)
	(27.155)	**-**	**-**	**-**	**-**	**-**	**(27.155)**
Carrying amount:							
Intellectual property	21.582	-	1	6.376	-	-	27.959
Computer software	174.666	-	148	(42.332)	(135)	28.112	160.459
Development expenditure	87.097	-	770	14.907	17.302	(28.180)	91.896
Other intangible assets	5.868	-	149	(1.848)	(102)	488	4.555
Total	**289.213**	**-**	**1.068**	**(22.897)**	**17.065**	**420**	**284.869**

	Balance at 31.12.14	Changes in the scope of consolidation	Translation differences	Additions	Disposals	Transfers	Balance at 31.12.15
	Thousands of euros						
Cost:							
Intellectual property	39.306	-	(27)	-	-	-	39.279
Computer software	179.059	(6)	(603)	714	(841)	147.248	325.571
Development expenditure	248.447	-	(1.853)	34.288	-	(141.189)	139.693
Other intangible assets	23.858	-	(139)	16	(26)	(2.681)	21.028
	490.670	**(6)**	**(2.622)**	**35.018**	**(867)**	**3.378**	**525.571**
Accumulated amortisation:							
Intellectual property	(11.388)	-	27	(274)	-	1	(11.634)
Computer software	(77.155)	5	604	(56.423)	885	135	(131.949)
Development expenditure	(8.914)	-	820	(1.483)	-	(411)	(9.988)
Other intangible assets	(13.746)	1	17	(2.523)	26	3.201	(13.024)
	(111.203)	**6**	**1.468**	**(60.703)**	**911**	**2.926**	**(166.595)**
Grants:							
Development expenditure	(70.491)	-	-	(9.382)	37.265	-	(42.608)
	(70.491)	**-**	**-**	**(9.382)**	**37.265**	**-**	**(42.608)**
Impairment losses:							
Intellectual property	-	-	(593)	(5470)	-	-	(6.063)
Computer software	-	-	-	-	-	(18.956)	(18.956)
Development expenditure	(18.956)	-	-	-	-	18.956	-
Other intangible assets	(187)	-	(210)	(1.926)	-	187	(2.136)
	(19.143)	**-**	**803**	**(7.396)**	**-**	**187**	**(27.155)**
Carrying amount:							
Intellectual property	27.918	-	(593)	(5.744)	-	1	21.582
Computer software	101.904	(1)	1	(55.709)	44	128.427	174.666
Development expenditure	150.086	-	(1.033)	23.423	37.265	(122.644)	87.097
Other intangible assets	9.925	1	(332)	(4.433)	-	707	5.868
Total	**289.833**	**-**	**(1.957)**	**(42.463)**	**37.309**	**6.491**	**289.213**

In 2016 and 2015 the Group conducted the corresponding impairment tests required under accounting legislation, and it was not necessary to recognise any impairment in 2016. The process of estimating the recoverable amount of the Brazil CGU disclosed an impairment loss of EUR 7,396 thousand in relation to certain intangible assets recognised in 2011 as a result of the acquisition of Politec Tecnología da Informaçao, S.A.

In 2015 the commercial management development project in the energy market was transferred to "Computer Software" and started to be amortised.

The detail, by vertical market, of the most significant development and computer software products capitalised, without considering the effect of the grants given, is as follows:

Thousands of euros

	2016	2015	
Cost (1):			
Government and Healthcare	24.821	20.815	
Financial Services	68.702	67.445	
Energy and Industry	92.613	88.421	
Defence and Security	118.146	112.106	
Transport and Traffic	34.496	29.106	
	338.778	**317.893**	**Estimated years of amortisation (2)**
Accumulated amortisation:			
Government and Healthcare	(10.699)	(6.090)	between 1 and 10 years
Financial Services	(21.594)	(15.368)	between 1 and 10 years
Energy and Industry	(12.646)	(3.972)	between 1 and 10 years
Defence and Security	(35.254)	(26.995)	between 1 and 5 years
Transport and Traffic	(9.925)	(4.445)	between 1 and 5 years
	(90.118)	**(56.870)**	
Accumulated impairment losses:			
Energy and Industry	(18.956)	(18.956)	
	(18.956)	**(18.956)**	

Thousands of euros

	2016	2015
Carrying amount:		
Government and Healthcare	14.122	14.725
Financial Services	47.108	52.077
Energy and Industry	61.011	65.493
Defence and Security	82.892	85.111
Transport and Traffic	24.571	24.661
Total	**229.704**	**242.067**

(1) In 2016 the carrying amount of the development and computer software projects capitalised in the year that had not started to be amortised was EUR 22,077 thousand (2015: EUR 40,708 thousand).
(2) The products, by vertical market, comprise many projects each of which has a separate, independent useful life; a single product can contain a project that may be amortised in the same year in which it was capitalised, yet also contain projects with useful lives of up to ten years.

It is considered likely that these products will generate future economic benefits that will offset the cost of the capitalised asset.

In 2016, as in 2015, the Parent continued to invest in development in all of its areas of activity, the most notable investments being made in the Defence and Security market and the Air Traffic market (in 2015 the main investments were made in the Financial Institutions area and the Energy market). The total amount capitalised in 2016 was EUR 22,784 thousand (2015: EUR 34,288 thousand).

The most significant transfers recognised under "Computer Software" in 2016 and 2015 relate to the following products (by vertical market):

Thousands of euros

Product	2016	2015
Government and Healthcare	1.859	2.060
Energy and Industry	250	89.592
Defence and Security	17.693	17.832
Transport and Traffic	3.328	21.036

Certain capitalised development expenditure is financed or subsidised by various public authorities through their corresponding bodies. The detail of the vertical markets (see Note 4-u) to which the most significant grants relate in 2016 and 2015 (EUR 27,224 thousand and EUR 35,255 thousand, respectively) is as follows:

Thousands of euros

Product	2016	2015
Government and Healthcare	509	3.676
Financial Services	5.902	6.859
Energy and Industry	2.797	3.570
Defence and Security	11.597	17.404
Transport and Traffic	6.419	3.746

The development expenditure totalled EUR 163,333 thousand and EUR 152,287 thousand in 2016 and 2015, respectively. Of those amounts, the Group capitalised EUR 22,784 thousand and EUR 34,288 thousand, respectively. Therefore, the consolidated statements of profit or loss for 2016 and 2015 include development expenditure on various projects amounting to EUR 140,549 thousand and EUR 117,999 thousand, respectively (see Note 41).

The balance of "Intellectual Property" in 2016 and 2015 includes assets acquired from third parties amounting to EUR 46,156 thousand (2015: EUR 39,279 thousand), which relate mainly to:

- The purchase by the Parent in 2010 of software maintenance rights totalling EUR 23,170 thousand.
- Intellectual property recognised as a result of the acquisition in 2011 of Politec Tecnología da Informação, S.A. for EUR 13,711 thousand.
- The intellectual property recognised by Indra BPO Servicios, S.L.U. in relation to remuneration for exclusivity, in accordance with the agreement for the provision of services entered into with BSOS, S.A. in 2016 (Business Services for Operational Support, S.A.), amounting to EUR 6,888 thousand.

The detail of the amortisation rates of the intangible assets is as follows:

	Thousands of euros					
	Balance at 31.12.16	Expenses incurred internally		Acquisition from third parties		
		Finite useful life	Amortisation rate	Indefinite useful life	Finite useful life	Amortisation rate
Carrying amount						
Intellectual property	27.959	-	-	26.598	1.361	10 %
Computer software	160.459	159.514	10-100%	-	945	25 %
Development expenditure	91.896	88.634	20%	-	3.262	10-25 %
Other intangible assets	4.555	127	-	-	4.428	10 %
	284.869	**248.275**		**26.598**	**9.996**	

	Thousands of euros					
	Balance at 31.12.15	Expenses incurred internally		Acquisition from third parties		
		Finite useful life	Amortisation rate	Indefinite useful life	Finite useful life	Amortisation rate
Carrying amount						
Intellectual property	21.582	-	-	19.949	1.633	10 %
Computer software	174.666	173.200	10-100%	-	1.466	25 %
Development expenditure	87.097	87.087	20%	-	10	10-25 %
Other intangible assets	5.868	199	-	-	5.669	10 %
	289.213	**260.486**		**19.949**	**8.778**	

At 31 December 2016, fully amortised intangible assets amounted to EUR 121,498 thousand (31 December 2015: EUR 105,816 thousand).

The disposals in 2016 gave rise to a loss of EUR 195 thousand (2015: EUR 99 thousand), and this amount was recognised in the consolidated statement of profit or loss (see Note 31).

The Group has taken out insurance policies to cover the risks to which certain intangible assets are subject. It is considered that these policies sufficiently cover the related risks.

9. FINANCIAL INSTRUMENTS

The Group's financial assets (not including investments in associates), by class and maturity, in 2016 and 2015 are classified as follows:

2016 Thousands of euros

Financial assets: Type / Category	Note	Available-for-sale financial assets	Loans and receivables	Hedging derivatives
Other investments in non-Group companies	11	16.268	-	-
Other assets receivable	11	-	2.246	-
Other financial assets	11	-	156.516	-
Non-current		16.268	158.762	-
Guarantees and deposits	14	-	8.473	-
Derivatives	14	-	-	114
Other financial assets	14, 15 Y 16	-	1.431.634	-
Current	-	-	1.440.107	114
Total		**16.268**	**1.598.869**	**114**

2015 Thousands of euros

Financial assets: Type / Category	Note	Available-for-sale financial assets	Loans and receivables	Hedging derivatives
Other investments in non-Group companies	11	16.593	-	-
Other assets receivable	11	-	2.867	-
Other financial assets	11	-	21.725	-
Non-current		16.593	24.592	-
Guarantees and deposits	14	-	2.130	-
Derivatives	14	-	-	1.701
Other financial assets	14, 15 Y 16	-	1.429.627	-
Current	-	-	1.431.757	1.701
Total		**16.593**	**1.456.349**	**1.701**

Available-for-sale financial assets

Available-for-sale financial assets, as they relate to investments in unlisted companies and their fair value cannot be reliably determined, were measured at acquisition cost or at a lower amount if there was any evidence of impairment.

Loans and receivables

The Group engages mainly in the performance of projects commissioned by customers. The Group recognises contract revenue and costs in accordance with the percentage of completion method. This method is based on estimates of total contract costs and revenue, the contract costs to complete the contract, contract risks and other parameters.

In accordance with established procedure, the managers responsible for Indra's projects carry out estimates to periodically verify the extent to which the main technical and economic assumptions of the projects in their portfolio are met. Within this analysis, particular attention is paid to projects which are more likely to deviate from the plan and which, accordingly, are more likely to have a negative financial impact (see Note 15).

The Group's financial liabilities, by class and maturity, in 2016 and 2015 are classified as follows:

2016 Thousands of euros

Financial liabilities: Type / Category		Accounts payable	Hedging derivatives
Bank borrowings	19	721.742	-
Debt instruments and other marketable securities	19	414.250	-
Derivatives	20	-	9.292
Other financial liabilities	20	86.726	-
Non-current payables / Non-current financial liabilities		1.222.718	9.292
Bank borrowings	23	59.742	-
Debt instruments and other marketable securities	23	973	-
Derivatives	25	-	40.861
Other financial liabilities	24 Y 25	1.369.299	-
Current payables / Current financial liabilities	-	1.430.014	40.861
Total		**2.652.732**	**50.153**

2015 Thousands of euros

Financial liabilities: Type / Category		Accounts payable	Hedging derivatives
Bank borrowings	19	724.372	-
Debt instruments and other marketable securities	19	237.543	-
Derivatives	20	-	11.437
Other financial liabilities	20	20.946	-
Non-current payables / Non-current financial liabilities		982.861	11.437
Bank borrowings	23	78.648	-
Debt instruments and other marketable securities	23	729	-
Derivatives	25	-	30.936
Other financial liabilities	24 Y 25	1.402.004	-
Current payables / Current financial liabilities	-	1.481.381	30.936
Total		**2.464.242**	**42.373**

The fair value of the currency forwards is calculated on the basis of the exchange rate of each currency at each reporting date (Level 2 of the fair value hierarchy).

The Group has also arranged financial derivatives relating to interest rate hedges, which are aimed at eliminating or significantly reducing interest rate risk. The fair value of the interest rate hedges is determined on the basis of valuation techniques such as those described in Note 4-h.III. All the interest rate hedges are effective as cash flow hedges. The gains or losses arising from the measurement of the hedging instrument at fair value relating to the portion of the hedge that is identified as effective are recognised as income and expenses in equity (Level 2 of the fair value hierarchy).

The nature of each of the liabilities is detailed in the corresponding note to these consolidated financial statements.

The breakdown of "Financial Loss" in the consolidated statements of profit or loss for 2016 and 2015 is as follows:

Thousands of euros

	2016	2015
Interest expense on bank borrowings	20.944	30.278
Other finance costs	9.966	13.283
Financial liabilities at amortised cost	2.038	922
Interest on debt instruments and bonds	9.107	10.442
Hedging instrument expenses	3.487	-
Exchange losses	-	4.519
Total finance costs	**45.542**	**59.444**
Exchange gains	458	-
Other finance income	6.010	857
Total finance income	**6.468**	**857**

The balance of "Financial Liabilities at Amortised Cost", amounting to EUR 2,039 thousand in 2016 (2015: EUR 922 thousand), relates to financial gains or losses on the remeasurement of debt, mainly R&D loans with interest rates below market rates.

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The detail of "Investments Accounted for Using the Equity Method" in the consolidated statements of financial position as at 31 December 2016 and 2015 is as follows:

	Thousands of euros						
	Balance at 31.12.15	Investment	Translation differences	Dividends	Profit or loss	Transfers	Balance at 31.12.16
SAES Capital	1.981	-	-	-	79	-	2.060
Eurofighter Simulation Systems	2.626	-	-	(1.040)	1.667	-	3.253
Euromids	449	-	-	-	65	-	514
Iniciativas Bioenergéticas	1.384	-	-	-	106	-	1.490
I3 Televisión	125	-	-	-	(4)	-	121
IRB Riesgo Operacional	304	-	-	-	(121)	-	183
A4 Essor	28	-	-	-	2	-	30
Tower Air Traffic System	501	-	-	-	-	-	501
Logística Marítima de Tuxpan	150	-	-	-	-	-	150
Natming	3	-	-	-	-	-	3
Indra Isolux México	(22)	-	3	-	1	-	(18)
Visión Inteligente Aplicada	(100)	-	13	-	-	-	(87)
EFI Túneles Necaxa	65	-	(7)	-	6	-	64
Societat Catalana Per a la Mobilitat	1.449	290	-	-	(122)	-	1.617
Green Border OOD	-	-	-	-	(3)	5	2
Spa Mobeal	-	26	-	-	-	-	26
Total	**8.943**	**316**	**9**	**(1.040)**	**1.676**	**5**	**9.909**

	Thousands of euros							
	Balance at 31.12.14	Changes in scope of consolidation	Investment	Translation differences	Dividends	Profit or loss	Transfers	Balance at 31.12.15
SAES Capital	2.272	-	-	-	(407)	116	-	1.981
Eurofighter Simulation Systems	3.695	-	-	-	(1.040)	(29)	-	2.626
Euromids	395	-	-	-	-	54	-	449
Iniciativas Bioenergéticas	1.508	-	-	-	-	(124)	-	1.384
Idetegolf	15	(15)	-	-	-	-	-	-
Trias Beltran	8	(8)	-	-	-	-	-	-
I3 Televisión	173	-	-	-	-	(48)	-	125
IESSA	(4.396)	4.396	-	-	-	-	-	-
IRB Riesgo Operacional	425	-	-	-	-	(121)	-	304
A4 Essor	230	-	-	-	-	(202)	-	28
Tower Air Traffic System	501	-	-	-	-	-	-	501
Indra Sistemas de Tesorería	96	(96)	-	-	-	-	-	-
Logística Marítima de Tuxpan	150	-	-	-	-	-	-	150
Natming	3	-	-	-	-	-	-	3
Indra Isolux México	(4)	-	-	(9)	-	(9)	-	(22)
Visión Inteligente Aplicada	(69)	-	-	9	-	(40)	-	(100)
EFI Túneles Necaxa	38	-	-	3	-	24	-	65
Societat Catalana Per a la Mobilitat	624	-	823	-	-	2	-	1.449
Total	**5.664**	**4.277**	**823**	**3**	**(1.447)**	**(377)**	**-**	**8.943**

Appendix V includes a detail of the main financial aggregates of the most significant companies accounted for using the equity method.

The changes in relation to the investments in associates during the year ended 31 December 2016 were as follows:

- On 20 January 2016, the Parent paid an additional EUR 100 thousand of the share capital of Societat Catalana per a la Mobilitat, S.A. It subsequently paid an additional EUR 190 thousand in 2016. There were no changes in the percentage of ownership.
- On 20 July 2016, the Parent incorporated, together with three other shareholders, the Algerian company Spa Mobeal, in which it holds a 24.50% ownership interest. The amount paid in this connection was EUR 26 thousand.

The changes in relation to the investments in associates during the year ended 31 December 2015 were as follows:

- On 10 January 2015, the subsidiary Indra BPO, S.L.U. ratified the dissolution of its investee Trias Bertrán 4, S.L., giving rise to a loss of EUR 1 thousand, which was recognised in the consolidated statement of profit or loss (see Note 31).
- On 22 May 2015, the Parent paid an additional EUR 25 thousand of the share capital of Societat Catalana per a la Mobilitat, S.A. It subsequently paid an additional EUR 798 thousand in 2015.

- On 16 October 2015, the Parent sold its ownership interest in the subsidiary Indra Esteio Sistemas, S.A.(IESSA). This sale gave rise to a loss of EUR 145 thousand, which was recognised in the consolidated statement of profit or loss (see Note 31).
- On 13 November 2015, the Parent sold its ownership interest in the subsidiary Indra Sistemas de Tesorería, S.L., giving rise to a gain of EUR 5 thousand, which was recognised in the consolidated statement of profit or loss (see Note 31).
- On 18 December 2015, the subsidiary Prointec, S.A.U. ratified the dissolution of its investee Idetegolf, S.A.

11. NON-CURRENT FINANCIAL ASSETS

The changes in "Non-Current Financial Assets" in the years ended 31 December 2016 and 2015 were as follows:

	Thousands of euros					
	Balance at 31.12.15	Translation differences	Additions	Disposals	Transfers	Balance at 31.12.16
Cost:						
Other non-current investments in non-Group companies	18.369	-	874	(1.199)	-	18.044
Long-term loans	2.858	199	6	(13)	(804)	2.246
Long-term guarantees and deposits	21.725	4.066	5.244	(12.216)	-	18.819
Other non-current financial assets	9	(18)	136.907	-	799	137.697
	42.961	**4.247**	**143.031**	**(13.428)**	**(5)**	**176.806**
Impairment losses:						
Other non-current investments in non-Group companies	(1.776)	-	-	-	-	(1.776)
	(1.776)	**-**	**-**	**-**	**-**	**(1.776)**
Carrying amount:						
Other non-current investments in non-Group companies	16.593	-	874	(1.199)	-	16.268
Long-term loans	2.858	199	6	(13)	(804)	2.246
Long-term guarantees and deposits	21.725	4.066	5.244	(12.216)	-	18.819
Other non-current financial assets	9	(18)	136.907	-	799	137.697
Total	**41.185**	**4.247**	**143.031**	**(13.428)**	**(5)**	**175.030**

	Thousands of euros					
	Balance at 31.12.14	**Translation differences**	**Additions**	**Disposals**	**Transfers**	**Balance at 31.12.15**
Cost:						
Other non-current investments in non-Group companies	17.553	-	884	(68)	-	18.369
Long-term loans	2.932	(242)	168	-	-	2.858
Long-term guarantees and deposits	25.006	(4.920)	2.180	(529)	-	21.725
Cash flow hedges	14	-	-	-	(14)	-
Other non-current financial assets	40.059	(9.205)	-	(3.502)	(27.343)	9
	85.564	**(14.367)**	**3.232**	**(4.099)**	**(27.357)**	**42.961**
Impairment losses:						
Other non-current investments in non-Group companies	(1.681)	-	(95)	-	-	(1.776)
	(1.681)	**-**	**(95)**	**-**	**-**	**(1.776)**
Carrying amount:						
Other non-current investments in non-Group companies	15.872	-	789	(68)	-	16.593
Long-term loans	2.932	(242)	168	-	-	2.858
Long-term guarantees and deposits	25.006	(4.920)	2.180	(529)	-	21.725
Cash flow hedges	14	-	-	-	(14)	-
Other non-current financial assets	40.059	(9.205)	-	(3.502)	(27.343)	9
Total	**83.883**	**(14.367)**	**3.137**	**(4.099)**	**(27.357)**	**41.185**

a) Other non-current investments in non-Group companies

The detail of "Other Non-Current Investments in Non-Group Companies" is as follows:

	Thousands of euros				
	Percentage of ownership	Balance at 31.12.15	Additions	Disposals	Balance at 31.12.16
Cost:					
Safelayer Secure Comunications	15%	476	-	-	476
Grupo de Navegación por Satélite, Sistemas y Servicios, S.L.	13,45%	138	-	-	138
Hisdesat Servicios Estratégicos	7%	7.572	-	-	7.572
Prointec subgroup	-	118	-	-	118
Neotec	4,76%	5.071	-	-	5.071
Bansabadell Information Systems	19%	1.198	-	(1.198)	-
Volcat	4,77%	1.000	-	-	1.000
Medina Capital Fund GP	-	2.793	263	-	3.056
Business Services for Operational Support	10%	-	611	-	611
Other	-	3	-	(1)	2
		18.369	**874**	**(1.199)**	**18.044**
Impairment losses:					
Safelayer Secure Comunications		(152)	-	-	(152)
Grupo de Navegación por Satélite, Sistemas y Servicios, S.L.		(3)	-	-	(3)
Hisdesat Servicios Estratégicos		(520)	-	-	(520)
Prointec Subgroup		(101)	-	-	(101)
Volcat		(1.000)	-	-	(1.000)
		(1.776)	**-**	**-**	**(1.776)**
Carrying amount:					
Safelayer Secure Communications		324	-	-	324
Grupo de Navegación por Satélite, Sistemas y Servicios, S.L.		135	-	-	135
Hisdesat Servicios Estratégicos		7.052	-	-	7.052
Prointec Subgroup		17	-	-	17
Neotec		5.071	-	-	5.071
Bansabadell Information Systems		1.198	-	(1.198)	-
Medina Capital Fund GP		2.793	263	-	3.056
Business Services for Operational Support		-	611	-	611
Other		3	-	(1)	2
Total		**16.593**	**874**	**(1.199)**	**16.268**

	Thousands of euros				
	Percentage of ownership	Balance at 31.12.14	Additions	Disposals	Balance at 31.12.15
Cost:					
Safelayer Secure Communications	15%	476	-	-	476
Grupo de Navegación por Satélite, Sistemas y Servicios, S.L.	13,45%	138	-	-	138
Hisdesat Servicios Estratégicos	7%	7.572	-	-	7.572
Prointec subgroup	-	118	-	-	118
Neotec	4,76%	5.071	-	-	5.071
Bansabadell Information Systems	19%	1.184	14	-	1.198
Volcat	4,77%	1.000	-	-	1.000
Medina Capital Fund GP	-	1.923	870	-	2.793
Other	-	71	-	(68)	3
		17.553	**884**	**(68)**	**18.369**
Impairment losses:					
Safelayer Secure Communications		(152)	-	-	(152)
Grupo de Navegación por Satélite, Sistemas y Servicios, S.L.		(3)	-	-	(3)
Hisdesat Servicios Estratégicos		(520)	-	-	(520)
Prointec subgroup		(6)	(95)	-	(101)
Volcat		(1.000)	-	-	(1.000)
		(1.681)	**(95)**	**-**	**(1.776)**
Carrying amount:					
Safelayer Secure Communications		324	-	-	324
Grupo de Navegación por Satélite, Sistemas y Servicios, S.L.		135	-	-	135
Hisdesat Servicios Estratégicos		7.052	-	-	7.052
Prointec subgroup		112	(95)	-	17
Neotec		5.071	-	-	5.071
Bansabadell Information Systems		1.184	14	-	1.198
Medina Capital Fund GP		1.923	870	-	2.793
Other		71	-	(68)	3
Total		**15.872**	**789**	**(68)**	**16.593**

In 2016 the main transactions relating to non-current investments in non-Group companies were as follows:

- On 15 July 2016, the subsidiary Indra BPO Servicios, S.L.U. acquired 10% of the share capital of Business Services for Operational Support for EUR 611 thousand.

- On 18 May 2016, the Parent paid EUR 263 thousand in connection with the investment in Medina Capital Fund GP, LLC.

- On 4 March 2016, the investment in Bansabadell Information Systems, S.A. was disposed of for EUR 1,198 thousand.

In 2015 the main transactions in relation to non-current investments in non-Group companies were as follows:

- On 16 March 2015 and 11 December 2015, the Parent paid EUR 441 thousand and EUR 425 thousand, respectively, in connection with the investment in Medina Capital Fund GP, LLC, in accordance with its commitment to invest USD 5,000 thousand therein within five years. Medina Capital is an investment fund that specialises in acquiring ownership interests in companies specialising in cybersecurity, IT infrastructures, cloud solutions and software solutions services.

b) Long-term guarantees and deposits

"Long-Term Guarantees and Deposits" includes both the security deposits given in relation to the lease of buildings and properties used by the Group and the amounts deposited as guarantees vis-à-vis employment and commercial claims.

The additions for the year include EUR 5,244 thousand (2015: EUR 2,180 thousand) corresponding to the security deposits given in relation to leased properties resulting from the transfer of activities to other work centres. The reductions in this connection amounted to EUR 652 thousand (2015: EUR 529 thousand).

The reductions in 2016 also include EUR 11,564 thousand in relation to the deposits given as a guarantee with respect to employment claims at the subsidiary Indra Brasil Soluções e Serviços Tecnológicos, S.A.

c) Other non-current financial assets

In 2016 the main transactions relating to other non-current financial assets were as follows:

In 2016 the Group recognised accounts receivable for billable production amounting to EUR 105,079 thousand in relation to projects performed by the Group that will foreseeably be billed in a period exceeding one year (see Note 2-b). In addition, EUR 31,579 thousand were recognised in relation to balances of the Parent resulting from the proportional consolidation of various UTEs pertaining to Defence programmes. These programmes have received financing from the Spanish Ministry of Industry, Energy and Tourism amounting to EUR 69,296 thousand (see Note 20). The amounts will be billed in 2018 once all of the projects have been completed. At that time, Defence will reimburse the aforementioned financing and the UTEs will derecognise the related liabilities. All of these amounts have been discounted at the market interest rate.

In 2015 the main transactions relating to other non-current financial assets were as follows:

The derecognition at 31 December 2013 of the liability for the variable consideration arising from the acquisition of Politec Tecnología da Informaçao, S.A. (now Indra Brasil Soluçoes e Servicos Tecnológicos, S.A.) in 2011, together with the recognition and materialisation in 2013 and 2014 of new labour contingencies at the Brazilian subsidiary, gave rise to the activation in 2013 of the contractual security deposits relating to certain properties belonging to the seller. This resulted in the recognition in the consolidated financial statements of non-current financial assets under "Other Non-Current Financial Assets" for the amount of the estimated collection rights totalling EUR 36,605 thousand (2013: EUR 27,205 thousand), corresponding to the amount of the contingent liabilities paid by Indra up to that date less the amount of the excess established in the acquisition agreement (Stock Purchase Agreement - SPA).

On 14 November 2014, Indra Sistemas, S.A., Indra Company Brasil, Ltda. and Indra Brasil Soluções e Serviços Tecnológicos, S.A. entered into an agreement of mutual accord with Politec Participaçoes, Ltda (Polipar) and its shareholders, the main aspects of which are as follows:

- Polipar and its shareholders agree that the Indra Group does not have to pay any additional consideration or amount under the aforementioned SPA.

- Polipar and its shareholders agree, pursuant to the SPA, that they are jointly and severally liable for indemnifying the acquirers for any contingencies incurred by the acquirees.

- In order to release itself from the aforementioned indemnification obligation provided for in the SPA, Polipar and its shareholders agree to transfer two properties, free and clear of liens and charges, to Indra Brasil Soluções e Serviços Tecnológicos, S.A.

- The parties expressly waive any right or indemnity in addition to the aforementioned indemnity under the SPA entered into in 2011.

The aforementioned properties would be registered in the Indra Group's name once the formal requirements to release them from the legal restrictions and restrictions on title currently applicable to them had been met, at which time the Group would acquire ownership thereof.

The amount of the estimated collection rights at 31 December 2014 (EUR 36,605 thousand) related to the value of the two properties obtained from an appraisal carried out by an independent valuer in Brazil less the estimated cost of any subsequent sale thereof.

As a result of the lifting of the aforementioned legal restrictions and restrictions on title in 2015, EUR 18,229 thousand relating to one of the properties were transferred from "Other Non-Current Financial Assets" to "Property, Plant and Equipment" (see Note 6). In addition, the second property, amounting to EUR 6,024 thousand, was transferred to "Other Current Assets - Current Financial Assets" (see Note 14). This latter amount related to the carrying amount of the property (i.e. net of impairment) totalling EUR 3,090 thousand (see Note 31).

In addition, the nine-year marketing agreement amounting to EUR 3,502 thousand (2014: EUR 3,502 thousand) was derecognised from this line item as a result of the sale of Gibb Portugal Consultores de Engenharia, Gestão e Ambiente, S.A., and the corresponding loss was recognised in the consolidated statement of profit or loss (see Note 32).

12. NON-CURRENT ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

The detail of the main changes in non-current assets classified as held for sale in 2016 is as follows:

- The land amounting to EUR 6,996 thousand (2015: EUR 5,566 thousand) included in the acquisition of Indra Brasil, S.A. was transferred from "Property, Plant and Equipment" (see Note 6) to "Assets Classified as Held for Sale" since it was in the process of being sold.
- The building amounting to EUR 17,272 thousand (2015: EUR 13,742 thousand) included in the acquisition of Indra Brasil, S.A. was transferred from "Property, Plant and Equipment" (see Note 6) to "Assets Classified as Held for Sale" since it was in the process of being sold.
- The building amounting to EUR 7,473 thousand (2015: EUR 6,024 thousand) corresponding to the collection right arising from the acquisition of Politec Tecnología da Informaçao, S.A. (now Indra Brasil Soluçoes e Servicos Tecnológicos, S.A.) was transferred from "Other Receivables" to "Assets Classified as Held for Sale" since it was in the process of being sold (see Note 14). In addition, in 2016 a valuation adjustment of EUR 770 thousand was recognised in relation to this building (see Note 31).
- Also, the Parent reclassified the investment in its subsidiary Indra Radar Technology (Tianjin) Co., Ltd., amounting to EUR 1,350 thousand, to "Assets Classified as Held for Sale", since this investee is in the process of being liquidated. The carrying amount of this investment had been reduced to zero through the recognition of impairment losses.

The main changes in non-current liabilities classified as held for sale in 2016 relate to the payment of EUR 2,920 thousand (2015: EUR 1,294 thousand) in connection with the debts to third parties of Search Informática Ltda. and Ultracom-Consultoría en Tecnología da Informação Ltda.

All of the foregoing assets and liabilities will foreseeably be sold or settled in 2017.

The detail of the main changes in non-current assets and liabilities classified as held for sale in 2015 is as follows:

- The land amounting to EUR 5,566 thousand (2014: EUR 7,451 thousand) included in the acquisition of Indra Brasil, S.A., which was in the process of being sold, was transferred to "Property, Plant and Equipment" (see Note 6), since the aforementioned sale process could not be completed satisfactorily.
- Also, the Parent reclassified the investments in its subsidiaries Indra France Sas, Azertia Gestión de Centros Venezuela, S.A. and Indra Hungary LLC, amounting to EUR 6,600 thousand, to "Assets Classified as Held for Sale", and the carrying amount of these investments had been reduced to zero through the recognition of impairment losses as they were in the process of being liquidated. In addition, loans granted to these subsidiaries amounting to EUR 1,164 thousand, the carrying amount of which had been reduced to zero through the recognition of impairment losses, were reclassified to "Assets Classified as Held for Sale".
- The balance of EUR 1,655 thousand related to the carrying amount of the Parent's ownership interests in the subsidiaries Azertia Brasil and Azertia Puerto Rico, which were in the process of being liquidated, and Search Informática Ltda. and Ultracom-Consultoría em Tecnologia da Informação Ltda., which were in the process of being sold.
- Payables to third parties corresponding to Search Informática Ltda. and Ultracom-Consultoría em Tecnologia da Informação Ltda. were recognised under "Liabilities Classified as Held for Sale".

In both 2016 and 2015 all of the non-current assets and liabilities classified as held for sale related to the IT business segment.

13. INVENTORIES

The detail of "Inventories" at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	**2015**
Goods held for resale	131	204
Raw materials	13.688	11.939
Work in progress	55.533	58.024
Total carrying amount	**69.352**	**70.167**

The items included under "Inventories - Work in Progress" correspond to the cost of materials used, direct labour costs and other services acquired for projects.

In 2016 the Group did not derecognise any work in progress for a significant amount.

In 2015 the Group derecognised work in progress amounting to EUR 103,199 thousand due to the rescheduling and cancellation of programmes and to the change in estimates resulting from various factors and events that took place in 2015 which make it highly unlikely that these amounts will be recovered in the future. Of this amount, EUR 71,691 thousand related to the derecognition of work in progress corresponding to the Parent.

14. OTHER FINANCIAL ASSETS, INCLUDING DERIVATIVES AND OTHER CURRENT ASSETS

The detail of other assets at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	**2015**
Other receivables	8.790	14.979
Loans and advances to employees	6.065	4.096
Accounts receivable from public authorities (Note 35)	51.466	44.037
Prepayments and accrued income	7.491	5.452
Short-term deposits	448	822
Short-term guarantees	8.025	1.308
Current financial assets	1.774	2.112
Derivatives (Note 36-a)	114	1.701
Total carrying amount	**84.173**	**74.507**

In 2016 EUR 7,473 thousand (2015: EUR 6,024 thousand) were transferred from "Other Receivables" to "Assets Classified as Held for Sale" in relation to the collection right resulting from the acquisition of Politec Tecnología da Informaçao, S.A. (now Indra Brasil Soluçoes e Servicos Tecnológicos, S.A.) (see Note 12).

In 2016 "Short-Term Guarantees" includes EUR 7,160 thousand corresponding to an amount received in advance from a Defence UTE.

15. TRADE AND OTHER RECEIVABLES

The detail of "Trade and Other Receivables" at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	**2015**
Trade receivables for sales and services provided to non-Group companies	642.170	700.597
Accounts receivable for billable production	672.646	838.148
Advances to suppliers	12.726	28.168
Other receivables	8.589	8.409
Total	**1.336.131**	**1.575.322**
Write-downs	(41.607)	(54.017)
Write-downs of accounts receivable for billable production	(83.592)	(119.923)
Total carrying amount	**1.210.932**	**1.401.382**

The changes in the write-downs in 2016 and 2015 were as follows

	Thousands of euros					
	Balance at 31.12.15	**Charge for the year**	**Amounts derecognised**	**Translation differences**	**Reversals**	**Balance at 31.12.16**
Write-downs	173.940	27.829	(63.430)	3.086	(16.226)	125.199

	Thousands of euros					
	Balance at 31.12.14	**Charge for the year**	**Amounts derecognised**	**Translation differences**	**Reversals**	**Balance at 31.12.15**
Write-downs	81.144	137.340	(28.662)	(5.955)	(9.927)	173.940

The write-downs recognised in 2016 amounting to EUR 27,829 thousand (2015: EUR 137,340 thousand). Most of the write-downs recognised in 2015 relate to receivables in relation to which the Group had doubts as to their future recoverability due to a series of events such as litigation with certain customers, the deterioration of the macroeconomic situation in certain countries and the use of more stringent milestone acceptance conditions for certain projects, mainly in Brazil.

At the end of 2016, receivables under non-recourse factoring arrangements amounting to EUR 186,778 thousand (2015: EUR 186,763 thousand) were derecognised.

In order to conclude that the receivables can effectively be derecognised, the extent to which the risks and rewards had been transferred was analysed. The factors (various banks) assume, in accordance with the agreements entered into, the risk of insolvency and late payment and, therefore, Indra is not exposed to the risks of non-payment associated with these receivables. The financial assets derecognised in this connection correspond to billings issued for the provision of services and for the projects carried out by the Group.

At 31 December 2016, the Group had past-due receivables amounting to EUR 444,096 thousand (2015: EUR 392,706 thousand) (see Note 36-b). The Group considers that these amounts will be received within twelve months.

16. CASH AND CASH EQUIVALENTS

The detail of "Cash and Cash Equivalents" is as follows:

	Thousands of euros	
	2016	2015
Short-term fixed income deposits and fixed-income securities	61.658	62.202
Restricted deposits	191.414	-
Other current financial assets	5.168	1.588
Subtotal	**258.240**	**63.790**
Cash	415.661	277.764
Total	**673.901**	**341.554**

"Cash" and "Short-Term deposits and Fixed-Income Securities" include interest-earning amounts placed in demand deposits and short-term deposits in various currencies, which earned interest at an average rate of 1.08% in 2016 (2015: 0.74%).

"Restricted Deposits" relates to cash held with Banco Santander amounting to EUR 191,414 thousand which the Parent was required to deposit in order to guarantee all of the cash payment required to settle the takeover bid to acquire Tecnocom and which was included in this line item since it represents a deposit made to meet a short-term commitment that is not subject to any risk of changes in value. This amount includes the maximum amount of the cash portion of the consideration for the bid (including the cash payments resulting from any purchases in which the shareholders are obliged to sell their shares), i.e. EUR 191,314 thousand, and EUR 100 thousand to cover the cash needs resulting from acceptance of the bid (relating both to the offer and to the aforementioned obligatory sales), which the Parent, for purely illustrative purposes, estimated to be EUR 57 thousand. Therefore, the amount guaranteed covers the Parent's cash payment obligations in relation to the bid.

"Cash and Cash Equivalents" also includes EUR 1,642 thousand (2015: EUR 809 thousand) in relation to the liquidity contract with GVC Gaesco Valores Beka, S.V.S.A. (see Note 17).

At 31 December 2016 and 2015, the cash balance was fully available for use in the Group's business operations.

17. EQUITY

Share capital

At 31 December 2016, the share capital amounted to EUR 32,826,507.80, comprising 164,132,539 fully subscribed and paid ordinary shares of EUR 0.20 par value each, represented by book entries.

The share capital has been fully subscribed and paid.

All of the shares composing the share capital are listed on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges, are traded on the Spanish Stock Market Interconnection System and are included in the selective IBEX 35 index. Their market price at 2016 year-end was EUR 10.41 per share (2015: EUR 8.67 per share). The average market price in the last quarter of 2016 was EUR 10.66 per share (2015: EUR 9.59 per share).

The Parent does not have a register of its shareholders and, therefore, the only information available to it on the composition of its shareholder structure is received directly from the shareholders themselves, is made public by the shareholders pursuant to current legislation on significant investments (which generally requires communication of ownership interests exceeding 3% of share capital) or represents information provided by Iberclear, which the Parent requests for its General Meetings.

Therefore, according to the information available to the Parent, the significant shareholders with ownership interests of more than 3% of the share capital, excluding ownership interests held on behalf of third parties, are as follows:

	31.12.16	31.12.15
Sociedad Estatal de Participaciones Industriales (SEPI)	20,141%	20,141%
Corporación Financiera Alba	11,324%	11,325%
Fidelity Management & Research LLC	7,531%	6,499%
THS	-	3,378%
Telefónica	-	3,162%
Schroders PLC	3,032%	3,007%
Bestinver	-	3,011%
T. Rowe Price Associates	3,226%	-

In addition, Fidelity Management & Research LLC holds financial instruments which confer on it the voting rights on 4,280,212 shares equal to 2.608% of the share capital.

The direct or indirect ownership interests held by each of the directors in a personal capacity at 31 December 2016 were as follows:

Director	Type	No. of shares Direct	Indirect	Total	% of total share capital
Isabel Aguilera Navarro	Independent	41.220	-	41.220	0,025
Javier de Andrés González	Executive	152.352	-	152.352	0,093
Juan Carlos Aparicio Pérez (1)	Proprietary	12.391	-	12.391	0,010
Daniel García-Pita	Independent	65.794	12.600	78.394	0,048
Luis Lada Díaz	Independent	36.528	-	36.528	0,022
Juan March de la Lastra (2)	Proprietary	31.216	-	31.216	0,019
Santos Martínez-Conde Gutiérrez-Barquín (2)	Proprietary	20.677	-	20.677	0,013
Adolfo Menéndez Menéndez (1)	Proprietary	13.673	-	13.673	0,010
Fernando Abril-Martorell	Executive	59.256	-	59.256	0,036
Enrique de Leyva	Independent	7.148	-	7.148	0,004
Ignacio Santillana del Barrio	Independent	26.998	-	26.998	0,016
Rosa Sugrañes Arimany	Independent	34.817	-	34.817	0,021
Alberto Terol Esteban	Independent	33.172	-	33.172	0,020
Total		**535.242**	**12.600**	**547.842**	**0,333**

(1) For the shareholder Sociedad Estatal de Participaciones Industriales (SEPI).

(2) For the shareholder Corporación Financiera Alba.

The direct or indirect ownership interests held by each of the directors in a personal capacity at 31 December 2015 were as follows:

Director	Type	No. of shares Direct	Indirect	Total	% of total share capital
Isabel Aguilera Navarro	Independent	37.102	-	37.102	0,023
Javier de Andrés González	Executive	149.254	-	149.254	0,091
Juan Carlos Aparicio Pérez (1)	Proprietary	8.226	-	8.226	0,005
Daniel García-Pita	Independent	61.443	12.600	74.043	0,045
Luis Lada Díaz	Independent	32.703	-	32.703	0,020
Juan March de la Lastra (2)	Proprietary	27.608	-	27.608	0,017
Santos Martínez-Conde Gutiérrez-Barquín (2)	Proprietary	15.677	-	15.677	0,010
Adolfo Menéndez Menéndez (1)	Proprietary	9.230	-	9.230	0,006
Fernando Abril-Martorell	Executive	53.838	-	53.838	0,033
Enrique de Leyva	Independent	2.148	-	2.148	0,001
Ignacio Santillana del Barrio	Independent	21.302	-	21.302	0,013
Rosa Sugrañes Arimany	Independent	31.209	-	31.209	0,019
Alberto Terol Esteban	Independent	28.159	-	28.159	0,017
Total		**477.899**	**12.600**	**490.499**	**0,309**

(1) For the shareholder Sociedad Estatal de Participaciones Industriales (SEPI),

(2) For the shareholder Corporación Financiera Alba.

At 31 December 2016, the members of the Board of Directors held 52,192,776 shares, i.e. 31.80% of the total. At 31 December 2015, the members of the Board of Directors held 52,135,433 shares, i.e. 31.76% of the total.

On 30 June 2016 and 25 June 2015, the Parent held its Annual General Meeting, which approved the distribution of the Parent's profit 2016 and the allocation of the loss for 2015, respectively, as shown in the accompanying consolidated statements of changes in equity.

The Group's capital management objectives are to safeguard the Group's ability to continue operating as a going concern so that it can continue to generate returns for shareholders, benefit other stakeholders and maintain an optimum capital structure.

Capital management at the Group is based on the maintenance of a solid financial structure which optimises the cost of capital and the availability of financial resources, ensuring the long-term continuity of the business. This prudential financial policy enables the Group to continue to add sufficient value for the shareholder and also ensures the Group's liquidity and solvency.

Share premium

The share premium resulting from the capital increases in 2001, 2003 and 2007 has the same restrictions and may be used for the same purposes as the voluntary reserves of the Parent, including its conversion into share capital.

The share premium and voluntary reserves are restricted for the amount of the asset revaluation provided for in Law 9/1983, of 13 July, which at 31 December 2016 amounted to EUR 9,281 thousand (31 December 2015: EUR 9,464 thousand), for the research and development expenditure balances of the Parent not yet amortised amounting to EUR 117,228 thousand at 31 December 2016 (31 December 2015: EUR 122,684 thousand) and for any prior years' losses that might exist.

Other reserves

The detail of "Other Reserves" is as follows:

	Thousands of euros	
	2016	**2015**
Merger reserves	1.846	1.846
Other changes in equity	(2.870)	(3.310)
Total	**(1.024)**	**(1.464)**

Other equity instruments

"Other Equity Instruments" includes, as a result of the bond issue performed by the Parent in October 2013 (see Note 19), the change in equity arising from the difference between the proceeds obtained and the fair value of the related financial liability amounting to EUR 16,999 thousand (2015: EUR 16,999 thousand), including the embedded derivative arising from the clause providing for early redemption of the bonds amounting to EUR 1,125 thousand.

This line item also includes EUR 6,883 thousand (2015: EUR 260 thousand) in relation to the share-based payments provided for in the executive director and senior executive remuneration policy.

The remuneration policy established in 2014 provides for medium-term deferred remuneration payments based on the delivery of shares of the Parent, which will accrue from July 2014 until the end of 2017. In 2016 30,233 shares were delivered in connection with this plan (2015: 20,350 shares), which were valued at EUR 311 thousand (2015: EUR 199 thousand) based on their price on the delivery date.

Valuation adjustments relating to cash flow hedges

The related line item includes the reserves arising from:

- The effect of changes in the fair value of the foreign currency forward contracts used to hedge highly probable forecast transactions or firm commitments.
- The effect of changes in the fair value of interest rate swaps.

The detail is as follows:

	Thousands of euros	
	2016	**2015**
Currency forward cash flow hedges	(27.420)	(31.501)
Interest rate cash flow hedges	647	1.092
Total	**(26.773)**	**(30.409)**

Treasury shares

Making use of the powers conferred on it by the General Meeting, at 31 December 2016 the Parent held directly a total of 333,508 shares amounting to EUR 3,422 thousand (31 December 2015: a total of 347,011 shares amounting to EUR 3,081 thousand).

The detail of the balance of "Treasury Shares" and of the changes therein in 2016 and 2015 is as follows:

	Thousands of euros			
	Balance at 31.12.15	Additions	Disposals	Balance at 31.12.16
For:				
- Ordinary transactions	3.081	241.910	(241.569)	3.422

	Thousands of euros			
	Balance at 31.12.14	Additions	Disposals	Balance at 31.12.15
For:				
- Ordinary transactions	1.642	271.715	(270.276)	3.081

The changes in shares in 2016 and 2015 were as follows:

	Number of shares							
	% of total share capital	31.12.15	Additions	% annual volume	Disposals	% annual volume	31.12.16	% of total share capital
For:								
- Ordinary transactions	0,21	347.011	23.958.809	9,49	(23.972.312)	9,49	333.508	0,20
	0,21	**347.011**	**23.958.809**		**(23.972.312)**		**333.508**	**0,20**

	Number of shares							
	% of total share capital	31.12.14	Additions	% annual volume	Disposals	% annual volume	31.12.15	% of total share capital
For:								
- Ordinary transactions	0,12	202.199	28.045.163	7,84	(27.900.351)	7,80	347.011	0,21
	0,12	**202.199**	**28.045.163**		**(27.900.351)**		**347.011**	**0,21**

On 31 July 2014, the Parent entered into a liquidity contract with GVC Gaesco Valores Beka, S.V.S.A., which was renewed in July 2016, for the purpose of facilitating the liquidity of its transactions and the stability of its share price.

The main characteristics are as follows:

- Contract term: 12 months.
- Number of shares included in the securities account associated with the contract: 200,000.
- Amount included in the cash account associated with the contract: EUR 2.3 thousand.

Prior years' profits (losses)

The detail of "Prior Years' Profits (Losses)" is as follows:

	Thousands of euros	
	2016	2015
Legal reserve	6.955	6.955
Reserves of fully consolidated companies	(89.761)	87.827
Merger reserve	15.212	15.212
Reserves of companies accounted for using the equity method	625	2.275
Voluntary reserves	559.172	559.172
Restricted reserves	(559.815)	(85.075)
Profit (Loss) for the year attributable to the Parent	69.931	(641.189)
Total	**2.319**	**(54.823)**

a) Legal reserve

Under the Spanish Limited Liability Companies Law, the Parent must transfer 10% of net profit for each year to a reserve until the balance of this reserve reaches at least 20% of the share capital. This reserve is not distributable to the shareholders and if it is used to offset losses, in the event that no other reserves are available, the reserve must be replenished with future profits. Under certain conditions it can also be used to increase share capital.

At 31 December 2016 and 2015, the Parent had appropriated to this reserve the minimum amount required by the Consolidated Spanish Limited Liability Companies Law.

b) Reserves of fully consolidated companies

The detail of the reserves of fully consolidated companies at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
BPO Group (formerly BMB Group)	(6.501)	(11.073)
Indra Emac, S.A.U	(963)	(1.041)
Indra Sistemas de Seguridad, S.A.U	3.466	7.724
Indra SI, S.A	5.527	(1.980)
Indra Sistemas Chile, S.A	(14.085)	(11.383)
Indra Sistemas Portugal, S.A	(2.455)	4.180
Consultancy Group	(3.244)	7.169
Inmize Capital, S.L	(232)	(226)
Inmize Sistemas, S.L	2.340	2.368
Indra Beijing Information Technology Systems Ltd. (China)	1.808	1.607
Indra Company (Brzsil)	(25.530)	(11.628)
Indra Software Labs, S.L.U	23.595	25.263
Indra Sistemas México, S.A. de C.V	10.482	17.807
Indra Sistemas Comunicaciones Seguras, S.L.U	1.805	2.872
Indra Maroc S.A.R.L.D`Associé Unique (Morocco)	85	(36)
Indra Polska Sp.z.o.o	286	(919)
Indra Australia Pty Limited	1.049	4.248
Indra BPO México S.A. de C.V	6.244	7.238
Indra Colombia LTDA	4.472	3.297
Azertia Tecnologías de la Información Argentina, S.A	330	(4.201)
Indra USA Inc.	(19.892)	(17.714)
Prointec S.A.U	7.260	(23.850)
Indra Czech Republic s.r.o.	6.617	1.336
Indra Slovakia, a.s.	(382)	175
Soluziona Guatemala, S.A.	260	260
Indra Limited (Kenya)	1.969	1.465
Indra Software Labs México S.A. de C.V	(7.789)	(5.869)
Soluciones y Servicios Indra Company Uruguay, S.A.	(41)	11
Indra Sisteme S.R.L. (Moldova)	111	(166)
Indra Panamá, S.A.	(1.822)	612
Indra Philippines INC	5.764	4.294
Electrica Soluziona S.A. (Romania)	1.164	1.217
Computación Ceicom, S.A.	4.418	4.886
Indra Company Perú SAC	417	1.269
Indra Perú, S.A	(4.394)	2.707
AC-B air Traffic Control & Business Systems GmbH (Germany)	1.447	1.419
Indra Radar Technology	-	(221)
Indra Sistemas India Private Limited	(1.543)	(5.949)
Avitech GmbH (Germany)	(1.541)	1.040
Indra Technology Solutions Malasya Sdn Bhd	(1.154)	(817)
Indra Bahrain Consultancy SPC	(12.075)	1.817
PT Indra Indonesia	(4.218)	(2.971)
Indra Italia Spa (Visiant Galyleo Spa)	7.863	6.215
Indra Brasil Soluçoes e Serviços Tecnologicos S/A	(105.460)	52.314
Indra Navia A.S (Norway)	19.613	15.587
Indra Turquia	(1.943)	(1.910)
Indra Kazakhstan Engineering Llp	(942)	(241)
Politec Argentina, S.A	(299)	(287)
Teknatrans Consultores, S.L	(199)	(556)
Indra Technology South Africa PTY LTD	(1.322)	(918)
IFOS, S.A. (Argentina)	(390)	(381)
Indra Tecnología Brasil LTDA	(4.833)	(1.031)
Europraxis ALG Consulting Maroc, S.A	(49)	(357)
Indra Arabia Company LTD (Saudi Arabia)	15.008	13.155
Indra Slovensko s.r.o.	(1)	-
Indra Puerto Rico Inc.	138	-
Total	**(89.761)**	**87.827**

c) Translation differences

	Thousands of euros	
	2016	2015
BPO Group (formerly BMB Group)	(13)	(10)
Consultancy Group	(2.691)	(1.264)
Brazil Company Group	-	911
Prointec Group	(2.299)	(1.548)
Indra valuation adjustments	(8.484)	(3.697)
Indra SI, S.A	(3.969)	(3.438)
Indra Sistemas Chile, S.A	60	(2.006)
Indra Beijing Information Technology Systems Ltd. (China)	405	488
Indra Tianjin	-	124
Indra Maroc S.A.R.L.D`Associé Unique (Morocco)	18	9
Indra Polska Sp.z.o.o	(29)	(21)
Indra Australia Pty Limited	365	240
IESSA	-	(3)
Indra BPO México S.A. de C.V	(4.327)	(1.808)
Indra Colombia LTDA	(2.844)	(4.296)
Sz Venezuela	-	(12.493)
Azertia Tecnologías de la Información Argentina, S.A	747	710
Azertia GC Argentina	4.772	4.772
Indra USA Inc.	1.046	964
Soluziona C&S Holding (Chile)	-	(61)
Indra Czech Republic s.r.o.	114	113
Indra Slovakia, a.s.	127	127
Soluziona Guatemala, S.A.	(71)	(82)
Indra Limited (Kenya)	(240)	(369)
Indra Software Labs México S.A. de C.V	334	303
Soluciones y Servicios Indra Company Uruguay, S.A.	(71)	(104)
Indra Panamá, S.A.	700	647
Indra Philippines INC	1.100	1.325
Electrica Soluziona S.A. (Romania)	(616)	(604)
Computación Ceicom, S.A.	(5.831)	(5.367)
Indra Company Perú SAC	(4)	(14)
Indra Sisteme S.R.L. (Moldova)	(69)	(79)
Indra Sistemas México, S.A. de C.V	(2.474)	(1.392)
Indra System	(79)	(79)
Indra Perú, S.A	1.482	62
Indra Sistemas India Private Limited	510	497
Indra Technology Solutions Malasya Sdn Bhd	20	26
Indra Bahrain Consultancy SPC	(952)	315
PT Indra Indonesia	(156)	(52)
Indra Brasil Soluçoes e Serviços Tecnologicos S/A	(11.673)	(7.264)
Indra Navia A.S (Norway)	(8.215)	(11.088)
Indra Turquia	(117)	(46)
Indra Kazakhstan Engineering Llp	(45)	59
Politec Argentina, S.A	(100)	(98)
Indra Technology South Africa PTY LTD	329	206
IFOS, S.A. (Argentina)	1	6
Indra Tecnología Brasil LTDA	684	364
Sz Hungría	-	(189)
Indra Tecnology Solutions-Arabia	39	2
Indra L.L.C (Oman)	(40)	-
Europraxis ALG Consulting Maroc, S.A	(4)	(3)
Indra Arabia Company LTD (Saudi Arabia)	3.705	2.981
Indra Puerto Rico Inc.	10	-
Total	**(38.845)**	**(42.224)**

d) Reserves of companies accounted for using the equity method

The detail of the reserves of companies accounted for using the equity method at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Eurofighter Simulation System	2.558	3.627
Euromids	438	384
Saes Capital	641	932
A4 Essor SAS	9	211
IRB Riesgo Operacional	304	425
I3 TV	(276)	(402)
Societat Catalana per a la Mobilitat, S.A.	2	-
Indra Isolux México SA de CV	(6)	3
Visión Inteligente Aplicada S.A de C.V	(57)	(17)
EFI Túneles Necaxa SA de CV	63	39
Iniciativas Bioenergéticas, S.L	(3.051)	(2.927)
Total	**625**	**2.275**

e) Voluntary and merger reserves

These reserves are unrestricted as to their use, except in respect of the amount of the asset revaluation provided for in Law 9/1983, of 13 July, which at 31 December 2016 amounted to EUR 9,281 thousand (31 December 2015: EUR 9,464 thousand), of the research and development expenditure balances of the Parent not yet amortised amounting to EUR 117,228 thousand at 31 December 2016 (31 December 2015: EUR 122,684 thousand) and for any prior years' losses that might exist.

f) Profit (Loss) for the year attributable to the Parent

The profit or loss for 2016 and 2015 of the consolidated companies is detailed in Appendix I hereto.

Non-controlling interests

The changes in non-controlling interests in the fully consolidated companies in 2016 and 2015 were as follows:

	Thousands of euros						
	Balace at 31.12.15	Profit (Loss) for 2016 attributable to non-con-trolliing interests	Translation differences	Dividends	Change in % of ownership	Other changes	Balance at 31.12.16
Inmize Capital	525	1	-	-	-	-	526
Inmize Sistemas	3.867	14	-	-	-	-	3.881
Elektrica Soluziona	926	154	(6)	(159)	-	-	915
Indra Filipinas	8.217	1.441	(193)	(343)	-	-	9.122
Indra Radar Technology (Tianjin) Co. Ltd	(69)	-	1	-	-	68	-
Indra Kazakhstan	(249)	(1.164)	(99)	-	-	-	(1.512)
Indra Malasya	(6)	23	8	-	-	-	25
Normeka	1.098	116	17	(365)	-	-	866
Prointec Panama	(31)	-	(3)	-	-	-	(34)
Indra Technology South Africa	(671)	(137)	26	-	37	-	(745)
Total	**13.607**	**448**	**(249)**	**(867)**	**37**	**68**	**13.044**

	Thousands of euros						
	Balace at 31.12.14	Profit (Loss) for 2015 attributable to non-controlliing interests	Translation differences	Dividends	Change in % of ownership	Other changes	Balance at 31.12.15
Inmize Capital	526	(1)	-	-	-	-	525
Inmize Sistemas	3.865	2	-	-	-	-	3.867
ALG Venezuela	32	(10)	(22)	-	-	-	-
Elektrica Soluziona	1.047	161	(12)	(270)	-	-	926
Indra Filipinas	6.400	1.462	417	-	(17)	(45)	8.217
Indra Radar Technology (Tianjin) Co. Ltd.	(49)	(18)	(2)	-	-	-	(69)
Indra Kazakhstan	338	(674)	87	-	-	-	(249)
Indra Malasya	75	(92)	11	-	-	-	(6)
Normeka	1.042	110	(54)	-	-	-	1.098
Search	(87)	(1.288)	(22)	-	1.397	-	-
Prointec Panama	(28)	-	(3)	-	-	-	(31)
Indra Technology South Africa	(486)	(315)	130	-	-	-	(671)
Total	**12.675**	**(663)**	**530**	**(270)**	**1.380**	**(45)**	**13.607**

The detail of "Non-Controlling Interests" at 31 December 2016 and 2015 is as follows:

	Thousands of euros							
	31.12.16				31.12.15			
	Share capital - Non-controlling interests	Reserves - Non-controlling interests	Profit (Loss) - Non-controlling interests	Total	Share capital - Non-controlling interests	Reserves - Non-controlling interests	Profit (Loss) - Non-controlling interests	Total
Inmize Capital	32	493	1	526	32	494	(1)	525
Inmize Sistemas	750	3.117	14	3.881	750	3.115	2	3.867
ALG Venezuela	-	-	-	-	-	10	(10)	-
Elektrica Soluziona	15	746	154	915	15	750	161	926
Indra Filipinas	264	7.417	1.441	9.122	264	6.491	1.462	8.217
Indra Radar Technology	579	(579)	-	-	579	(630)	(18)	(69)
Indra Kazakhstan	600	(948)	(1.164)	(1.512)	600	(175)	(674)	(249)
Indra Malasya	282	(280)	23	25	282	(196)	(92)	(6)
Normeka	-	750	116	866	-	988	110	1.098
Search	-	-	-	-	1.201	87	(1.288)	-
Prointec Panama	-	(34)	-	(34)	-	(31)	-	(31)
Indra Technology South Africa	-	(608)	(137)	(745)	-	(356)	(315)	(671)
Total	**2.522**	**10.074**	**448**	**13.044**	**3.723**	**10.547**	**(663)**	**13.607**

Appendix V hereto presents information on the assets, liabilities and consolidated profit or loss for 2016 and 2015 of the most significant non-controlling interests.

The main transactions with non-controlling interests in 2016 were as follows:

- On 24 February 2016, the Parent acquired an additional 38% stake in Indra Technology South Africa PTY (LTD) for EUR 0 thousand. As a result of this acquisition, the Parent held all the shares of that company.
- On 24 June 2016, the Parent sold 30% of the shares of Indra Technology South Africa PTY (LTD) for EUR 0 thousand. As a result of this sale, the Parent now holds 70% of the shares of that company.

The main transactions with non-controlling interests in 2015 were as follows:

- On 14 October 2015, the Parent acquired an additional 0.1% of the share capital of Indra Philippines, Inc. for EUR 63 thousand (PHP 3,306 thousand).

18. EARNINGS (LOSS) PER SHARE

At 31 December 2016 and 2015, the calculation of the weighted average number of ordinary and dilutive shares is as follows:

	Weighted average number of ordinary shares at 31/12/16	Ordinary shares at 31/12/16	Weighted average number of ordinary shares at 31/12/15	Ordinary shares at 31/12/15
Total shares issued	164.132.539	164.132.539	164.132.539	164.132.539
Treasury shares	(346.306)	(333.508)	(257.550)	(347.011)
Total shares available	**163.786.233**	**163.799.031**	**163.874.989**	**163.785.528**

	Weighted average number of ordinary shares at 31/12/16	Weighted average number of ordinary shares at 31/12/15
Total shares issued	164.132.539	164.132.539
Treasury shares and financial instruments related to shares	19.601.875	17.237.201
Total diluted shares	**183.734.414**	**181.369.740**

The dilutive factors for the calculation of the 19,601,875 shares detailed in the foregoing table include the effect of the convertible bonds issued in 2013 and 2016 (see Note 19).

The calculation of basic earnings per share (rounded off to four digits) for 2016 and 2015 is as follows:

	2016	2015
Profit (Loss) attributable to the Parent, in thousands of euros	69.931	(641.189)
Weighted average number of ordinary shares available	163.786.233	163.874.989
Basic earnings/(loss) per ordinary share, in euros	**0,4270**	**(3,9127)**

The calculation of diluted earnings per share (rounded off to four digits) for 2016 and 2015 is as follows:

	2016	2015
Profit (Loss) attributable to the Parent, in thousands of euros (*)	75.885	(635.606)
Weighted average number of ordinary shares available	183.734.414	181.369.740
Diluted earnings/(loss) per ordinary share, in euros	**0,4130**	**(3,5045)**

(*) Profit or loss for the period excluding the costs incurred in relation to the convertible bond, net of the related tax effect.

The calculation of earnings per ordinary share (rounded off to four digits) for 2016 and 2015 is as follows:

	2016	2015
Profit (Loss) attributable to the Parent, in thousands of euros	69.931	(641.189)
Shares issued	164.132.539	164.132.539
Earnings/(Loss) per ordinary share, in euros	**0,4261**	**(3,9065)**

19. NON-CURRENT FINANCIAL LIABILITIES RELATING TO ISSUES OF DEBT INSTRUMENTS AND OTHER MARKETABLE SECURITIES AND BANK BORROWINGS

a) Financial liabilities relating to issues of debt instruments and other marketable securities

This line item in the consolidated statement of financial position includes the following:

2013 convertible bond issue:

EUR 146,656 thousand (2015: EUR 237,543 thousand) relate to the financial liability resulting from the issue in October 2013 by the Parent of bonds convertible into and/or exchangeable for shares listed on the Freiverkehr, the unregulated market that forms part of the Frankfurt Stock Exchange.

On 17 October 2016, the Parent announced the redemption of a portion of the convertible or exchangeable bonds pertaining to the issue carried out on 17 October 2013 for EUR 95,000 thousand, as a result of which the outstanding balance of these bonds was EUR 155,000 thousand at 2016 year-end.

The amount paid for each bond redeemed was 105% of the nominal value thereof, which represents total consideration of approximately EUR 100,000 thousand for the redemption as a whole. The shares underlying the bonds redeemed would have represented approximately 4% of the Parent's issued share capital.

The terms and conditions of the bonds are as follows:

- The nominal value of the bonds issued in October 2013, which mature in five years (17 October 2018), was EUR 250,000 thousand. Following the redemption in October 2016 for EUR 95,000 thousand, in the context of the 2016 convertible bond issue (see next section), the nominal value of the outstanding bonds is EUR 155,000 thousand.
- The issue costs incurred on the date of the initial transaction (17 October 2013) totalled EUR 4,702 thousand.
- The bonds bear interest at a fixed annual nominal rate of 1.75%, payable half-yearly in arrears, i.e. on 17 April and 17 October of each year, with the first payment on 17 April 2014. EUR 4,329 thousand were paid in this connection in 2016 (2015: EUR 4,375 thousand).
- The effective interest rate on the bond is 3.70% (nominal interest rate: 3.29%). The difference between the effective interest for accounting purposes and the cash accrued to the investors was due to the deferral of the initial issue costs and to the accounting treatment of the option to convert instruments of this nature into shares.
- The conversion price of the bonds was that initially set, i.e. EUR 14.290 per share.
- The shares underlying the bonds initially represented approximately 10.7% of the Parent's share capital prior to the issue of the bonds. At the end of 2016 the shares underlying the outstanding bonds represented 6.6% of the Parent's share capital.
- The bondholders can exercise their conversion right from 17 October 2013, the date of completion of the transaction, until 9 October 2018, the seventh business day prior to the maturity date of the bonds.
- The Parent can redeem in cash all (but not a portion) of the bond issue for an amount equal to the principal plus the accrued interest payable at the date of the redemption in the following two circumstances, provided that the Parent notifies the bondholders between 30 and 90 days in advance:
  1. At any time from 7 November 2016 if the par value of the bonds exceeds EUR 130,000 per bond for a specified period of time.
  2. At any time if 90% of the amount of the issue has been converted, redeemed or retired by the Parent.
- The bondholder can require early redemption of the bonds in two circumstances:
  1. If control of the Parent changes, for the principal amount of the issue plus the accrued interest receivable by the bondholders.
  2. If there is a takeover bid for the Parent, for the higher of the following two amounts: (i) the nominal value of the bond; or (ii) the equivalent value of the bond reflecting the price received for the Parent's shares.
- The conversion price may be reduced if the Parent pays an annual dividend in excess of EUR 0.34 per share or if any of the following circumstances, inter alia, arises:
  1. The distribution of reserves or other amounts equal to dividends in excess of EUR 0.34 per share.
  2. A share split.
  3. A capital increase with pre-emption rights.
  4. An issue of new shares as a bonus issue.

5. An asset spin-off or the payment of dividends in kind.

6. Generally speaking, the payment of any remuneration to shareholders that might affect the equivalent value of the convertible bonds.

- The issue has a personal guarantee in the form of the Parent's assets and is not guaranteed by third parties.

- The fair value of the bond at the end of 2016 based on its market price on the Frankfurt Stock Exchange was EUR 154,783 thousand (2015: EUR 228,853 thousand).

- The interest (including issue costs) that the bonds are expected to generate in the period up to maturity is as follows:

Year	Thousands of euros
2017	7.166
2018	6.151
	13.317

2016 convertible bond issue:

EUR 242,578 thousand relate to the financial liability resulting from the issue on 7 October 2016 by the Parent of bonds convertible into and/or exchangeable for shares listed on the Freiverkehr, the unregulated market that forms part of the Frankfurt Stock Exchange.

The agreement governing this issue includes a clause giving the bondholder the option to request early redemption of the bond in full in cash. Accordingly, if the bondholder exercises this option, the Parent cannot avoid a cash outflow. In conclusion, management of the Parent considered the entire instrument to be a financial liability for accounting purposes.

The terms and conditions of the bonds are as follows:

- The nominal value of the bonds issued, which mature in seven years (7 October 2023), was EUR 250,000 thousand.

- The issue costs amounted to EUR 7,751 thousand (EUR 3,000 thousand in fees and EUR 4,751 thousand for redemption fees with respect to the 2013 convertible bond).

- The bonds bear interest at a fixed annual nominal rate of 1.25%, payable half-yearly in arrears, i.e. on 7 April and 7 October of each year, with the first payment on 7 April 2017.

- The effective interest rate on the bond is 1.729%. The difference between the effective interest for accounting purposes and the cash accrued to the investors was due to the deferral of the initial issue costs. It should be noted that in the case of the 2016 convertible bond the recognition of the investors' option to convert the bonds into shares did not have any impact on the effective interest rate because the bondholders' redemption right in year 5 may only be paid by the Parent in cash.

- The conversion price of the bonds was that initially set, i.e. EUR 14.629 per share.

- The shares underlying the bonds initially represented approximately 10.4% of the Parent's share capital prior to the issue of the bonds.

- The bondholders can exercise their conversion right from 7 October 2016, the date of completion of the transaction, until 28 September 2023, the seventh business day prior to the maturity date of the bonds.

- The Parent can redeem in cash all (but not a portion) of the bond issue for an amount equal to the principal plus the accrued interest payable at the date of the redemption in the following two circumstances:

  1. At any time from four years and twenty one days after 7 October 2016 if the par value of the bonds exceeds their nominal value of EUR 130,000 each for a specified period of time.

  2. At any time if 15% or less of the nominal value of the bonds initially issued remains outstanding.

- The bondholders may demand that the Parent redeem the bonds on 7 October 2021 (year 5) for the nominal value of the bods plus the accrued interest receivable at that date.

- The issue has a personal guarantee in the form the Parent's assets and is not guaranteed by third parties.

- The fair value of the bond at the end of 2016 based on its market price on the Frankfurt Stock Exchange was EUR 237,330 thousand.

- The interest (including issue costs) that the bonds are expected to generate in the period up to maturity is as follows:

Year	Thousands of euros
2017	4.181
2018	4.199
2019	4.217
2020	4.236
2021	4.256
2022	4.275
2023	3.412
	28.776

2016 non-convertible bond issue:

EUR 25,016 thousand relate to the financial liability resulting from the issue in December 2016 by the Parent of non-convertible bonds listed on the Freiverkehr, the unregulated market that forms part of the Frankfurt Stock Exchange.

Under the agreement governing this issue, the Parent cannot avoid a cash outflow. In conclusion, management of the Parent considered the entire instrument to be a financial liability for accounting purposes.

The terms and conditions of the bonds are as follows:

- The nominal value of the bonds issued, which mature on 23 December 2026, was EUR 25,000 thousand.
- The bonds bear interest at a fixed annual nominal rate of 3.5%.
- The effective interest rate on the bond is 3.496%.
- The issue has a personal guarantee in the form the Parent's assets and is not guaranteed by third parties.
- The fair value of the bond at the end of 2016 based on its market price on the Frankfurt Stock Exchange was EUR 25,118 thousand.
- The interest that the bonds are expected to generate in the period up to maturity is as follows:

Year	Thousands of euros
2017	874
2018	875
2019	874
2020	875
2021	874
2022	875
2023	874
2024	875
2025	874
2026	864
	8.734

b) Non-current bank borrowings

The detail, by maturity at 31 December 2016, of the other non-current financial debt is as follows:

	Thousands of euros			
Year	Obligations under finance lease	Bank borrowings	R&D loans	Total
2018	1.046	158.589	19.364	178.999
2019	-	137.164	18.791	155.955
2020	-	119.985	17.109	137.094
Subsequent years	-	199.294	50.400	249.694
Total at 31.12.16	**1.046**	**615.032**	**105.664**	**721.742**

The unmatured accrued interest in 2016 amounted to EUR 1,576 thousand (2015: EUR 3,149 thousand).

The interest that the bank borrowings are expected to generate is as follows:

Year	Thousands of euros
2017	16.561
2018	7.999
2019	5.584
2020	4.022
2021	3.147
2022	558
2023	452
2024	326
2025	185
2026	9
	38.843

The detail, by maturity at 31 December 2015, of the other non-current financial debt is as follows:

	Thousands of euros			
Year	Obligations under finance lease	Bank borrowings	R&D loans	Total
2017	2.605	61.656	17.637	81.898
2018	-	89.381	18.345	107.726
2019	-	137.242	17.784	155.026
Siguientes	-	318.932	60.790	379.722
Total at 31.12.15	**2.605**	**607.211**	**114.556**	**724.372**

In December 2016 the Parent arranged a nine-year loan of up to EUR 80 million from the European Investment Bank (EIB) to finance R&D projects. Drawdowns are expected to be made against the loan in 2017. The loan agreement includes a covenant relating to the ratio of shareholders' equity to total capital that has been achieved since the loan was arranged.

The most significant loans arranged by the Group in 2015, amounting to EUR 158,000 thousand, comprised floating interest rate non-current borrowing denominated in euros, originally arranged with maturities of between four and five years and maturing between 2019 and 2021. There are no financial covenants in connection with this financing.

20. OTHER NON-CURRENT FINANCIAL LIABILITIES

The detail of "Other Non-Current Financial Liabilities" is as follows:

	Thousands of euros	
	2016	2015
Guarantees and deposits received	117	597
Non-current asset suppliers	5.025	4.746
Other non-current payables	90.876	27.040
Total	**96.018**	**32.383**

"Other Non-Current Financial Liabilities" also includes the interest rate swaps that the Parent uses to manage its exposure to fluctuations in interest rates, mainly with respect to its long-term bank loans bearing interest at floating rates. The fair value of the swaps of EUR 22 thousand (2015: EUR 668 thousand) is based on the market values of equivalent derivative financial instruments at the reporting date (see Note 36-a).

"Non-Current Asset Suppliers" at 31 December 2016 includes mainly the estimated amounts payable in connection with the acquisition of G-Nubila Technology. The related interest cost recognised under "Finance Costs" in the consolidated statement of profit or loss in 2016 amounted to EUR 149 thousand (2015: EUR 143 thousand).

Also, the amount payable in connection with the acquisition of the subsidiary G-Nubila Technology was EUR 3,179 thousand (2015: EUR 3,029 thousand).

"Other Non-Current Payables" includes EUR 9,292 thousand (2015: EUR 10,593 thousand) in relation to the differences between the hedged value and the settlement value of the Parent's hedged items at the date of authorisation for issue of these consolidated financial statements. This line item also includes EUR 69,296 thousand in relation to financing received from the Spanish Ministry of Industry, Energy and Tourism for the development of various Defence programmes involving UTEs (see Note 11-c).

21. GOVERNMENT GRANTS

The detail of "Government Grants" and of the changes therein in 2016 and 2015 is as follows:

	Balance at 31.12.15	Additions	Transfers	Transferred to profit or loss	Balance at 31.12.16
Grants	5.994	11.251	1.891	(16.393)	2.743

	Balance at 31.12.14	Additions	Transfers	Transferred to profit or loss	Balance at 31.12.15
Grants	12.958	7.505	14.387	(28.856)	5.994

The grants were awarded by various public agencies as aid for the development projects (see Note 8) and training programmes.

22. PROVISIONS FOR CONTINGENCIES AND CHARGES

The detail of "Provisions for Contingencies and Charges" and of the changes therein in 2016 and 2015 is as follows:

Thousands of euros

	Balance at 31.12.15	Translation differences	Charge for the year	Reversals	Payments	Transfers	Balance at 31.12.16
Provisions for taxes	9.551	1.217	37	(588)	(49)	(2.924)	7.244
Other provisions	93.820	4.470	11.333	(3.378)	(6.680)	(7.587)	91.978
Total	**103.371**	**5.687**	**11.370**	**(3.966)**	**(6.729)**	**(10.511)**	**99.222**

Thousands of euros

	Balance at 31.12.14	Changes in Scope	Transla-tion diffe-rences	Charge for the year	Reversals	Pay-ments	Transfers	Balan-ce at 31.12.15
Provisions for taxes	4.551	(410)	(84)	434	(994)	-	6.054	9.551
Other provisions	35.843	-	(8.595)	58.088	(2.459)	(5.356)	16.299	93.820
Total	**40.394**	**(410)**	**(8.679)**	**58.522**	**(3.453)**	**(5.356)**	**22.353**	**103.371**

Following is a detail of the provisions together with their corresponding temporary difference and expected settlement date:

Thousands of euros

Provisions for taxes	Balance at 31.12.15		Balance at 31.12.16							
	Balance	Temporary difference	Translation differences	Charge for the year	Reversals	Transfers	Payments	Balance	Temporary difference	Expected settiement date
Appeals filed	9.551	150	1.217	37	(588)	(2.924)	(49)	7.244	136	2018-2019
Total provisions for taxes	**9.551**	**150**	**1.217**	**37**	**(588)**	**(2.924)**	**(49)**	**7.244**	**136**	

Thousands of euros

Provisions for taxes	Balance at 31.12.14		Balance at 31.12.15							
	Balance	Temporary difference	Changes in Scope	Translation differencesr	Charge for the year	Reversals	Transfers	Balance	Temporary difference	Expected settiement date
Appeals filed	4.551	34	(410)	(84)	434	(994)	6.054	9.551	150	2016-2018
Total provisions for taxes	**4.551**	**34**	**(410)**	**(84)**	**434**	**(994)**	**6.054**	**9.551**	**150**	

Thousands of euros

Other provisions	Balance at 31.12.15							Balance at 31.12.16		
	Balance	Temporary difference	Translation differences	Charge for the year	Reversal	Payments	Transfers	Balance	Temporary difference	Expected settlement date
Commercial litigation	912	912	-	-	(8)	-	(904)	-	-	-
HR claims	56.269	40.860	2.579	10.302	(2.880)	(5.463)	8.622	69.429	43.861	2018-2020
Remuneration	5.030	4.560	23	965	(482)	(564)	(4.560)	412	-	2018-2020
Contingencies	8.432	1.185	1.868	66	(8)	(653)	(5.368)	4.337	1.183	2018-2020
Project warranties	23.177	23.177	-	-	-	-	(5.377)	17.800	17.800	2018-2020
Total other provisions	**93.820**	**70.694**	**4.470**	**11.333**	**(3.378)**	**(6.680)**	**(7.587)**	**91.978**	**62.844**	

Thousands of euros

Other provisions	Balance at 31.12.14							Balance at 31.12.15		
	Balance	Temporary difference	Translation differences	Charge for the year	Reversal	Payments	Transfers	Balance	Temporary difference	Expected settlement date
Commercial litigation	909	909	-	650	(647)	-	-	912		2016
HR claims	26.725	-	(8.508)	52.722	(107)	(5.027)	(9.536)	56.269	40.860	2016-2018
Remuneration	972	4.560	3	1.893	(288)	(329)	2.779	5.030	4.560	2018
Contingencies	7.237	1.185	(90)	2.823	(1.417)	-	(121)	8.432	1.185	2016-2019
Project warranties	-	-	-	-	-	-	23.177	23.177	23.177	2016-2019
Total other provisions	**35.843**	**6.654**	**(8.595)**	**58.088**	**(2.459)**	**(5.356)**	**16.299**	**93.820**	**70.694**	

"HR Claims" relates mainly to the provision of EUR 40,094 thousand (2015: EUR 40,860 thousand) recognised by the Parent in 2015 as a result of the initiation of a collective redundancy procedure, which was announced to the employees in August 2015 and is expected to be completed in December 2018. This item also includes the various claims made by former suppliers of the Brazilian subsidiaries amounting to EUR 18,996 thousand (2015: EUR 15,472 thousand) -who were effectively self-employed-, who on completion of their contracts for the provision of services made claims (or may potentially makes claims) against the corresponding company, challenging their status as self-employed suppliers and claiming remuneration as if they had had an employment relationship.

In 2016 the Parent transferred EUR 4,560 thousand from the provisions for remuneration to equity instruments. This item relates to the annual variable remuneration and medium-term remuneration payable in 2018, wholly in shares of the Parent, the number of which is established on the accrual date based on the average market price of the shares for the preceding 30 trading days.

"Contingencies" in 2016 includes various legal proceedings that are not expected to be concluded before 2017. The main contingencies included therein at the end of 2016 are as follows:

- Administrative and civil litigation contingencies amounting to EUR 2.9 thousand (2015: EUR 6.6 thousand).
- Contingencies arising from potential risks at the subsidiary Indra Chile for which provisions of EUR 1.1 thousand (2015: EUR 1.7 thousand) were recognised.

At 31 December 2016, the Group had litigation in progress in which it is the defendant for which the related contingent liabilities amount to EUR 170,568 thousand (31 December 2015: EUR 143,787 thousand). The most significant proceedings are as follows:

Judicial review proceeding between the Comptroller General of the State of Ecuador, the Council of the Federal Judiciary and the Parent.

Litigation relating to the contract for the implementation of a court information system for the Council of the Federal Judiciary of Ecuador, valued at EUR 22,547 thousand (1), which was awarded to Indra Sistemas, S.A.

Although the contract was correctly performed and definitively received by the customer and the system is operational, in August 2013 the Comptroller General of Ecuador, by means of an administrative act, found Indra Sistemas, S.A., together with the managers of the contract at the Council of the Federal Judiciary, to be jointly and severally liable in the civil jurisdiction due to a fault-based failure to achieve the aim of the contract, and claimed the full reimbursement of the amount paid.

The Parent has filed an appeal for judicial review requesting that this decision be rendered null and void. The proceeding is currently at the evidentiary phase.

Subsequently, in March 2016 the Council of the Federal Judiciary filed a claim against the Parent for damage and losses of EUR 5,922 thousand (2).

Both proceedings are currently at the evidentiary phase.

Enforcement proceedings brought by the Spanish National Markets and Competition Commission (CNMC) against the Parent and the subsidiary Indra Software Labs, S.L.

In April 2016 the CNMC initiated an enforcement proceeding for collusive practices against eleven Spanish IT services companies including the Parent and the subsidiary Indra Software Labs, S.L.

The proceeding is currently at the examination phase, which may last until the end of 2017. The economic sum involved in this proceeding has not yet been quantified.

Administrative proceeding brought by Caixa Econômica Federal (CEF) against the subsidiary Indra Brasil Soluçoes e Servicos Tecnológicos, S.A.

On 4 November 2016, CEF initiated an administrative proceeding to establish liability, holding Indra Brasil Soluçoes liable and claiming the reimbursement of EUR 27 million for damage and losses suffered by CEF as a result of mass fraud committed in May 2015 with the bank's credit cards. The subsidiary Indra Brasil Soluçoes e Servicos Tecnológicos, S.A. supplied the system used by CEF for credit card-based bank transactions and filed pleadings in the proceeding, the final decision on which may be appealed in court.

Disqualification of the subsidiary Indra Brasil Soluçoes e Servicos Tecnológicos, S.A. from tendering for contracts granted by Banco Nacional de Desenvolvimento Economico e Social (BNDES)

On 9 November 2016, a decision was handed down on the administrative proceeding brought by BNDES whereby the subsidiary Indra Brasil Soluçoes e Servicos Tecnológicos, S.A. was disqualified from tendering for BNDES contracts for two years and was order to pay a fine of EUR 1 million for breaching the contract for the implementation of a business management system entered into in 2009. This situation is confined to BNDES and, accordingly, the Parent considers that it will not affect Indra Brasil Soluçoes e Servicos Tecnológicos, S.A. in its dealings with other customers.

The provisions for project warranties include the estimated cost of the repair or inspection work to be performed on the related contracts. Most of these provisions relate to projects performed in the Asia, Middle East and Africa geographical area.

23. CURRENT FINANCIAL LIABILITIES RELATING TO ISSUES OF DEBT INSTRUMENTS AND OTHER MARKETABLE SECURITIES AND BANK BORROWINGS

The detail of the related headings in the consolidated statements of financial position as at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	**2015**
Debentures and bonds (Note 19)	973	729
Loans	36.868	61.580
Interest payable	1.576	3.150
Obligations under finance lease (Note 6)	1.682	1.889
Total	**41.099**	**67.348**
Payables for state assisted research and development programmes	19.616	12.029
Total	**60.715**	**79.377**

"Debentures and Bonds" includes EUR 452 thousand (2015: EUR 729 thousand) maturing at short term in relation to the convertible bonds issued by the Parent in 2013, which bear interest at a fixed annual nominal rate of 1.75% payable half-yearly in arrears, i.e. on 17 April and 17 October of each year. This line item also includes EUR 521 thousand maturing at short term in relation to the non-convertible bonds issued by the Parent in December 2016, which bear interest at a fixed annual nominal rate of 1.25% payable half-yearly in arrears, i.e. on 7 April and 7 October of each year, with the first payment on 7 April 2017.

"Loans" includes the amount of the short-term credit lines drawn down and of the long-term bank borrowings maturing at short term. The change of EUR 24,712 thousand in 2016 relates mainly to the decrease in the amount drawn down against the credit lines in relation to working capital financing transactions.

"Payables for State Assisted Research and Development Programmes", amounting to EUR 19,616 thousand (2015: EUR 12,029 thousand), relates in full to the portion maturing at short term of the loans received from public agencies for research programmes.

The amounts drawable and drawn down against credit lines are as follows:

	Thousands of euros	
	2016	**2015**
Amount drawable	284.750	332.141
Amount drawn down	18.118	61.580
Total credit lines	**302.868**	**393.721**

24. TRADE AND OTHER PAYABLES

The detail of "Trade and Other Payables" at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	**2015**
Payables for purchases and services	541.655	559.826
Customer advances	631.870	613.355
Total	**1.173.525**	**1.173.181**

Final Provision Two of Law 31/2014, amending the Spanish Limited Liability Companies Law to improve corporate governance and amending Additional Provision Three of Law 15/2010, on combating late payment in commercial transactions, establishes that all companies must expressly publish information on their average periods of payment to suppliers in the notes to their financial statements. It also enables the Spanish Accounting and Audit Institute (ICAC) to determine the rules and methodology to be used for the related calculation.

This resolution is mandatorily applicable to all Spanish commercial entities that prepare consolidated financial statements, although only for companies located in Spain that are fully or proportionally consolidated.

Accordingly, the ICAC Resolution of 29 January 2016 established the method for calculating the average period of payment to suppliers for 2015 and subsequent years.

The average period of payment to suppliers is calculated by applying the following formula in accordance with the ICAC Resolution of 29 January 2016:

$$\textbf{The average period of payment to suppliers} = \frac{\text{Ratio of transactions settled} \times \text{amount of payments made} + \text{Ratio of transactions not yet settled} \times \text{total amount of outstanding payments}}{\text{Total amount of payments made} + \text{Total amount of outstanding payments}}$$

The information relating to the Spanish companies for 2016 and 2015 is as follows:

	2016 days	**2015 days**
Average period of payment to suppliers	55	46
Ratio of transactions settled	56	47
Ratio of transactions not yet settled	52	41
	Thousands of euros	**Thousands of euros**
Total payments made	**693.106**	**700.861**
Total payments outstanding	**168.775**	**140.174**

25. OTHER LIABILITIES

The detail of "Other Liabilities" at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Accounts payable to public authorities (Note 35)	118.844	124.363
Remuneration payable	84.146	68.390
Cash flow hedges	40.861	30.936
Guarantees and deposits received	54	65
Operating provisions and allowances	104.759	148.405
Accrued expenses and deferred income	5.595	2.734
Non-current asset suppliers	563	3.937
Other payables	657	5.292
Total	**355.479**	**384.122**

In relation to "Non-Current Asset Suppliers", EUR 2,764 thousand were paid in connection with the acquisition of the remaining 22.5% of Indra Italia, Spa.

The detail of the provisions is as follows:

	Thousands of euros						
	Balance at 31.12.15	Translation differences	Charge for the year	Reversals	Payments	Transfers	Balance at 31.12.16
Provisions for warranties and onerous contracts	91.441	5.741	33.713	(37.843)	(1.005)	5.377	97.424
Provisions for other staff costs	3.623	7	9.266	(930)	(4.579)	(2.323)	5.064
Provisions for social security costs	1.979	-	-	(1.950)	-	-	29
Provisions for restructuring costs	51.300	-	-	-	(49.824)	766	2.242
Share option plan	62	-	-	-	(62)	-	0
Total	**148.405**	**5.748**	**42.979**	**(40.723)**	**(55.470)**	**3.820**	**104.759**

	Thousands of euros						
	Balance at 31.12.14	Translation differences	Charge for the year	Reversals	Payments	Transfers	Balance at 31.12.15
Provisions for warranties and onerous contracts	32.586	(6.515)	119.259	(31.741)	(365)	(21.783)	91.441
Provisions for other staff costs	5.603	(13)	5.046	-	(2.453)	(4.560)	3.623
Provisions for social security costs	1.979	-	-	-	-	-	1.979
Provisions for restructuring costs	-	-	114.458	-	(63.158)	-	51.300
Share option plan	(85)	-	333	-	(186)	-	62
Total	**40.083**	**(6.528)**	**239.096**	**(31.741)**	**(66.162)**	**(26.343)**	**148.405**

In 2016 the Parent transferred EUR 2,323 thousand from "Provisions for Other Staff Costs" to "Equity Instruments", since the payment will be made in shares (see Note 22).

The provisions for warranties and onerous contracts include the estimated cost of the repair or inspection work to be performed under the related contracts. EUR 49,112 thousand (2015: EUR 48,266 thousand) of this amount relates to the Parent.

26. SEGMENT REPORTING

The following tables present information on the Group's business segments based on the financial statements of the various Group companies composing them: General management reviews and takes decisions on the basis of this information.

The Group, based on the type of services involved, has been presenting the historical financial information on the basis of the Solutions and Services operating segments. For the year ended 31 December 2016 the Group will present the financial information by business segment rather than by operating segment, since it considers that it more appropriately reflects the Group's business performance (see Note 4-u). The following tables show information on the segments in 2016 and 2015 based on the new breakdown:

Segment information at 31 December 2016	T&D	%	IT	%	Corporate (non distributable)	Eliminations	Total	%
			2016 (Thousands of euros)					
Total sales	1.224.154		1.495.477		-	(10.325)	2.709.306	100%
Inter - segment sales	74		10.251		-	(10.325)	-	-
External sales	**1.224.080**		**1.485.226**		**-**	**-**	**2.709.306**	**100%**
Contribution margin	233.269	**19,1%**	144.930	**9,8%**	-	-	**378.199**	**14,0%**
Other income and expenses	(73.660)		(143.000)		-	-	(216.660)	(8,0%)
EBIT	**159.609**	**13,0%**	**1.930**	**0,1%**	**-**	**-**	**161.539**	**6,0%**
Other gains or losses	997		(793)		(39.536)	-	(39.333)	(1,5%)
Profit (Loss) of associates	1.798		(122)		-	-	1.676	0,1%
Income tax	(59.340)		(371)		6.208	-	(53.503)	(2,0%)
Segment profit (loss)	**103.064**	**8,4%**	**644**	**0,0%**	**(33.328)**	**-**	**70.379**	**(2,6%)**
Other information								
Investments	13.011		25.276		-	-	38.287	
Accumulated depreciation and amortisation	28.845		38.991		-	-	67.836	
Balance sheet								
Assets								
Segment assets	1.339.885		1.308.329		673.901	-	3.322.115	
Non-current assets of associates	9.620		289		-	-	9.909	
Total consolidated assets							**3.332.024**	
Liabilities								
Segment liabilities	1.038.954		731.445		1.196.707	-	2.967.106	
Total consolidated liabilities							**2.967.106**	

Information by geographical area at 31 December 2016	Spain	Americas	Europe	Asia, Middle East and Africa	Total
			2016 (Thousands of euros)		
External sales	1.163.930	653.267	524.438	367.671	2.709.306
Investments	32.055	4.172	686	1.374	38.287
Assets used	2.284.162	539.185	249.345	259.332	3.332.024

			2016 (Thousands of euros)					
Segment information at 31 December 2015	**T&D**	**%**	**TI**	**%**	**Corporate (non distributable)**	**Eliminations**	**Total**	**%**
Total sales	1.229.224		1.636.108		-	(14.928)	2.850.404	100%
Inter - segment sales	49		14.879		-	(14.928)	-	-
External sales	**1.229.175**		**1.621.229**		**-**	**-**	**2.850.404**	**100%**
Contribution margin	**182.111**	**14,8%**	**80.750**	**5,0%**	**-**	**-**	**262.861**	**9,2%**
Other income and expenses	(264.920)		(639.403)		-	-	(904.323)	-31,7%
EBIT	**(82.809)**	**(6,7%)**	**(558.653)**	**(34,5%)**	**-**	**-**	**(641.462)**	**(22,5%)**
Other gains or losses	(4.862)		92		(59.293)	-	(64.063)	(2,2%)
Profit (Loss) of associates	(183)		(194)		-	-	(377)	(0,0%)
Income tax	7.697		48.955		7.399	-	64.051	2,2%
Segment profit (loss)	**(80.157)**	**(6,5%)**	**(509.800)**	**(31,4%)**	**(51.895)**	**-**	**(641.852)**	**(22,5%)**
Other information								
Investments	24.304		24.689		-	-	48.993	
Accumulated depreciation and amortisation	40.978		44.502		-	-	85.480	
Balance sheet								
Assets								
Segment assets	1.262.336		1.451.466		341.554	-	3.055.356	
Non-current assets of associates	8.572		371		-	-	8.943	
Total consolidated assets							**3.064.299**	
Liabilities								
Segment liabilities	943.318		785.650		1.041.292	-	2.770.260	
Total consolidated liabilities							**2.770.260**	

			2015 (Thousands of euros)		
Information by geographical area at 31 December 2015	**Spain**	**Americas**	**Europe**	**Asia, Middle East and Africa**	**Total**
External sales	1.222.834	771.470	493.186	362.914	2.850.404
Investments	40.492	4.842	1.216	2.443	48.993
Assets used	2.042.799	511.447	233.643	276.410	3.064.299

No one customer accounts for more than 10% of revenue.

27. OTHER INCOME

"Other Income" in the consolidated statement of profit of loss for 2016 includes mainly the income from grants amounting to EUR 24,367 thousand (2015: EUR 42,120 thousand).

28.MATERIALS USED AND OTHER SUPPLIES

The detail of expenses incurred by the Group in relation to materials used and other supplies in the years ended 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	**2015**
Subcontracting and materials used	671.553	843.308
Change in inventories	(4.016)	(2.693)
Total	**667.537**	**840.615**

29. STAFF COSTS

The detail of "Staff Costs" in the years ended 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	**2015**
Wages, salaries and similar expenses	1.021.375	1.104.252
Termination benefits	23.438	156.232
Social security and other employee benefit costs	297.383	371.807
Total	**1.342.196**	**1.632.291**

In August 2015 the Parent's management announced to its employees the commencement of a collective redundancy procedure, which was completed in December 2016 (payment in 2018). The most significant terms and conditions of this procedure were as follows:

- Possible number of employees affected: 1,750 (with the possibility of relocation to other Group subsidiaries of 350 employees). 1,589 professionals were ultimately affected by the procedure.
- Termination benefit of 40 days per year worked with a maximum limit of 24 months' salary.
- A length of service bonus of EUR 10,000 for employees with 20 or more years of service and of EUR 5,000 for all employees with between 15 and 20 years of service.
- Pre-retirement:
  - » Employees aged 63 and over: the termination benefit established by law;
  - » Employees aged between 59 and 62: until the age of 63, all employees with a gross salary of less than EUR 40,000 may take voluntary retirement with 90% of their net salary, and those with a gross salary of more than EUR 40,000 may retire with 80% of their net salary;
  - » Employees aged 57 and 58: until the age of 62, all employees with a gross salary of less than EUR 40,000 may retire voluntarily with 85% of their net salary, and those with a gross salary of more than EUR 40,000 may retire with 80% of their net salary; They will also receive a bonus of EUR 5,000;
  - » In the latter two cases the social security contribution bases will be increased by 1% per annum;
- Employees aged 55 and 56: the company will pay the amount under the Special Social Security Regime, up to the earliest permitted retirement age (from 61).
- Criteria for excluding affected employees:
  - » Disabled employees or employees with disabled descendants in their care;
  - » No more than one member of all those family units may be made redundant;
  - » Employees with children suffering from a very serious illness as defined by law;
  - » Employees who are the victims of gender violence.

As a result of this plan the Parent recognised long- and short-term provisions in 2016 amounting to EUR 40,094 thousand and EUR 2,242 thousand, respectively (2015: EUR 40,860 thousand and EUR 51,300 thousand, respectively (see Notes 22 and 25) relating to the amount of the collective redundancy procedure yet to be incurred, and paid EUR 49,824 thousand in 2016 (2015: EUR 63,158 thousand). At the end of 2016 the procedure had been implemented in full.

The amounts recognised in the consolidated statement of profit or loss for 2015 in connection with this plan were EUR 109,318 thousand relating to termination benefits and EUR 46,000 thousand relating to social security costs (employee benefit costs).

In addition, in December 2015 management of the subsidiary Central de Apoyos y Medios Auxiliares, S.A. (merged with Indra BPO Servicios, S.L.U. in 2016) announced to its employees the commencement of a collective redundancy procedure that was completed in February 2016. The most significant terms and conditions of this procedure were as follows:

- Number of employees affected: 131.
- Termination benefit of 35 days per year worked with a maximum limit of 24 months' salary.
- A voluntary redundancy bonus of EUR 2,000.
- A bonus of EUR 750 to EUR 1,500, depending on length of service.

As a result of this procedure the subsidiary recognised provisions for termination benefits in 2016 of EUR 975 thousand (2015: EUR 2,757 thousand).

The average number of employees of the Group and the average number of directors of the Parent in 2016 and 2015, by category, were as follows:

Number of persons

	2016			2015		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Board members	11	2	13	11	2	13
Senior executives	11	2	13	12	3	15
Managers	393	68	461	429	69	498
Graduates and highly skilled staff	19.211	8.817	28.028	21.590	9.816	31.406
Clerical staff	1.342	2.160	3.502	1.382	2.310	3.692
Manual workers	1.430	2.200	3.630	1.341	1.668	3.009
Other	9	4	13	30	8	38
Total	**22.407**	**13.253**	**35.660**	**24.795**	**13.876**	**38.671**

The average number of employees of the Spanish Group companies with a disability equal to or greater than 33%, by professional category, in 2016 and 2015 was as follows:

Number of persons

	2016			2015		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Managers	1	1	2	2	1	3
Graduates and highly skilled staff	107	36	143	117	39	156
Clerical staff	25	33	58	25	31	56
Manual workers	5	1	6	4	-	4
Other	1	-	1	1	-	1
Total	**139**	**71**	**210**	**149**	**71**	**220**

The detail, by gender and category, of the headcount at the end of 2016 and 2015 is as follows:

Number of persons

	2016			2015		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Board members	11	2	13	11	2	13
Senior executives	11	2	13	11	2	13
Managers	372	66	438	396	62	458
Graduates and highly skilled staff	18.630	8.483	27.113	20.163	9.188	29.351
Clerical staff	1.331	2.133	3.464	1.383	2.292	3.675
Manual workers	1.196	2.060	3.256	1.330	2.199	3.529
Other	8	2	10	26	8	34
Total	**21.559**	**12.748**	**34.307**	**23.320**	**13.753**	**37.073**

In addition, the Parent is complying with the Spanish General Law on the Rights and Social Integration of Disabled Persons through alternative measures such as purchasing from special employment centres and donations to promote the integration of disabled persons in the workplace.

30. OTHER OPERATING EXPENSES

The detail of "Other Operating Expenses" at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Rent and royalties	124.876	135.460
Repair and upkeep expenses	23.879	24.358
Professional services	141.491	151.443
Transport and freight	10.672	8.485
Insurance	5.351	6.804
Banking services	8.501	9.309
Donations, trade fair expenses, advertising and entertainment	10.799	16.845
Utilities	11.300	11.840
Travel and other expenses	152.366	173.105
Taxes other than income tax	32.643	40.111
Other operating expenses	(3.275)	221.269
Total	**518.604**	**799.029**

The decrease in "Other Operating Expenses" is due mainly to the net change in write-downs on receivables amounting to EUR 11,603 thousand (2015: EUR 127,413 thousand) (see Note 15) and the net change in operating provisions and allowances amounting to EUR -14,925 thousand (2015: EUR 87,518 thousand) (see Note 25).

31. IMPAIRMENT AND OTHER GAINS OR LOSSES ON NON-CURRENT ASSETS

The detail of "Impairment and Other Gains or Losses on Non-Current Assets" at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Derecognition/Impairment of goodwill (Note 7)	(894)	(104.732)
Impairment and other gains or losses on intangible assets (Note 8)	(195)	(7.495)
Impairment and other gains or losses on property, plant and equipment (Note 6)	(509)	(5.473)
Impairment and other gains or losses on non-current assets classified as held-for-sale (Note 12)	(654)	-
Gains or losses on other financial assets (Note 11.c)	745	(3.090)
Total	**(1.507)**	**(120.790)**

In 2016 "Impairment and Other Gains or Losses on Intangible Assets" includes a loss of EUR 195 thousand relating to computer software of the subsidiary Indra USA Inc. In 2015, the same heading included impairment losses of EUR 7,396 thousand on intangible assets recognised in 2011 as a result of the acquisition of Politec Tecnología da Informaçao, S.A. (now Indra Brasil Soluçoes e Serviços Tecnológicos, S.A.).

In 2016 "Impairment and Other Gains or Losses on Property, Plant and Equipment" included net losses of EUR 509 thousand in this connection at various Group subsidiaries. In 2015 impairment losses of EUR 4,313 thousand were recognised under this heading on the property reclassified to "Property, Plant and Equipment" as a result of the agreement to acquire Politec Tecnología da Informaçao, S.A. (now Indra Brasil Soluçoes e Serviços Tecnológicos, S.A.) (see Notes 6 and 11-c). Disposals relating to the renewal of equipment amounting to EUR 1,160 thousand mainly by the subsidiary Indra Brasil, S.A. were also included.

In 2016 "Impairment and Other Gains or Losses on Non-Current Assets Classified as Held for Sale" includes impairment losses of EUR 770 thousand relating to a valuation adjustment made to the building relating to a collection right arising from the acquisition of Politec Tecnología da Informaçao, S.A. (now Indra Brasil Soluçoes e Serviços Tecnológicos, S.A.) (see Note 12).
In 2016 "Other Non-Current Financial Assets" includes the gain of EUR 745 thousand for the Group relating to the liquidation of the investee Indra USA IT Services, Inc

32.OTHER NET FINANCIAL LOSSES

The detail of "Other Net Financial Losses" at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Gains on financial assets	-	4.576
Impairment and other losses on financial assets (Note 11 c)	(259)	(10.053)
Total	**(259)**	**(5.477)**

In 2016 EUR 259 thousand under "Impairment and Other Losses on Financial Assets" relates to impairment losses on current receivables. In 2015 the same heading included EUR 3,502 thousand relating to the reduction in the estimated value as a result of the nine-year marketing agreement associated with the sale of Gibb Portugal Consultores de Engenharia, Gestão e Ambiente, S.A (see Note 11-c). In 2015 the loss of EUR 2,676 thousand resulting from the sale of the subsidiary Soluziona SP CA was also recognised (see Note 1).

33.FOREIGN CURRENCY TRANSACTIONS

The main transactions conducted in currencies other than the euro in 2016 and 2015 were as follows

	Thousands of euros	
	2016	2015
Sales	1.084.054	1.202.186
Purchases	749.736	547.223

34.GUARANTEES

At 31 December 2016, the Group had provided guarantees to third parties, issued by various banks and insurance companies, amounting to EUR 1,003,427 thousand. The purpose of most of these guarantees is to secure the performance of the contracts in progress or such costs as might arise in the related warranty periods and, to a lesser extent, for bids tendered. Based on their amount, the guarantees are provided mainly in Spain, Latin America, the Middle East and the rest of Europe. The amount recognised in this connection at 31 December 2015 was EUR 1,008,741 thousand.

The Group does not consider that a material liability will arise as a result of these guarantees.

Guarantees were received from third parties in 2016 amounting to EUR 9,777 thousand (2015: EUR 6,413 thousand) to secure compliance with the obligations in carrying out projects. These guarantees take the form of bank guarantees at different maturities that may be executed by Indra in the event of non-compliance with the obligations secured by third parties.

35.TAX MATTERS

The Parent files consolidated tax returns as the head of tax group no. 26/01, consisting of the Parent and the investees Indra Sistemas de Seguridad, Inmize Capital, Indra Business Consulting, Indra Software Labs, Indra BPO, Indra Emac, Indra Sistemas de Comunicaciones Seguras, Advanced Logistics Group, Indra BPO Servicios, Indra Advanced Technology Indra, BPO Hipotecario, Indra Corporate Services and Prointec. In 2016 Central de Apoyos y Medios Auxiliares (Caymasa) (merged with the subsidiary Indra BPO Servicios) was excluded from the tax group.

At 31 December 2016, in accordance with IAS 12, the Group presented net, by jurisdiction, deferred tax assets and deferred tax liabilities amounting to EUR 52,375 thousand (31 December 2015: EUR 59,010 thousand).

Deferred tax assets

The changes in deferred tax assets were as follows:

	Thousands of euros						
	Balance at 31.12.15	Rate change	Translation differences	Generated	Reversed	Other changes	Balance at 31.12.16
Deferred tax assets	259.027	(344)	(1.935)	44.280	(68.065)	(2.175)	230.788

	Thousands of euros						
	Balance at 31.12.14	Rate change	Translation differences	Generated	Reversed	Other changes	Balance at 31.12.15
Deferred tax assets	205.195	(20.067)	(8.930)	151.049	(72.719)	4.499	259.027

The recoverability of the deferred tax assets depends on the Group obtaining sufficient taxable profits in the future. The Parent's directors consider that the projected future profits of the various Indra Group companies will be amply sufficient to enable these assets to be recovered.

The detail of "Deferred Tax Assets" in the consolidated statements of financial position as at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Provisions recognised and used	41.774	47.558
Amortisation of goodwill	2.283	2.131
Excessive non-current asset depreciation and amortisation	7.992	4.823
Tax loss and tax credit carryforwards	130.896	136.962
Other	47.843	67.553
Deferred tax assets	**230.788**	**259.027**

The deferred tax assets of the Spanish companies which are expected to be recovered in more than one year total EUR 163,020 thousand (31 December 2015: EUR 131,044 thousand).

Current tax assets

The detail of the current income tax assets at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	**2015**
Prior years' income tax refundable	8.055	3.353
Current income tax refundable	30.857	24.988
Total	**38.912**	**28.341**

Deferred tax liabilities

The Parent has not recognised any deferred tax liabilities associated with undistributed profits of subsidiaries where the position of control it exercises over those companies enables it to control the timing of the reversal of the temporary differences and it is considered probable that they will not reverse in the foreseeable future.

The changes in deferred tax liabilities in 2016 and 2015 were as follows:

	Thousands of euros					
	Balance at 31.12.15	**Rate change**	**Translation differences**	**Reversed**	**Other changes**	**Balance at 31.12.16**
Deferred tax liabilities	62.340	109	(5.384)	(6.009)	13.720	64.776

	Miles de euros						
	Saldo al 31.12.15	**Cambio de tipos**	**Diferencias de conversión**	**Generados**	**Reversiones**	**Otras variaciones**	**Saldo al 31.12.16**
Activos por Impuesto diferido	259.027	(344)	(1.935)	44.280	(68.065)	(2.175)	230.788

	Miles de euros						
	Balance at 31.12.14	**Rate change**	**Translation differences**	**Generated**	**Reversed**	**Other changes**	**Balance at 31.12.15**
Deferred tax liabilities	90.976	97	(3.510)	2.352	(30.488)	2.913	62.340

The detail of "Deferred Tax Liabilities" in the consolidated statements of financial position as at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	**2015**
Finance leases	682	567
Non-exempt gains	2.344	2.382
Impairment losses on investments	21.288	30.745
Amortisation of goodwill	21.923	24.445
Other	18.539	4.201
Deferred tax liabilities	**64.776**	**62.340**

It is not considered likely that a significant amount of the deferred tax liabilities will reverse within one year.

Current tax liabilities

The detail of "Current Income Tax Liabilities" at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	**2015**
Prior years' income tax	771	406
Current income tax	5.543	3.866
Income tax abroad	11.650	7.406
TOTAL	**17.964**	**11.678**

Income tax expense

Due to the different treatment permitted under tax legislation for certain transactions, the accounting profit (loss) differs from the taxable profit (tax loss). The detail of the reconciliation of the accounting profit (loss) to the taxable profit (tax loss) of the Group companies and the calculation of the income tax expense (benefit) at 31 December 2016 and 2015 is as follows:

	Thousands of euros	
	2016	**2015**
A.- Accounting profit (loss) for the year (before tax)	**123.882**	**(705.903)**
Adjustments for:		
- Non-deductible investment impairment losses / reversals		-
- Other positive differences	128.551	285.521
- Other negative differences	(95.574)	(61.851)
Total adjustments to accounting profit (loss)	**32.977**	**223.670**
B.- Adjusted accounting profit (loss)	**156.859**	**(482.233)**
Temporary differences:		
- Positive differences in the year	178.823	262.067
- Positive differences in prior years	21.799	80.230
- Negative differences in the year	(7.180)	(10.277)
- Negative differences in prior years	(223.789)	(80.081)
Total temporary differences	**(30.347)**	**251.939**
C.- Taxable profit (tax loss)	**126.512**	**(230.294)**
D.- Tax loss carryforwards	-	-
E.- Adjusted taxable profit (tax loss)	**126.512**	**(230.294)**
Tax payable	**32.731**	**(51.128)**
Tax credits		
- International double taxation	(2.416)	(3.513)
- R+D+i and other investments	(5.271)	(9.911)
F.- Tax loss carryforwards	**(3.144)**	**76.136**
G.- Foreign autonomous community tax	**714**	**1.032**
H.- Total tax payable	**22.614**	**12.616**
Tax pre-payments and withholdings	25.720	29.519
Total payable / (receivable)	**(3.106)**	**(16.903)**
I.- Deferred tax assets for the year	(46.350)	(73.696)
J.- Recovery of deferred tax assets	57.965	(22.048)
K.- Deferred tax liabilities for the year	2.055	24.513
L.- Recovery of deferred tax liabilities	(5.521)	(1.174)
Accrued income tax (H+I+J+K+L)	**30.763**	**(59.789)**
Income tax abroad	**14.366**	**9.778**
Prior years' income tax	**5.642**	**(145)**
Income tax due to tax rate differences	**(412)**	**12.494**
Tax credits recognised	**3.144**	**(26.389)**
M.- Income tax for the year	**53.503**	**(64.051)**
Profit (Loss) for the year after tax (A-M)	**70.379**	**(641.852)**

The detail of the reconciliation of the standard tax rate to the effective tax rate borne by the Group is as follows:

	2016	
	Thousands of euros	%
Consolidated profit (before tax)	**123.882**	
Tax calculated at the tax rate applied in Spain	30.971	25,00%
Effect of permanent differences	8.244	6,65%
Effect of tax credits	(7.687)	(6,21)%
Effect of other adjustments of prior years' income tax	5.642	4,55%
Effect of tax loss carryforwards	(3.144)	(2,54)%
Effect of tax credits recognised	3.144	2,54%
Income tax abroad	15.080	12,17%
Effect of different tax rates	1.254	1,01%
Total	**53.503**	**43,19%**

	2015	
	Thousands of euros	%
Consolidated loss (before tax)	**(705.903)**	
Tax calculated at the tax rate applied in Spain	(197.653)	28,00%
Effect of permanent differences	62.628	(8,87)%
Effect of tax credits	(3.759)	0,53%
Effect of other adjustments of prior years' income tax	(145)	0,02%
Effect of tax loss carryforwards	76.136	(10,79)%
Effect of tax credits recognised	(26.389)	3,74%
Income tax abroad	10.810	(1,53)%
Effect of different tax rates	14.321	(2,03)%
Total	**(64.051)**	**9,07%**

The detail of the unrecognised tax credits for investment, training and export activities at 31 December 2016 and 2015 is as follows:

thousands of euros			
Investment and other tax credits			
Year	2016	Year	2015
2012 and prior years	4.886	2011 and prior years	3.661
2013	101	2012	311
2014	44	2013	101
2015	7	2014	44
2016	4	2015	7
Total 2016	**5.042**	**Total 2015**	**4.124**

At 31 December 2016 and 2015, the Group did not have any material reinvestment commitments.

The detail of the unrecognised tax credits for investment, training and export activities at 31 December 2016 and 2015 is as follows:

Year	thousands of euros
2026	-
and subsequent years	5.042
Total	**5.042**

The detail of the tax losses that were not recognised because the Group does not expect to recover them within ten years at 31 December 2016 and 2015 is as follows:

Thousands of euros			
Tax loss carryforwards			
Year	2016	Year	2015
2012 and prior years	157.149	2011 and prior years	100.855
2013	38.163	2012	28.565
2014	67.407	2013	31.090
2015	219.960	2014	59.507
2016	135.451	2015	174.717
Total 2016	**618.130**	**Total 2015**	**394.734**

The last years for deduction of the unrecognised tax losses in 2016 are as follows:

Year	Thousands of euros
2017	8.828
2018	6.458
2019	1.028
2020	5.206
2021	7.176
2022	2.758
2023	3.886
2024	308
no limit	582.482

The amendment to the Spanish Income Tax Law by Royal Decree-Law (RDL) 3/2016, of 2 December, among other features, limited the offset of tax losses to 25% of the tax base. The Group has analysed the recoverability of the deferred tax assets, with an impact of EUR 3,800 thousand on income tax.

Royal Decree-Law 3/2016, of 2 December, amended Transitional Provision Sixteen of Spanish Income Tax Law 27/2014, of 27 November, which provides for the transitional regime applicable to the reversal for tax purposes of temporary differences relating to impairment losses arising in tax periods commencing prior to 1 January 2013. Under the new legislation, effective for tax periods beginning on or after 1 January 2016, such temporary differences reversed must be included, at the very least, in equal parts, in the tax base for each of the first five tax periods beginning on or after that date. Therefore, for accounting purposes deferred tax liabilities amounting to EUR 5,383 thousand were reversed and an income tax expense of EUR 783 thousand was recognised in order to reflect the additional EUR 6,166 thousand of tax payable corresponding to one-fifth of the tax losses affected by the aforementioned Provision.

Also, for the same periods, the amortisation of financial and explicit goodwill is limited to a maximum annual amount of one-twentieth (one-hundredth in 2015) and the amortisation of intangible assets with an indefinite useful life is limited to one-tenth of the related amount (one-fiftieth in 2015).

In 2015, as a result of the approval of Spanish Income Tax Law 27/2014, of 27 November, which came into force on 1 January 2015 and is applicable, in general, to the tax periods beginning on or after that date for the Spanish Group companies, the income tax rate was reduced gradually. The standard rate was 28% in 2015 and was reduced to 25% in 2016. Accordingly, the Spanish Group companies adapted the deferred taxes to the change in rates, taking into account the period in which they will reverse.

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns have been reviewed by the tax authorities or until the corresponding statute-of-limitations period under the legislation in force in each of the countries in which the Group operates has expired. The Parent has all taxes for 2011 and subsequent years open for review.

On 21 December 2015, the Parent received notice of the commencement of a tax audit in relation to the following taxes and years:

	Period
Income tax	2011 to 2014
VAT	2012 to 2014
Personal income tax withholdings Non-resident income tax	2012 to 2014
Annual declaration of transactions	2011 to 2014

On 29 March 2016, notice was received of the commencement of a tax audit of the subsidiaries Indra Software Labs, S.L.U. and Indra BPO Servicios S.L.U., in relation to the same taxes and years as the Parent.

At the date of preparation of the consolidated financial statements this process was still under way and, accordingly, the Parent does not have any estimates in this respect, although it considers that the tax returns for the taxes applicable to it have been filed correctly. Nevertheless, discrepancies could arise with respect to the Parent's interpretation of current tax legislation, although the Parent considers that they would not be material in relation to the consolidated financial statements taken as a whole.

For the years open to review, the Group companies consider that the returns for the taxes applicable to them have been filed correctly. However, in the event of a tax audit, discrepancies could arise with respect to the companies' interpretation of current tax legislation, although it is considered that they would not be material in relation to the consolidated financial statements taken as a whole.

Accounts receivable from and payable to public authorities

The detail of the accounts receivable from public authorities is as follows:

	Thousands of euros	
	2016	2015
Accounts recivable from public authorities		
VAT refundable	39.958	32.712
Other taxes	7.718	8.505
Subtotal	**47.676**	**41.217**
Grants receivable	185	42
Accrued social security taxes refundable	3.605	2.778
Total (note 14)	**51.466**	**44.037**

The detail of the accounts payable to public authorities is as follows:

	Thousands of euros	
	2016	2015
Accounts payable to public authorities		
VAT	61.634	65.098
Personal income tax witholdings	26.225	26.124
Other taxes	5.425	5.712
Subtotal	**93.284**	**96.934**
Grants repayabler	2	2
Accrued social security taxes payable	25.558	27.427
Total (note 25)	**118.844**	**124.363**

36.FINANCIAL RISK MANAGEMENT POLICY AND HEDGE ACCOUNTING

Financial risk factors

The Group's activities are exposed to various financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The risk management model aims to minimise the potential adverse effects on the Group's financial profitability.

Financial risk management is controlled by the Group's Financial Department and Control Department. The internal rules provide written policies on global risk management, as well as for specific matters such as foreign currency risk, interest rate risk and liquidity risk.

For appropriate management of the aforementioned risks, the Group maintains, in all material respects, an effective system of internal control over financial reporting.

a)Market risk

(i) Foreign currency risk

The Group operates on an international stage and, therefore, is exposed to foreign currency risk on the transactions performed by it in foreign currencies. Foreign currency risk arises when the future commercial transactions and recognised assets and liabilities are denominated in a currency other than the functional currency of each company.

In order to mitigate the impact of foreign currency exchange differences on the projects performed by the Group in currencies other than that of the country where the operation originated, hedges were arranged with banks (mainly forward currency purchase and sale contracts). Indra analyses the foreign currency risk when each project is signed and arranges appropriate hedges (mainly currency forwards) so that future profits are not affected significantly by fluctuations in the exchange rates with respect to the functional currencies of the respective subsidiaries.

In other words, the Group's foreign currency risk management policy, in general terms, is to hedge 100% of the net exposure due to transactions in currencies other than the functional currency of each of the companies. Hedging instruments are not used in transactions of immaterial amounts, where there is no active hedging market, in the case of certain unconvertible currencies and where there are other mechanisms for customers or suppliers to offset currency fluctuations.

Also, the gains generated at subsidiaries whose income and expenses are denominated in a functional currency other than the euro may be subject to upward or downward changes when consolidated in the Group's consolidated financial statements denominated in euros. The Group's significant geographical diversification helps to partly mitigate this risk. However, given that it is the geographical region with the greatest proportion of the Group's non-euro activity, changes in the currencies mainly of countries in Latin America could have a significant impact on the Group's profits.

Appendix III details the Group's exposure to foreign currency risk at 31 December 2016 and 2015. This Appendix shows the carrying amounts in thousands of euros of the Group's financial instruments or classes of financial instruments denominated in foreign currencies.

To compare the gross exposure hedged using hedging instruments, based on the Group's policies, the amounts of the subsidiaries in their own currencies are eliminated.

The sensitivity analysis of changes in the exchange rates of +/-5% for the main functional currencies (other than the euro) to which the Group is exposed at its foreign subsidiaries is as follows:

Change recognised in equity 2016	
+5%	Thousands of euros
Saudi riyal	932
Mexican peso	821
Brazilian real	1.881

Change recognised in profit or loss 2016	
+5%	Thousands of euros
Saudi riyal	179
Mexican peso	(272)
Brazilian real	(1.268)

Change recognised in equity 2015	
+5%	Thousands of euros
Saudi riyal	810
Mexican peso	1.278
Brazilian real	(2.096)

Change recognised in profit or loss 2015	
+5%	Thousands of euros
Saudi riyal	93
Mexican peso	(673)
Brazilian real	(11.840)

(ii) Interest rate risks

Interest rate risk arises due to exposure to movements in the interest rate curves relating to long-, medium- and short-term bank borrowings. Indra considers the possibility of arranging financial instruments to manage these risks when this is advisable due on the basis of the prevailing circumstances. At 31 December 2016, Indra had arranged interest rate hedges for long-term bank borrowings in the form of floating to fixed interest rate swaps. In 2013 and 2016 the Parent issued fixed-interest bonds that eliminated this risk with respect to a large proportion of its long-term borrowings (see Note 19).

The following table shows the sensitivity of the Group's consolidated profit to changes in interest rates (in millions of euros):

	2016		2015	
	Change in interest rate		Change in interest rate	
	+0,5%	-0,5%	+0,5%	-0,5%
Effect on profit (loss) before tax	(1,25)	1,25	(1,62)	1,62

(b) Credit risk

Indra is exposed to credit risk if its customers do not meet their obligations. Indra has a customer base with very high credit ratings. Due to the structure of its business, Indra has commercial dealings mainly with large business groups, governments and public or public/private entities that are less exposed to the risk of non-payment. However, mainly in international sales, the Group uses mechanisms such as irrevocable letters of credit and insurance policies to ensure collection.

The Group recognises allowances for trade receivables for which there is objective evidence of impairment. In line with established procedure, the following types of debt are excluded: institutional debt, retentions, debt in which the third party is the customer and supplier and a sufficient amount is involved to permit offsetting, debt where there is a debt acknowledgement document and payment undertaking from the customer, debt due to billing of customer advances and where there is evidence of a negotiation process which is expected to result in an imminent resolution agreement.

The tables below show the ageing of the financial assets, from the date of the payment obligation to 31 December 2016 and 2015, which have not been written down.

2016 (Thousands of euros)	Within 3 months	3 to 6 months	6 months to 1 year	More than 1 year	Total
Trade and other receivables	206.275	69.673	65.945	102.203	444.096
Total assets	**206.275**	**69.673**	**65.945**	**102.203**	**444.096**

2015 (Thousands of euros)	Within 3 months	3 to 6 months	6 months to 1 year	More than 1 year	Total
Trade and other receivables	271.335	37.693	17.115	66.563	392.706
Total assets	**271.335**	**37.693**	**17.115**	**66.563**	**392.706**

The detail of the accounts receivable for billable production at 31 December 2016 and 2015 is as follows:

2016 (Thousands of euros)	Within 3 months	3 to 6 months	6 months to 1 year	More than 1 year	Total
Accounts receivable for billable production	209.481	62.780	155.779	161.014	589.054
Total assets	**209.481**	**62.780**	**155.779**	**161.014**	**589.054**

2015 (Thousands of euros)	Within 3 months	3 to 6 months	6 months to 1 year	More than 1 year	Total
Accounts receivable for billable production	322.246	73.111	172.499	150.369	718.225
Total assets	**322.246**	**73.111**	**172.499**	**150.369**	**718.225**

(c) Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The objectives of liquidity risk management are to ensure a level of liquidity by minimising opportunity cost and maintaining a borrowings structure based on maturities and financing sources. In the short-term, liquidity risk is mitigated by maintaining a sufficient level of unconditionally available resources, including cash and short-term deposits, drawable credit lines and a portfolio of highly liquid assets.

The Indra Group's liquidity policy consists of the arrangement of long-term committed credit facilities with banks and short-term investments for an amount sufficient to cater for the projected liquidity needs for a given period based on the situations and expectations of the debt and capital markets. The aforementioned needs include settling net bank borrowings on maturity. Further details of the characteristics and terms and conditions of the bank borrowings and financial derivatives are provided in Notes 19 and 23. The Group makes cash projections to ensure that it has sufficient cash to meet its operating needs, and maintains sufficient drawable levels for its undrawn loans.

The detail of the Indra Group's liquidity at 31 December 2016 and 2015 is as follows:

2016 (Thousands of euros)	Within 1 month	1 to 3 months	2 months to 1 year	1 to 5 years	More than 5 years	Total
Financial liabilities - bank borrowings	2.238	20.811	35.011	698.628	22.068	778.756
Financial liabilities - debentures and bonds	-	973	-	146.657	267.593	415.223
Financial liabilities - obligations under finance leases	137	416	1.129	1.046	-	2.728
Trade and other payables	143.621	160.491	432.700	-	-	736.812
Other financial liabilites	-	-	-	94.073	2.562	96.635
Total	**145.996**	**182.691**	**468.840**	**940.404**	**292.223**	**2.030.154**
Derivative financial instruments	221	66	40.574	-	-	40.861
Total	**146.217**	**182.757**	**509.414**	**940.404**	**292.223**	**2.071.015**

	2015 (Thousands of euros)					
	Within 1 month	1 to 3 months	2 months to 1 year	1 to 5 years	More than 5 years	Total
Financial liabilities - bank borrowings	12.338	8.833	55.587	467.685	254.083	798.526
Financial liabilities - debentures and bonds	-	-	729	237.543	-	238.272
Financial liabilities - obligations under finance laeases	158	586	1.145	2.605	-	4.494
Trade and other payables	222.793	373.554	216.337	6.901	-	819.585
Other financial liabilites	-	9.431	-	8.451	3.065	20.947
Total	**235.289**	**392.404**	**273.798**	**723.185**	**257.148**	**1.881.824**
Derivative financial instruments	128	892	29.916	11.436	-	42.372
Total	**235.417**	**393.296**	**303.714**	**734.621**	**257.148**	**1.924.196**

37.OBLIGATIONS AND OTHER CONTINGENT LIABILITIES

Obligations in foreign currencies

To hedge its positions in foreign currencies (see Note 4-t) at 31 December 2016, the Group arranges forward foreign currency purchase and sale contracts.

At 31 December 2016, the notional amount arranged in the corresponding currencies was as follows:

	Amount in foreign currency			
	Short-term		Long-term	
Currency	Purchase	Sale	Purchase	Sale
US dollar	28.889.783,75	247.113.179,04	2.286.702,00	60.081.822,22
Pound sterling	6.723.604,60	10.875.371,85	4.058.700,00	453.915,00
Swiss franc	200.000,00	-	-	-
Chilean peso	-	3.202.896.404,00	-	152.664.073,00
Mexican peso	247.030,00	269.476.993,05	-	5.280.648,41
Saudi riyal	-	283.255.392,00	-	145.013.145,00
Australian dollar	426.000,00	4.783.385,72	-	173.000,00
Canandian dollar	233.563,46	41.664,80	-	1.119.613,98
Norwegian krona	15.132.033,20	-	191.820,00	-
Brazilian real	2.849.150,00	2.838.399,90	-	-
Colombian peso	558.759.679,00	6.548.185.319,00	-	-
Moroccan dirham	-	9.278.675,00	-	-
Kuwaiti dinar	-	509,00	-	-
Polish zloty	-	875.856,05	-	-
Peruvian sol	350.258,63	4.730.104,72	-	-
Czech koruna	-	-	-	-
Chinese yuan	2.002.217,00	-	-	-
Indian rupee	-	20.923.359,00	-	-
Malaysian ringgit	-	58.985.420,00	-	16.385.795,00
Philippine peso	5.522.700,79	46.452.894,00	-	-
Turkish lira	-	6.150.112,36	-	-
South African rand	-	12.820.259,00	-	1.442.533,00
Romanian leu	4.000.000,00	333.337,00	-	-
Swedish krona	1.740.000,00	-	1.775.750,00	-

At 31 December 2015, the notional amount arranged in the corresponding currencies was as follows:

	Amount in foreign currency			
	Short-term		Long-term	
Type of currency	Purchase	Sale	Purchase	Sale
US dollar	30.597.934,36	203.871.306,04	2.980.242,94	91.333.997,58
Pound sterling	5.340.589,87	11.853.429,97	581.764,00	4.102.904,68
Swiss franc	222.012,63	75.700,00	-	-
Chilean peso	41.183.798,00	3.710.885.003,00	-	10.444.466,00
Mexican peso	-	327.063.563,64	-	1.320.095,00
Saudi riyal	-	393.796.002,00	-	152.879.835,00
Australian dollar	1.847.651,00	5.851.204,80	-	534.376,20
Canandian dollar	237.426,59	3.239,57	325.000,00	-
Norwegian krona	202.619,70	-	-	-
Brazilian real	1.644.073,00	4.624.712,05	-	452.083,00
Colombian peso	1.122.492.871,00	14.313.016.656,00	-	-
Moroccan dirham	-	12.906.075,00	-	-
Kuwaiti dinar	-	104.573,00	-	-
Polish zloty	220.129,73	758.280,85	-	-
Peruvian sol	611.021,82	7.560.045,59	-	-
Czech koruna	640.000,00	-	-	-
Chinese yuan	10.618.864,00	-	-	-
Indian rupee	-	5.750.544,00	-	-
Malaysian ringgit	-	71.500.957,00	-	23.332.714,00
Philippine peso	-	49.476.015,00	-	-
Turkish lira	-	18.100.870,77	-	6.349.241,59
South African rand	-	8.055.884,00	-	297.303,00
Romanian leu	6.206.200,00	-	-	-

The detail of the fair value of the foreign currency hedges at 31 December 2016 and 2015 is as follows:

	Thousands of euros							
	2016				2015			
	Short - term		Long - term		Short - term		Long - term	
Foreign currency hedge	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Cash flow hedge	5.911	(3.466)	-	(1.142)	1.767	12.890	-	11.009
Fair value hedge	(5.797)	44.327	-	10.434	(66)	18.046	-	428
Total (Note 9)	**114**	**40.861**	**-**	**9.292**	**1.701**	**30.936**	**-**	**11.437**

The information on the foreign currency cash flow hedges is as follows:

- Net income of EUR 445 thousand (2015: net expenses of EUR 2,301 thousand) was reclassified from equity to the consolidated statement of profit or loss in 2016.
- The recognised hedge ineffectiveness totalled EUR 4,496 thousand in 2016 (2015: EUR 2,619 thousand).
- The amount recognised in the consolidated statement of profit or loss attributable to the hedging instrument was a gain of EUR 16,038 thousand in 2016 (2015: gain of EUR 4,121 thousand (the same amount of gain - loss for the hedged item).

The years in which the corresponding flows of the non-current foreign currency hedging instruments are expected to occur are as follows:

	Thousands of euros			
	2016		2015	
	Assets	Liabilities	Assets	Liabilities
2017	-	-	-	7.301
2018	78.230	7.927	-	1.277
2019	19.436	408	-	1.471
2020	228	55	-	-
Total	**97.894**	**8.390**	**-**	**10.049**

"Cash Flow Hedges" include the interest rate swaps that the Parent uses to manage its exposure to fluctuations in interest rates, mainly with respect to its long-term bank loans bearing interest at floating rates. The fair value of the swaps of EUR 22 thousand (2015: EUR 668 thousand) is based on the market values of equivalent derivative financial instruments at the reporting date (see Note 20).

The interest-rate hedges arranged consist of swaps which ensure a fixed interest rate for three long-terms loans taken out at floating rates with two banks. The settlement dates of the swap and of the loan interest coincide each quarter.

The information on the swap is as follows:

Thousands of euros					
2016		2015			
Notional amount hedged	Average swap fixed rate	Notional amount hedged	Average swap fixed rate	Final maturity	Exchanged floating rate
3.889	0,79%	76.668	1,68%	2017	3-month Euribor

The effect on the consolidated statements of profit or loss for 2016 and 2015 was zero, as the result obtained on the financial instrument was offset by the result with the opposite sign on the swap.

38. OPERATING LEASES

The Group leases certain assets from third parties under operating leases.

Set forth below is a description of the most significant leases:

Lessor	Registerd office	Lease date	Lease expiry	Revision	Revision %	Security deposit (thousands of euros)
Merlín Properties Socimi, S.A. (Old Testa Real Estate)	Avenida de Bruselas, 35 (Alcobendas)	01/01/2002	30/06/2022	July	I.G.P.C.	1.082
Ayuntamiento de Alcobendas	Anabel Segura, 7 (Alcobendas)	01/06/2012	30/06/2021	January	I.G.P.C.	352
Gratan, S.L.	Tanger, 120 (Barcelona)	01/07/2005	31/03/2027	July	I.G.P.C.	660
Grupo Castellvi	Tanger 98-108, Edificio Interface (Barcelona)	01/07/2008	31/03/2027	June	I.G.P.C.	371

The detail of the operating lease payments recognised as an expense is as follows:

Lessor	Location	Lease expiry	Expenses in 2016	Expenses in 2015
Merlín Properties Socimi, S.A. (formerly Testa Inmuebles)	Alcobendas (Madrid)	30/06/2022	5.933	6.492
Ayuntamiento de Alcobendas/Sogepima	Alcobendas (Madrid)	30/06/2021	1.334	2.746
Grupo Castellvi	Barcelona	31/03/2027	3.485	3.248
Gratan, S.L.	Barcelona	31/03/2027	1.280	1.280
PP II SPE empreendimentos imobiliar	São Paulo (Brasil)	31/04/2024	238	1.263
Obenque	Madrid	31/12/2021	1.085	1.318
Mapfre Vida, S.A.	Madrid	30/04/2017	632	650
Kuehne e Nagel	São Paulo (Brasil)	31/05/2016	67	642
Le Masserie Real State,S.r.l. (formerly Construzioni Civili e Commerciali Spa)	Rome (Italy)	30/06/2020	764	668
Selección de Inmuebles, S.A.	Valencia	30/09/2023	780	737
OCM Gaudi SFBP Propco SAN (formerly Rentiber Internacional)	San Fernando de Henares (Madrid)	31/03/2017	755	744
Grupo Integral de Desarrollo Inmobiliario	Mexico City (Mexico)	31/12/2022	684	1.239
Axiare Patrimonio Socimi, S.A. (formerly Portocarrio, S.L.)	Madrid	30/04/2019	521	521
Auris Andino	Avda del Valle (Chile)	31/01/2016	58	590
Deka Inmobiliaria Chile One SPA	Las Condes (Chile)	31/03/2021	532	-
Colombiana de Televisión, S.A.	Bogotá (Colombia)	30/11/2014	-	55
Edificio de Alcobendas, S.A.	Alcobendas (Madrid)	07/07/2021	430	430
Inmobiliaria Financiera	Bogotá (Colombia)	31/08/2016	-	33
General de Edifícios y Solares	La Coruña	31/05/2017	444	367
Red Tecnológica de Servicios de Asistencia Sanitaria	Málaga	31/08/2021	487	423
Fundación Parque Científico de la USAL	Salamanca	31/10/2017	259	243
Inmoan, S.L	Torrejón de Ardoz (Madrid)	30/11/2018	249	249
Veintisiete, S.L.	Barcelona	31/10/2023	472	421
MRE-III- Proyecto Tres, S.L.U. (formerly Farrag, S.L.)	Cordovilla (Navarra)	30/06/2022	276	286
Morera & Vallejo Patrimonial, S.A	Sevilla	30/06/2021	191	277
Sprilur, S.A.	Erandio (Vizcaya)	31/05/2019	229	230
Fernando González Tovar	Mexico City (Mexico)	31/07/2018	376	275
Telefónica de España, S.A.U.	León	31/03/2018	223	324
Fundación Fundecyt (formerly Parque Científico y Tecnológico de Extremadura)	Badajoz	31/01/2022	247	300
Metlife chile Seguros de Vida, S.A.	Santiago de Chile (Chile)	31/03/2021	291	-
Other			2.606	1.965

"Other" groups together amounts of less than EUR 250 thousand.

39. REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES

1. Remuneration of directors

1.1. Remuneration for membership of the managing bodies

The remuneration of the directors acting in their capacity as such consists of a fixed emolument that is received on the basis of their membership of the various managing bodies and is paid in full in cash.

It is determined in accordance with best practices and recommendations in this area included in the Remuneration Policy approved by the shareholders at the General Meeting on 25 June 2015. The amounts established fir 2016 and 2015 are as follows: EUR 80 thousand for membership of the Board; EUR 40 thousand for membership of the Audit and Compliance Committee; EUR 24 thousand for membership of the Nomination, Remuneration and Corporate Governance Committee; and EUR 24 thousand for membership of the Strategy Committee (1). The chairmen of each body receive 1.5 times the amounts stated. Depending on the composition of each body, the approximate annual remuneration is EUR 127 thousand for each director.

(1) The Executive Committee was created in July 2016 to replace the Strategy Committee, which was dissolved on that same date, and the remuneration of its members is the same.

The detail, by individual director, of the total remuneration earned by each of the Parent's directors in 2016 and 2015 as a result of their membership of the managing bodies is shown in the following tables:

Remuneration of directors (€) 2016

	Fixed remuneration					
Director	Board	Strategy Committee	Executive Committee	Audit and Compliance Committee	Remuneration and Corporate Governance Committee	Total
F. Abril-Martorell	120.000	18.000	18.000	-	-	156.000
I. Aguilera (1)	80.000	12.000	-	-	24.000	116.000
J. de Andrés (2)	80.000	-	12.000	-	-	92.000
J.C. Aparicio	80.000	-	-	40.000	-	120.000
D. García-Pita (2)	80.000	-	12.000	-	36.000	128.000
L.Lada (3)	80.000	12.000	-	20.000	-	112.000
E. de Leyva	80.000	12.000	12.000	40.000	-	144.000
J. March	80.000	12.000	12.000	-	-	104.000
S. Martínez-Conde	80.000	-	-	40.000	24.000	144.000
A. Menéndez	80.000	12.000	12.000	-	24.000	128.000
I. Santillana	80.000	12.000	12.000	60.000	-	164.000
R.Sugrañes	80.000	-	-	-	24.000	104.000
A.Terol	80.000	12.000	12.000	40.000	-	144.000
Total	**10.080.000**	**102.000**	**102.000**	**240.000**	**132.000**	**1.656.000**
Average remuneration per director (13 directors)						**127.385**

(1) Member of the Strategy Committee until its dissolution (6 months);
(2) Member of the Executive Committee after its creation (6 months);
(3) Member of the Audit Committee from July onwards (6 months).

(1) The Executive Committee was created in July 2016 to replace the Strategy Committee, which was dissolved on that same date, and the remuneration of its members is the same.

Remuneration of directors (€) 2015

Director	Fixed remuneration				
	Consejo	Strategy Committee	Audit and Compliance Committee	Remuneration and Corporate Governance Committee	Total
F. Abril-Martorell (1)	110.000	33.000	-	-	143.000
I. Aguilera	80.000	24.000	20.000	12.000	136.000
J. de Andrés	80.000	-	-	-	80.000
J.C. Aparicio	80.000	-	40.000	-	120.000
D. García-Pita	80.000	-	-	36.000	116.000
L.Lada	80.000	24.000	-	-	104.000
E. de Leyva (2)	53.333	16.000	20.000	4.000	93.333
J. March	80.000	24.000	-	12.000	116.000
S. Martínez-Conde	80.000	-	40.000	12.000	132.000
A. Menéndez	80.000	24.000	-	24.000	128.000
J. Monzón (3)	12.500	3.750	-	-	16.250
M. de Oriol (4)	26.666	-	-	8.000	34.666
I. Santillana	80.000	24.000	50.000	-	154.000
R.Sugrañes	80.000	-	-	24.000	104.000
A.Terol	80.000	24.000	50.000	-	154.000
Total	**1.082.499**	**196.750**	**220.000**	**132.000**	**1.631.249**
Average remuneration per director (13 directors)					**125.481**

(1) Chairman since February 2015;
(2) Director since May 2015;
(3) Chairman until January 2015;
(4) Director until April 2015.

No options on shares of the Parent were granted in 2016 or 2015 to the members of the Board of Directors and no options on shares of the Parent were exercised by the directors in those years. At the end of 2016 and 2015 the Board members did not hold any options on shares of the Parent.

The directors did not receive any additional benefits or remuneration for membership of the managing bodies in 2016 or 2015 other than those mentioned above, and neither the Parent nor any company in the consolidated Group had any pension obligations or had granted any loans or advances to them for such membership.

Regardless of the fact that, as indicated above, the directors' remuneration for their membership of the managing bodies is paid wholly in cash, all the directors allocate a significant part of that remuneration (which currently accounts for 50% of their net remuneration) to the purchase of shares of Indra, having announced their commitment to retain ownership of the shares until the end of their tenure. This decision by the directors was notified to the Spanish National Securities Market Commission in a relevant event communication on 28 July 2011 and has been carried out since then.

1.2. Remuneration of the executive directors for the functions delegated to them by the Board of Directors

Apart from the remuneration indicated in section 1.1 above, the executive directors earn additional remuneration as a result of their contractual relationship with the Parent for performing their executive functions. This remuneration involves the same criteria and items as that relating to the other senior executives of the Parent and, therefore, for the purposes of clarity, it is explained together with the senior executive remuneration in section 2 below.

2. Senior executive remuneration

2.1. Characteristics and components of the remuneration system

The remuneration of the Parent's senior executives, composed of the executive directors and general managers, is determined, on a case-by-case basis, for each executive by the Board of Directors at the proposal of the Nomination, Remuneration and Corporate Governance Committee.

Since 2002 the Parent has established the remuneration framework of the senior executives for periods of three years.

At the proposal of the Nomination, Remuneration and Corporate Governance Committee, in 2015 the Board of Directors proposed to the shareholders at the General Meeting the review of the senior executive remuneration system to adapt it to international standards and the recommendations of the new Spanish Code of Good Governance for Listed Companies. The General Meeting held on 25 June 2015 approved a remuneration policy which includes these changes and establishes the remuneration framework for 2015, 2016 and 2017, which consists of the following components:

i. Fixed remuneration (FR), which is received in cash and remains fixed for the three-year period, unless justified in exceptional cases. It represents between 25% and 48% of the annualised total remuneration.

ii. Annual variable remuneration (AVR), depending on the fulfilment of the objectives, represents between 26% and 35% of the annualised total remuneration for meeting objectives in full. 70% is paid in cash and the remaining 30% is deferred over three years in three portions and received in full in the form of shares of the Parent, the number of which is established according to the average market price in the thirty calendar days prior to the accrual of the AVR.

For ascertaining the degree of fulfilment of each senior executive's objectives, global Company objectives and quantitative and qualitative individual objectives in relation to the executive's areas of responsibility will be taken into account, using the corresponding metrics and scales for assessing the fulfilment of each objective.

iii. Medium-term remuneration (MTR), depending on the fulfilment of the objectives, represents between 26% and 40% of the annualised total remuneration for meeting objectives in full. It is received in full in the form of shares of the Parent -the number of which is determined initially- depending on the fulfilment of the objectives set for the period ("Performance Share Plan"). These objectives are strategic medium-term objectives and include relative TSR (total shareholder return) compared to the that of the Ibex 35 index as a whole.

The current MTR has been established for the three-year period (2015-2017) and accrues, as the case may be, at the end of that period.

iv. Remuneration in kind, consists mainly of life insurance, health insurance and the use of a vehicle.

The percentages represented by each of the above remuneration items are as follows:

	Chairman and CEO	General Managers
FR	25%	33%-48%
AVR	35%	26%-32%
MTR	40%	26%-35%

In addition, the two executive directors and four general managers were the beneficiaries of a Long-term savings and pre-retirement plan (LTSPP), which has been externalised to an insurance company in the form of survivorship insurance. The Parent makes an annual defined contribution for each beneficiary who is entitled to receive the accumulated balance of the LTSPP upon reaching 62 years of age (1) or before that date if the beneficiary leaves the Parent's employ for a reason not attributable to him/her. The annual contributions are calculated as a percentage of the annualised total remuneration of each executive and range between 12% and 17% of that remuneration.

Section A of the Annual Remuneration Report explains in detail each of these remuneration items including, for the variable remuneration, information on the objectives set for the executive directors and on the procedure and methodology for measuring the achievement thereof.

(1) One beneficiary left the LTSPP in September 2016 for this reason.

2.2. Remuneration amounts

In 2016 the composition of the senior management was as follows:

Chairman	Fernando Abril-Martorell
CEO	Javier de Andrés
General Corporate Managers	Hitesh Chaturvedi (1)
	Carlos González
	Javier Lázaro
	Antonio Mora
	Dolores Sarrión
	Juan Tinao (2)
General Managers Operations	Eduardo Bonet
	José Cabello
	Rafael Gallego
	José Manuel Pérez-Pujazón
	Cristina Ruiz
	Carlos Suárez

(1) Since November 2016
(2) Until December 2016

The detail of the remuneration relating to the executive directors is as follows:

(m€)	Fernando Abril-Martorell (Chairman)		Javier de Andrés (CEO)		Javier Monzón Charman (until January 2015)	
	2016	2015 (1)	2016	2015	2016	2015
FR	775	711	550	550	-	83
VAR	972	448	608	192	-	-
MTR	-	-	-	-	-	-
Remuneration in kind	22	30	39	37	-	22
Share-based remuneration	-	-	-	-	-	-
Total	**1.769**	**1.189**	**1.197**	**779**	**-**	**105**
Other	-	-	-	-	3.000 (2)	3.769 (3)
LTSPP	-	-	-	-	-	12.067 (4)
Total	**1.769**	**1.189**	**1.197**	**779**	**3.000**	**15.941**

(1) 11 months
(2) Remuneration accrued in the year relating to the non-compete covenant entered into with the Parent.
(3) The amount indicated includes the amount received upon termination of the employment relationship with the Parent (EUR 1,019 thousand) in relation to the following items: (i) contractual prior notice period; and (ii) proportional part of special payments and holidays not taken. It also includes the remuneration accrued in the year (EUR 2,750 thousand) relating to the non-compete covenant entered into with the Parent.
(4) Amount received upon termination of the employment relationship with the Parent, in relation to settlement of the LTSPP. This amount was paid by the insurance company to which the Parent externalised the Plan.

The current MTR will accrue at the end of the established three-year period (2015-2017) and will be received, as the case may be, after 2017 year-end.

The amounts corresponding to the other senior executives who are not executive directors are as follows:

(m€)	2016 (1)	2015 (3)
FR	3.677	4.176
VAR	2.081	1.162
MTR	-	-
Remuneration in kind	174	208
Share-based-remuneration	-	-
Total	**5.932**	**5.546**
Other	-	9.706 (4)
Total	**5.932**	**15.252**
LTSPP	2.471 (2)	5.581 (5)

(1) Data relating to the 12 general managers listed at the beginning of this section 2.2 (excluding the executive directors).

(2) Amount received by the former senior executive Emilio Díaz (EUR 303 thousand) after the end of his employment relationship in 2015 and by the senior executive Rafael Gallego (EUR 2,168) in relation to the settlement of the LTSPP as he had reached 62 years of age and was therefore entitled to receive it. These amounts were was paid by the insurance company to which the Parent had externalised the Plan.

(3)Data relating to 15 general managers.

(4)Amount received by the senior executives Juan Carlos Baena, Emilio Díaz, Emma Fernández and Santiago Roura as a result of the termination of their employment relationships with the Parent.

(5) Amount received upon termination of the employment relationships with the Parent of 3 senior executives in relation to settlement of the LTSPP. This amount was paid by the insurance company to which the Parent had externalised the Plan.

The current MTR will accrue at the end of the established three-year period (2015-2017) and will be received, as the case may be, after 2017 year-end.

The current remuneration system does not envisage the delivery of shares as a separate form of remuneration and none of the executive directors or senior executives received any remuneration in this connection in 2016.

No options on shares of the Parent were granted in 2016 or 2015 to the senior executives and no options on shares of the Parent were exercised by the senior executives in those years.

The contributions made to the LTSPP by the Parent for the senior executives were as follows:

Fernando Abril-Martorell (Chairman)		Javier de Andrés (CEO)		General Managers	
2016	2015	2016	2015	2016	2015
465	426	374	374	570	938

In 2016 and 2015 the senior executives did not receive any benefits, compensation or remuneration additional to those indicated in this Note and neither the Parent nor any of the Group companies had any pension obligations to them or had granted them any loans or advances.

2.3. Contractual framework of the executive directors and of the senior executives

The executive directors have a commercial relationship with the Parent instrumented in the form of agreements to provide services which regulate the terms and conditions applicable to their professional relationship with the Parent.

The agreements are for an indefinite term and, in the case of the CEO, without a golden parachute or termination indemnification clause.

The current executive chairman has a transitional right to a termination benefit equal to the positive difference between the amount equal to his total remuneration for one year and the accumulated cumulative balance in his favour at that time in the LTSPP.

In 2016 three of the current general managers had a temporary right to a decreasing termination benefit amounting to between 0.4 and 1.1 times their annualised total remuneration. This right will gradually decrease until it becomes extinguished when the sum of: (i) the accumulated balance for each of them in the LTSPP; and (ii) the termination benefit to which they are entitled in the event of unjustified dismissal under their prior ordinary employment relationship, reach a gross amount equal to 45 days of their annualised total remuneration per year of service from the date on which they joined the Parent, up to a maximum of 42 monthly payments.

The contracts of the other three general managers include a temporary right to termination benefit for an amount equal to between one and two years of their annualised total remuneration, which is extinguished either at the end of a transitory period following their joining the Parent or when the termination benefit to which they are entitled by law exceeds the guaranteed minimum amount.

The contracts of seven senior executives establish a prior notice period of three months in the event of termination at the decision of the Parent which, if not observed, must be compensated with an amount equal to the executive's annualised total remuneration relating to the notice period not observed.

The executive directors have signed non-compete undertakings, which are enforceable over a period of two years from the end of their contractual relationship, and they are entitled to remuneration of 0.75 , their annualised total remuneration for each year in which the non-compete undertaking applies

Also, the contracts of four general managers contain a clause whereby the Parent may, on termination of the employment relationship, trigger a two-year mandatory non-compete obligation, for which they are entitled to compensation equal to 0.5 times their annualised total remuneration for each year for which the clause applies.

3. Other disclosures

As required by Royal Decree 602/2016, it is hereby disclosed that the third-party liability insurance premium paid for the directors and senior executives by the Parent and its subsidiaries in 2016 and 2015 amounted to EUR 97 thousand each year.

40.INFORMATION REPORTED BY THE MEMBERS OF THE BOARD OF DIRECTORS IN CONNECTION WITH ARTICLE 229 OF THE SPANISH LIMITED LIABILITY COMPANIES LAW

Following a review of the information reported to the Secretary of the Board, it transpires that the Parent's directors and the persons related to them have not been and are not involved in any conflict of interest that had to be reported pursuant to Article 229 of the Spanish Limited Liability Companies Law.

41.R&D&I ACTIVITIES

A large proportion of the activities carried on at the Indra Group involve, due to their nature, R&D&i expenditure which is recognised in the consolidated statement of profit or loss as it is incurred (see Note 4).

The overall expense relating to projects of this type carried out in 2016, including that relating to the capitalised projects (see Note 8), was EUR 163,333 thousand, which is equal to 6% of the Group's total sales in that year. The expenses incurred by the Parent in this connection in 2016 accounted for approximately 97% of the Group's total R&D&i expenditure.

In 2015 the expense relating to R&D&i projects totalled EUR 152,287 thousand, equal to 5.3% of the Group's total sales.

42.INFORMATION ON THE ENVIRONMENT

The lines of business carried on by the Group have not changed qualitatively compared to prior years and, therefore, they continue to have no adverse impact worthy of mention on the environment. Therefore, the Parent's directors consider that there are no material contingencies relating to the protection and improvement of the environment and, accordingly, it was not considered necessary to recognise any provisions for environmental contingencies and charges in 2016 or 2015.

For the same reason, there were no assets of significance associated with the protection and improvement of the environment, and no material expenses were incurred in this connection in 2016. As a result, the Group did not request or receive any environmental grants in the years ended 31 December 2016 and 2015.

The efforts made by the Indra Group to meet its corporate responsibility obligations, however, mean that it pays attention to all issues relating to protection of the environment in carrying on its activities. This effort takes the form of the adoption of an environmental management system based on the ISO 14001 standard, which is implemented at the Group's work centres, with greater efforts having been made from the outset in relation to the facilities at the Parent's most significant centres. As regards Spain, in addition to the ISO 14001 certifications received in prior years in relation to the work centres of Arroyo de la Vega (Avda. de Bruselas - Alcobendas), San Fernando de Henares, Torrejón de Ardoz, Triángulo (c/ San Julián - Alcobendas), Aranjuez, Barcelona (c/ Roc Boronat), Barcelona - Interface, Avda. de Arteixo (La Coruña), Anabel Segura (Alcobendas-Madrid), Ciudad Real, c/ Aviación (Seville), Erandio (Bilbao), Baracaldo (Bilbao), c/ Alcalá (Madrid), c/ Julián Camarillo (Madrid), Bembibre (León), c/ Severo Ochoa (Campanillas - Malaga), c/ Adaja (Villamayor de la Armuña - Salamanca), Cr Prado de la Torre (Bollullos de la Mitación - Seville), Fuente Alamo (Cartagena - Murcia), Puerto de Santa Maria, Ferrol and c/ Badajoz (Barcelona), in 2016 certification was received in relation to the work centre in Badajoz with activities of Indra Software Labs.

In addition to this company, the following had already received certification for carrying out activities at the aforementioned centres: Indra Sistemas, S.A., Indra Sistemas de Seguridad, Indra BPO, Indra BPO Servicios, S.L.U., CAYMASA (merged with the subsidiary Indra BPO Servicios, S.L.U.), Indra Emac and Advanced Logistics Group, S.A.U.

As regards the international subsidiaries, there is an ISO 14001-based environmental management system in place at six centres in Colombia where activities are carried on by Indra Colombia LTDA and Indra Sistemas, S.A. Sucursal Colombia, at two centres in Portugal of Indra Sistemas Portugal, S.A., at one in Australia of Indra Australia Pty Ltd., at one in Italy of Indra Italia S.p.A., at one in Mexico of Indra Sistemas México, S.A. de C.V., Azertia Tecnologías de la Información México S.A. de C.V. and Soluziona México, S.A. de C.V. and at one in Brazil of Indra Brasil Soluções e Serviços Tecnológicos, S.A. and Indra Tecnología Brasil Ltda.

In addition, in 2016 the Group has continued with the environmental initiatives relating to energy efficiencies at the Arroyo de la Vega facilities in Alcobendas (Madrid) which has ISO 50001 and LEED Gold certifications.

The Group also maintains its objective established for the period from 2014 to 2020 of reducing greenhouse gas emissions which are generated as a result of the activities at the Indra Group's facilities.

43. FEES PAID TO AUDITORS

In 2016 Deloitte, S.L. was appointed the new auditor of the consolidated financial statements of the Group and of the other subsidiaries, replacing KPMG Auditores, S.L. In the years ended 31 December 2016 and 2015, the net fees for professional services were as follows:

	Thousands of euros					
	2016			2015		
	Deloitte, S.L.	Affiliates of Deloitte International	Total	KPMG Auditores, S.L.	Affiliates of KPMG International	Total
For audit and related services	911	821	1.732	737	757	1.494
For other services	557	-	557	8	196	204
	1.468	**821**	**2.289**	**745**	**953**	**1.698**

The amount indicated in the foregoing table includes all the fees for the audit, regardless of the date on which they are billed, and for other services for 2016 and 2015.

44. RELATED PARTY TRANSACTIONS

The related-party transactions carried out with significant shareholders and directors, taken individually or as a whole, do not represent a material amount in relation to the revenue or the Parent's consolidated statements of financial position as at 31 December 2016 and 2015, and were all performed in the Parent's ordinary course of business, on an arm's length basis and were authorised by the Board of Directors in accordance with its regulations. However, it is the Parent's policy to provide public, transparent and detailed information on such transactions.

In 2016 and 2015 commercial and financial transactions and transactions involving the rendering and receipt of services were performed with parties who at that time were significant shareholders -or with companies related to them-, represented on the Board, and also with companies related to the former director Ms de Oriol.

The detail, by nature, of the transactions with related parties in 2016 and 2015 is as follows:

Nature of the transaction	2016 (Thousands of euros)		
	With shareholders	With directors	Total 31.12.2016
Sale of googs and services	7.733	-	7.733
Purchase of goods and services	933	-	933
Financial services expenses	5	-	5
	8.671	**-**	**8.671**

Nature of the transaction	2015 (Thousands of euros)		
	With shareholders	With directors	Total 31.12.2015
Sale of googs and services	17.809	-	17.809
Purchase of goods and services	336	211	547
Financial services expenses	5	-	5
	18.150	**211**	**18.361**

a) Transactions with shareholders

All the transactions in 2016 and 2015 were performed with the shareholders SEPI and Banca March, or with companies in their respective groups.

"Sales of goods and services" relates to services provided by the Indra Group as part of its business activities to the aforementioned shareholders.

"Purchases of goods and services" relates to services provided to the Indra Group which are required for it to carry on its business.

"Expenses for financial services" includes expenses and interest relating to the management of guarantees with Banca March.

In 2016 the Indra Group maintained a line of guarantees with annual maturity amounting to EUR 2,439 thousand (2015: EUR 2,465 thousand).

No dividends were paid to the shareholders represented on the Board of Directors in 2016.

b) Transactions with directors

All the transactions with directors were performed with companies related to the former director Ms de Oriol.

The transactions in 2015 included in "Purchases of goods and services" related to security services provided by Seguriber-Umano Group companies in which Ms de Oriol held a (direct and indirect) ownership interest of 95.6% and of which she is the Chairman. The amount shown relates only to the first four months of the year in which Ms de Oriol was a director of Indra.

The amounts paid in 2015 totalled EUR 211 thousand.

The remuneration of the members of the Board of Directors is detailed in Note 39 to these consolidated financial statements.

c) Transactions with other related parties

No transactions were performed 2016 and 2015 with other related parties.

d) Transactions with senior executives

No transactions were performed 2016 and 2015 with senior executives or parties related to them.

The remuneration of the senior executives is detailed in Note 39 to these consolidated financial statements.

e) Transactions with associates

In 2016 and 2015 the transactions with joint ventures through associates were as follows:

	2016 (Thousands of euros)			
	Receivables	**Payables**	**Income**	**Expenses**
Associates	5.858	8.742	12.096	668
	5.858	**8.742**	**12.096**	**668**

	2015 (Thousands of euros)			
	Receivables	**Payables**	**Income**	**Expenses**
Associates	4.943	14.266	22.054	1.756
	4.943	**14.266**	**22.054**	**1.756**

Note: "Receivables" and "Payables" include the balances relating to items recognised at 31 December of each year.

f) Transactions with joint operations

Most of the Group's joint arrangements are unincorporated joint ventures (UTEs), classified as "Joint Operations" due to the joint and several liability they involve, and they are proportionately consolidated.

The assets, liabilities, income and expenses of the transactions performed through joint operations in the form of UTEs for 2016 and 2015 were as follows:

	Thousands of euros	
	2016	**2015**
Non-current assets	**35.308**	**10.848**
Current assets	**77.173**	**43.711**
Non-current liabilities	**(71.284)**	**(8.174)**
Current liabilities	**(43.299)**	**(47.436)**
Revenue	**(65.000)**	**(73.756)**
Subcontracting and other expenses	**67.102**	**74.807**
	-	-

The significant increase in 2016 was due mainly to the consolidation of the Defence UTEs.

The UTEs consolidated by the Group are detailed in Appendix II.

45. EVENTS AFTER THE REPORTING PERIOD

In connection with the takeover bid for Tecnocom, Telecomunicaciones y Energía, S.A. (Tecnocom) launched by the Parent, the following events occurred after the end of the reporting period:

- On 13 January 2017, the Parent issued a relevant event communication reporting the authorisation of the transaction by the Spanish National Markets and Competition Commission.
- On 18 January 2017, the Parent published the relevant event communication relating to the call of the Extraordinary General Meeting held at first call on February 20 at which it was approved by a majority vote of 99.46% to increase capital by the amount required to cater for the exchange of shares of the shareholders of Tecnocom that accepted the takeover bid.
- On 6 March 2017, the liquidity agreement that Indra had signed with GVC Gaesco Valores Beka, S.V.S.A. was temporarily suspended until the end of the period for acceptance of the takeover bid.
- On 13 March 2017, the Spanish National Securities Market Commission (CNMV) authorised the takeover bid and confirmed the consideration for the bid as an "equitable price". Therefore, the bid is not subject to any conditions.
  - » The terms and detailed characteristics of the bid are contained in the prospectus published after obtaining the requisite authorization from the CNMV.
- Lastly, on 14 March 2017 it was announced that the acceptance period for the bid would run from 14 March 2017 to 7 April 2017, inclusive.

At the date of preparation of these consolidated financial statements EUR 50,000 thousand had been drawn down by the Parent against the loan obtained by it from the EIB (see Note 19-b).

Lastly, and in relation to other events after the reporting period, on 5 March 2017 the CNMV was informed that an administrative penalty had been imposed on the subsidiary Indra Brasil Soluções e Serviços Tecnologicos, consisting of the declaration of non-suitability to contract with the Brazilian public authorities for an undetermined period of time. The application of this penalty was suspended on 10 March 2017 after the Parent had obtained a favourable judgment from the Court of Justice of the relevant Federal District.

46. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 2). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Economic data of the Group companies at 31 December 2016
(Appendix I)

Company name	Ownership interest: Direct	Indirect	Total	Equity	Total operating income	Individ. profit (loss) after tax.
1.- Parent						
Indra Sistemas				528.045	1.875.745	82.582
2.- Subsidiaries						
Indra Emac, S.A.U.	100%	-	100%	3.236	15.750	2.237
Indra Sistemas de Seguridad, S.A.U.	100%	-	100%	2.673	7.755	(778)
Indra Sistemas de Comunicaciones Seguras, S.L.U.	-	100%	100%	7.678	1.441	(170)
Inmize Capital, S.L.	80%	-	80%	1.529	-	(6)
Inmize Sistemas, S.L.	-	50%	50%	7.765	356	26
Indra Software Labs, S.L.U.	100%	-	100%	39.939	174.360	10.433
Teknatrans Consultores, S.L.	100%	-	100%	519	363	41
BPO Group	**100%**	**-**	**100%**	**36.305**	**147.404**	**8.247**
Consultancy Group	**100%**	**-**	**100%**	**7.331**	**56.893**	**(2.347)**
Prointec Group	**100%**	**-**	**100%**	**4.801**	**42.141**	**(10.313)**
Indra Advanced Technology, S.L. Group	**100%**	**-**	**100%**	**63.246**	**81.557**	**7.006**
Indra SI, S.A.	83%	17%	100%	1.272	36.255	(1.779)
Politec Argentina, S.A.	95%	5%	100%	(332)	-	(339)
Azertia Tecnologías de la Información Argentina S.A.	100%	-	100%	285	938	(420)
Computación Ceicom, S.A.	95%	5%	100%	1.441	11	(141)
Indra Company Brasil LTDA	95%	5%	100%	(3.250)	1.663	3.143
Indra Brasil Soluçoes e Serviços Tecnologicos S/A	95%	5%	100%	45.206	197.658	(30.024)
Indra Tecnología Brasil LTDA	100%	-	100%	2.262	849	1.814
Indra Colombia LTDA.	100%	-	100%	12.923	43.423	(454)
Indra Sistemas Chile S.A.	100%	-	100%	18.647	49.758	3.915

This Appendix should be read together with Notes 1, 5 and 17-f to the consolidated financial statements, of which it is an integral part.

Company name	Ownership interest Direct	Indirect	Total	Equity	Total operating income	Individ. profit (loss) after tax.
Soluziona Guatemala, S.A.	100%	-	100%	220	-	79
Indra Sistemas México, S.A. de C.V.	100%	-	100%	3.833	77.931	(5.025)
Indra BPO México, S.A. DE C.V.	100%	-	100%	9.846	5.229	606
Indra Software Labs México, S.A. de C.V.	100%	-	100%	(1.936)	11.220	652
Indra Panamá, S.A.	100%	-	100%	2.883	14.268	(1.433)
Indra Company Perú SAC	100%	-	100%	264	16	(398)
Indra Perú, S.A.	100%	-	100%	5.457	29.104	(4.699)
Soluciones y Servicios Indra Company Uruguay S.A.	100%	-	100%	1.159	3.623	(151)
Indra Puerto Rico Inc	-	100%	100%	205	960	59
Indra USA, Inc	100%	-	100%	2.545	14.871	114
Indra Italia Spa (Visiant Galyleo Spa)	100%	-	100%	16.407	71.574	5.338
Indra Czech Republic s.r.o.	100%	-	100%	3.874	3.774	1.095
Indra Slovakia, a.s.	100%	-	100%	295	2.394	193
Indra Slovensko s.r.o.	-	100%	100%	5	-	(1)
Indra Sisteme S.R.L. (Moldavia)	100%	-	100%	337	895	168
Indra Polska Sp.z.o.o	100%	-	100%	146	1.516	(111)
Indra Sistemas Portugal, S.A.	100%	-	100%	5.611	20.811	1.240
Electrica Soluziona S.A. (Rumanía)	51%	-	51%	1.874	2.814	312
Indra Kazakhstan Engineering Llp	51%	-	-	(2.906)	314	(2.375)
Indra Turquía	100%	-	100%	342	1.891	(177)
Indra Beijing Information Technology Systems Ltd. (China)	100%	-	100%	2.479	3.730	198
Indra Philippines INC	50%	-	50%	18.346	33.396	2.889
Indra Technology Solutions Malasya Sdn Bhd.	70%	-	-	202	8.149	291

This Appendix should be read together with Notes 1, 5 and 17-f to the consolidated financial statements, of which it is an integral part.

Company name	Ownership interest Direct	Indirect	Total	Equity	Total operating income	Individ. profit (loss) after tax.
PT Indra Indonesia	100%	-	-	693	111	(1.656)
Indra Sistemas India Private Limited	100%	-	100%	2.839	5.170	60
Indra Bahrain Consultancy SPC	100%	-	-	(30.217)	1.037	(18.088)
Indra Arabia Company LTD. (Arabia)	95%	5%	100%	22.218	37.986	3.577
INDRA L.L.C (Omán)	100%	-	100%	395	27	(223)
Indra Maroc S.A.R.L. D`Associè Unique (Marruecos)	100%	-	100%	891	2.036	154
Indra Limited (Kenya)	100%	-	100%	3.906	6.910	1.127
Soluziona Professional services (private) Limited (Zimbabwe)	70%	-	70%	-	-	-
Indra Technology South Africa, PTY LTD	70%	-	70%	(335)	728	(842)
Indra Australia Pty Limited	100%	-	100%	3.617	35.464	27
IFOS, S.A. (Argentina)	100%	-	100%	(15)	-	(52)
Indra Technology Solutions Co Ltd (Arabia)	95%	5%	100%	-	-	-
Indra Corporate Services, S.L.	100%		100%	1.914	7.881	210
Indra Corporate Services México, S.A. de C.V.	-	100%	100%	8	463	5

This Appendix should be read together with Notes 1, 5 and 17-f to the consolidated financial statements, of which it is an integral part.

Company name	Ownership interest Direct	Indirect	Total	Equity	Total operating income	Individ. profit (loss) after tax.
4.- 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%	-	-	-
Green Border OOD	50%	-	50%	-	-	-
Sociedad Catalana per a la mobilitat	25%	-	25%	-	-	-
I-3 Televisión S.L.	50%	-	50%	-	-	-
IRB Riesgo Operacional S.L.	33%	-	33%	-	-	-
SPA Mobeal	25%	-	25%	-	-	-
Composition BPO Group						
2.- Subsidiaries						
Indra BPO S.L.U.				27.731	30.718	6.648
OUAKHA Services, Saarl AU (Marruecos)	100%	-	100%	(305)	-	(9)
Indra BPO Servicios, S.L.U.	100%	-	100%	50.657	116.983	5.618
Indra II Business Outsourcing Portugal, Unipessoal, Limitada	-	100%	100%	520	4.534	(61)
Indra BPO Hipotecario, S.L.	100%	-	100%	3	-	-

Company name	Ownership interest Direct	Indirect	Total	Equity	Total operating income	Individ. profit (loss) after tax.
Composition Consultancy Group						
2.- Subsidiaries						
Indra Business Consulting, S.L.U.	-	-	-	11.900	38.601	(4.704)
Europraxis ALG Consulting, Ltd. (UK)	100%	-	100%	32	-	(13)
Indra Consultoría de Negocios Brasil LTDA	100%	-	100%	(6.600)	1.468	(305)
Advanced Logistics Group, S.A.U.	100%	-	100%	774	10.839	463
Indra Business Consulting ALG Mexico	100%	-	100%	1.394	7.177	985
Europraxis-ALG Consulting Andina, S.A.C. (Perú)	-	100%	100%	222	-	(57)
Europraxis ALG Consulting Maroc, S.A. (Marruecos)	66%	34%	100%	57	-	(17)
Composición Grupo Prointec, S.A.						
2.- Subsidiaries						
Prointec, S.A.U.	-	-	-	12.901	37.776	(6.138)
Consis Proiect SRL (Rumanía)	100%	-	100%	1.497	1.382	(1)
Ingenieria de Proyectos de Infraestructuras Mexicanas, SA de C.V.	100%	-	100%	3.275	2.108	(4.442)
Prointec Romanía S.R.L. (Rumanía)	-	100%	100%	(232)	(64)	(173)
Prointec Engenharia, Ltda.	100%	-	100%	78	1.123	4
Prointec Panama, S.A.	75%	-	75%	(128)	0	0
Prointec USA LLC	100%	-	100%	1.125	2.002	261

This Appendix should be read together with Notes 1, 5 and 17-f to the consolidated financial statements, of which it is an integral part.

Company name	Ownership interest Direct	Indirect	Total	Equity	Total operating income	Individ. profit (loss) after tax.
4.- Associates						
Logística Portuaria de Tuxpan, S.A.P.I. de C.V.	25%	-	25%	-	-	-
Iniciativas Bioenergéticas, S.L.	20%	-	20%	-	-	-
Composition Indra Advanced Technology S.L. Group						
2.- Subsidiaries						
Indra Advanced Technology, S.L.U.	-	-	-	47.170	-	-
AC-B air Traffic Control & Business Systems GmbH (Alemania)	100%	-	100%	1.619	1.683	120
Avitech GmbH (Alemania)	100%	-	100%	4.316	19.403	1.378
Avitech S.R.O. (Eslovaquia)	-	100%	100%			
Indra Navia A.S. (Noruega)	100%	-	100%	26.980	58.960	6.250
Normeka, A.S.	-	66%	66%	2.587	5.688	304
4.- Associates						
Natming	25%	-	25%	-	-	-
4.- Associates						
Indra Sistemas México, S.A. de C.V.	-	-	-	-	-	-
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%	-	-	-

This Appendix should be read together with Notes 1, 5 and 17-f to the consolidated financial statements, of which it is an integral part.

Economic data of the Group companies at 31 December 2015
(Appendix I)

Company name	Ownership interest: Direct	Indirect	Total	Equity	Total operating income	Individ. profit (loss) after tax.
1.- Parent						
Indra Sistemas				441.710	1.920.020	(466.182)
2.- Subsidiaries						
Indra Emac, S.A.	100%	-	100%	2.726	14.938	1.842
Indra Sistemas de Seguridad, S.A.U.	100%	-	100%	3.441	11.045	(4.382)
Indra Sistemas de Comunicaciones Seguras, S.L.	-	100%	100%	7.848	2.489	27
Inmize Capital, S.L.	80%	-	80%	1.536	-	(7)
Inmize Sistemas, S.L.	-	50%	50%	7.739	339	4
Indra Software Labs, S.L.	100%	-	100%	38.003	167.155	9.715
Teknatrans Consultores, S.L.	100%	-	100%	532	369	54
BPO Group	100%	-	100%	28.103	155.382	4.545
Consultancy Group	100%	-	100%	10.958	50.321	(13.480)
Prointec Group	100%	-	100%	15.289	39.184	(19.896)
Indra Advanced Technology, S.L. Group	100%	-	100%	53.366	79.032	1.274
Indra SI, S.A.	83%	17%	100%	3.736	82.887	424
Politec Argentina, S.A.	100%	-	100%	6	-	(12)
Azertia Tecnologías de la Información Argentina S.A.	100%	-	100%	(911)	2.276	(161)
Computación Ceicom, S.A.	100%	-	100%	1.751	6.269	(468)
Indra Company Brasil LTDA	100%		100%	(31.367)	3.959	(23.906)
Indra Brasil Soluçoes e Serviços Tecnologicos S/A	92%	8%	100%	(5.266)	220.764	(237.740)
Indra Tecnología Brasil LTDA	100%	-	100%	(189)	1.333	(3.803)
Indra Colombia LTDA.	100%	-	100%	12.474	57.460	1.894
indra Sistemas Chile S.A.	100%	-	100%	13.382	46.931	(2.451)

Company name	Ownership interest Direct	Indirect	Total	Equity	Total operating income	Individ. profit (loss) after tax.
Soluziona Guatemala, S.A.	100%	-	100%	134	-	-
Indra Sistemas México, S.A. de C.V.	100%	-	100%	9.804	101.975	(7.343)
Azertia Tecnologías de la Información México S.A. de C.V.	100%	-	100%	10.549	5.220	(1.261)
Soluziona México S.A. de C.V.	100%	-	100%	(2.910)	13.225	988
Indra Panama, S.A.	100%	-	100%	2.389	14.150	(2.446)
Indra Company Perú SAC	100%	-	100%	579	109	(1.069)
Indra Perú, S.A.	100%	-	100%	9.372	32.250	(6.074)
Soluciones y Servicios Indra Company Uruguay S.A.	100%	-	100%	1.245	4.453	(52)
Indra Puerto Rico Inc	-	100%	100%	139	2.571	138
Indra USA, Inc	100%	-	100%	2.387	18.316	(1.757)
Indra USA IT Services	100%	-	100%	2.198	122	(441)
Indra Italia Spa (Visiant Galyleo Spa)	100%	-	100%	12.009	64.899	650
Indra Czech Republic s.r.o.	100%	-	100%	2.785	3.703	(669)
Indra Slovakia, a.s.	100%	-	100%	102	1.650	(557)
Indra Slovensko s.r.o.	-	100%	100%	5	-	(1)
Indra Sisteme S.R.L. (Moldavia)	100%	-	100%	357	827	168
Indra Polska Sp.z.o.o	100%	-	100%	249	532	(800)
Indra Sistemas Portugal, S.A.	100%	-	100%	4.371	21.112	(2.723)
Electrica Soluziona S.A. (Rumanía)	51%	-	51%	1.890	2.918	326
Indra Kazakhstan Engineering Llp	51%	-	-	(962)	11.333	(1.375)
Indra Turquía	100%	-	100%	(605)	3.855	(33)
Indra Beijing Information Technology Systems Ltd. (China)	100%	-	100%	2.367	3.835	196
Indra Radar Technology (Tianjin) Co., Ltd.	70%	-	70%	(200)	-	(60)
Indra Philippines INC	50%	-	50%	16.577	35.251	2.931
Indra Technology Solutions Malasya Sdn Bhd.	70%	-	-	(113)	3.550	(305)

Company name	Ownership interest Direct	Indirect	Total	Equity	Total operating income	Individ. profit (loss) after tax.
PT Indra Indonesia	100%	-	-	(197)	228	(1.515)
Indra Sistemas India Private Limited	100%	-	100%	2.753	4.249	(1.550)
Indra Bahrain Consultancy SPC	100%	-	-	(11.453)	3.555	(13.892)
Indra Arabia Company LTD. (Arabia)	95%	5%	100%	18.051	41.958	1.853
INDRA L.L.C (Omán)	100%	-	100%	-	-	-
Indra Maroc S.A.R.L. D`Associè Unique (Marruecos)	100%	-	100%	730	2.506	120
Indra Limited (Kenya)	100%	-	100%	3.420	5.912	658
Soluziona Professional services (private) Limited (Zimbabwe)	70%	-	70%	-	-	-
Indra Technology South Africa, PTY LTD	62%	-	62%	(1.872)	794	(829)
Indra Australia Pty Limited	100%	-	100%	3.284	36.487	(3.202)

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Company name	Ownership interest Direct	Indirect	Total	Equity	Total operating income	Individ. profit (loss) after tax.
4.- 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%	-	-	-
Green Border OOD	50%	-	50%	-	-	-
Sociedad Catalana per a la mobilitat	25%	-	25%	-	-	-
I-3 Televisión S.L.	50%	-	50%	-	-	-
IRB Riesgo Operacional S.L.	33%	-	33%	-	-	-
Composition Grupo BPO						
2.- Subsidiaries						
Indra BPO S.L.U.				21.083	26.890	4.764
OUAKHA Services, Saarl AU (Marruecos)	100%	-	100%	(293)	-	(17)
Indra BPO Servicios, S.L.U.	100%	-	100%	50.497	119.572	6.726
Central de Apoyos y Medios Auxiliares, S.A.U. (CAYMASA)	100%	-	100%	(1.221)	9.087	(3.039)
IFOS (Argentina)	80%	20%	100%	41	-	(9)
Indra II Business Outsourcing Portugal, Unipessoal, Limitada	-	100%	100%	581	6.301	(85)

Company name	Ownership interest: Direct	Indirect	Total	Equity	Total operating income	Individ. profit (loss) after tax.
Composition Consultancy Group						
2.- Subsidiaries						
Indra Business Consulting, S.L.U.				16.582	37.845	(18.669)
Europraxis ALG Consulting, Ltd. (UK)	100%	-	100%	46	-	(29)
Indra Consultoría de Negocios Brasil LTDA	100%	-	100%	(5.105)	2.146	(676)
Advanced Logistics Group, S.A.U.	100%	-	100%	(614)	7.780	(1.476)
Indra Business Consulting ALG Mexico	100%	-	100%	491	4.400	284
Europraxis-ALG Consulting Andina, S.A.C. (Perú)	-	100%	100%	261	(9)	(107)
Europraxis ALG Consulting Maroc, S.A. (Marruecos)	66%	34%	100%	68	-	929
Composition BPO Group						
2.- Subsidiaries						
Prointec, S.A.U.				18.327	39.398	(19.367)
Consis Proiect SRL (Rumanía)	100%	-	100%	1.505	1.010	8
Ingenieria de Proyectos de Infraestructuras Mexicanas, SA de C.V.	100%		100%	7.632	2.754	(1.241)
Prointec Romanía S.R.L. (Rumanía)	-	100%	100%	(60)	135	2
Prointec Engenharia, Ltda.	100%		100%	31	625	(193)
Prointec Panama, S.A.	75%	-	75%	(124)	-	-
Prointec USA LLC	100%	-	100%	834	997	173

This Appendix should be read together with Notes 1, 5 and 17-f to the consolidated financial statements, of which it is an integral part.

Company name	Ownership interest Direct	Indirect	Total	Equity	Total operating income	Individ. profit (loss) after tax.
4.- Associates						
Gestión de Recursos Eólicos Riojanos, S.L.	-	16%	16%	-	-	-
Logística Portuaria de Tuxpan, S.A.P.I. de C.V.		25%	25%	-	-	-
Iniciativas Bioenergéticas, S.L.	20%	-	20%	-	-	-
Composition Indra Advanced Technology S.L. Group						
2.- Subsidiaries						
Indra Advanced Technology, S.L.U.				47.170	-	(30)
AC-B air Traffic Control & Business Systems GmbH (Alemania)	100%	-	100%	1.499	1.717	21
Avitech GmbH (Alemania)	100%	-	100%	2.939	16.563	(2.379)
Avitech S.R.O. (Eslovaquia)	-	100%	100%	-	-	-
Indra Navia A.S. (Noruega)	100%	-	100%	19.842	60.753	3.852
Normeka, A.S.	-	66%	66%	3.219	5.832	324
4.- Associates						
Natming	25%	-	25%	-	-	-
4.- Associates						
Indra Sistemas México, S.A. de C.V.						
Indra Isolux México SA de CV	50%	-	50%	(54)	156	(9)
Visión Inteligente Aplicada S.A de C.V	50%	-	50%	(129)	4.203	(40)
EFI Túneles Necaxa SA de CV	10%	-	10%	249	644	24

This Appendix should be read together with Notes 1, 5 and 17-f to the consolidated financial statements, of which it is an integral part.

Consolidated Financial Statements as at 31 December 2016 (Appendix II)

Company name	Direct ownership interest
Of 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%
Metronec-Siemens-Indra UTE.	33,33%
Deloitte & Co.SRL-Indra Mant. Anses UTE	46,38%
Of Indra Perú	
CONSORCIO PROCOM	49,00%
CONSORCIO INFORMÁTICA 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%
Of Spanish Group companies	
ETRALUX SA SICE INDRA (UTE PUCELA)	20,00%
FCC INDUSTRIAL E INFRAESTRUCTURAS ENERGÉTICAS, SAU-	30,00%
INDRA SISTEMAS, S.A. - CONSORCIO REGIONAL DE TRANSPORTE	95,00%

Company name	Direct ownership interest
INDRA SISTEMAS, S.A. - ELEKTRA, S.A., U.T.E.	51,00%
INDRA SISTEMAS, S.A. - INDRA SIST. DE SEGURIDAD, U.T.E.	50,00%
INDRA SISTEMAS, SA-AYESA ADVANCED TECHNOLOGIES, SA, U.T.E	65,00%
INDRA SISTEMAS, SA-INDRA SISTEMAS DE SEGURIDAD, SA, U.T.E.	50,00%
PEREZ MORENO S.AU. COMSA S.A. INDRA SISTEMAS S.A.	20,00%
PRICEWATERHOUSECOOPERS ASESORES DE NEGOCIOS, S.L. - INDRA	39,00%
SELEX ES S.P.A. - INDRA SISTEMAS, S.A.CLOSEYE L.1, U.T.E	40,00%
SISTEMAS Y MONTAJES INDUSTRIALES, S.A.-INDRA SISTEMAS, S.A., U.T.E.	40,00%
UTE AEAT 10/2011	26,54%
UTE VCR 8X8	37,94%
UTE 2 INDRA - UNITRONICS	50,00%
UTE 3 INDRA - UNITRONICS	85,00%
UTE ABI CORREDOR NORTE	10,42%
UTE ABI EXTREMADURA - CORREDOR OESTE	15,00%
UTE AC-14 ACCESOS A CORUÑA	90,00%
UTE ACCENTURE - INDRA	35,00%
UTE ACCENTURE, SL-CORITEL-ACCENTURE O.S., SAU-INDRA	25,00%

Company name	Direct ownership interest
UTE ACCESOS CGT MADRID	50,00%
UTE ACCESOS CGT MADRID II	50,00%
UTE ACCESOS LEVANTE	50,00%
UTE ACCESOS NOROESTE	30,00%
UTE AEAT 03/07	26,54%
UTE AEAT 42/10	35,18%
UTE AEAT 68/06	35,18%
UTE AIMEN	40,00%
UTE ALTA CAPACIDAD	20,00%
UTE ALTIA - ILUS-INDRA-R. CABLE	25,00%
UTE AMTEGA 110/2015 L1	70,92%
UTE AV 2/2015	60,00%
UTE AV 20/2014	35,18%
UTE AVIONICA	50,00%
UTE AVIONICA DE HELICOPTEROS	50,00%
UTE BILBOMATICA, S.A. - INDRA SISTEMAS, S.A.	45,00%
UTE CEIDECOM	60,00%
UTE CETRADA	33,00%
UTE CGSI ASTURIAS LOTE 3	70,00%
UTE CGSI ASTURIAS LOTE 4	60,00%
UTE CIC-TF	50,00%
UTE CONTROL ACCESOS DONOSTIA	50,00%
UTE CONTROL MOGAN	33,34%

This Appendix should be read together with Notes 1, 5 and 44 to the consolidated financial statements, of which it is an integral part.

Company name	Direct ownership interest
UTE CONTROL POLOPOS	50,00%
UTE DGT NOROESTE 2014	65,00%
UTE DI CUENCA	50,00%
UTE EBB-PUBLICACIONES TECNICAS 086300	20,00%
UTE EBB-PUBLICACIONES TECNICAS-GEL	50,00%
UTE EMTE-INDRA	50,00%
UTE ETRALUX - INDRA	40,00%
UTE GISS 11	35,00%
UTE GISS 7201/10 LOTE 6	34,00%
UTE GISS 7201/10 LOTE 8	35,50%
UTE GISS 7201/10 LOTE 9	49,00%
UTE GISS 7201/14G L.2	39,00%
UTE GISS 7201/14G LOTE 1	57,00%
UTE IBERMATICA-INDRA-BILBOMATICA	21,83%
UTE IECISA - INDRA (ALFIL III)	42,00%
UTE IECISA - INDRA (COMUNYCATE)	45,01%
UTE IECISA-INDRA SUM. SOP. M. INTERIOR	50,00%
UTE IECISA-INDRA-ZENSANIA-EMTE	37,50%
UTE IMD INDRA.TELEF	69,76%
UTE INDICADORES AMBIENTALES DELTA DEL EBRO	33,33%
UTE INDRA - AGFA	61,00%
UTE INDRA - ALBATROS	60,00%
UTE INDRA - ALFATEC	70,00%

Company name	Direct ownership interest
UTE INDRA - ALTIA (IMSERSO)	59,00%
UTE INDRA - ALVENTO	50,00%
UTE INDRA - ARTE	80,00%
UTE INDRA - AVANZIT	50,00%
UTE INDRA - CESSER	80,00%
UTE INDRA - ETRA	51,00%
UTE INDRA - EVERIS - ISOFT - TELVENT INTERACT.	34,00%
UTE INDRA - HP	65,00%
UTE INDRA - ITP (1)	50,00%
UTE INDRA - ITP (2)	50,00%
UTE INDRA - LKS	65,00%
UTE INDRA - NETINEX	50,00%
UTE INDRA - SAINCO	64,00%
UTE INDRA - SALLEN	70,00%
UTE INDRA - TECNOCOM	50,00%
UTE INDRA - TES	50,00%
UTE INDRA AM 26/2011	50,00%
UTE INDRA SISTEMAS, S.A. - UNISYS, S.L.U.	70,00%
UTE INDRA SISTEMAS, S.A. - EUROCOPTER ESPAÑA, SA	62,50%
UTE INDRA SISTEMAS, S.A. - SIA, S.p.A.	50,00%
UTE INDRA SISTEMAS, S.A. - TELVENT TRAF.Y TRANS.	50,00%
UTE INDRA SISTEMAS, SA-AVANTIC ESTUDIO DE INGENIEROS, SL, UTE	89,50%
UTE INDRA -TELEFÓNICA HDA	78,38%

Company name	Direct ownership interest
UTE INDRA-ACISA	50,00%
UTE INDRA-ALTIA (AMTEGA)	50,00%
UTE INDRA-ALTIA (XUNTA DE GALICIA)	50,00%
UTE INDRA-ALTIA-R. CABLE	33,34%
UTE INDRA-ARANZADI	50,00%
UTE INDRA-BMB	51,00%
UTE INDRA-COMPAÑÍA VASCA DE INGENIERIA	60,00%
UTE INDRA-CONNECTIS	73,90%
UTE INDRA-EADS CASA	50,00%
UTE INDRA-ETRA	55,00%
UTE INDRA-FIBRAL	70,00%
UTE INDRA-IECISA M-14-059	75,00%
UTE INDRA-INICIATIVAS AMBIENTALES	50,00%
UTE INDRA-MNEMO	35,00%
UTE INDRA-MNEMO-SOPRA	66,05%
UTE INDRA-OESIA	87,00%
UTE INDRA-PUENTES Y CALZADAS INFRAESTRUCTURAS	80,00%
UTE INDRA-PWC (ADIF)	60,00%
UTE INDRA-SOLUCIONS-TECN. D'AVANTGUARDA	60,00%
UTE INDRA-TECDOA	50,00%
UTE INDRA-TELEFONICA	50,00%
UTE INDRA-TELEFONICA S.I.C.(SLAE)	50,00%
UTE INDRA-TELVENT	60,00%

This Appendix should be read together with Notes 1, 5 and 44 to the consolidated financial statements, of which it is an integral part.

Company name	Direct ownership interest
UTE INDRA-UNISYS	70,00%
UTE INSS 60/CP-28/10	15,00%
UTE INSTALACIONES MADRID ESTE	7,50%
UTE IRST F-110	50,00%
UTE ISM LOTE 2	40,00%
UTE ITS MADRID 15	60,00%
UTE JAÉN	52,12%
UTE JOCS DEL MEDITERRANI	49,00%
UTE LINEA 9 MANTENIMIENTO TRAMO IV	64,00%
UTE LINEA 9 TRAMO I Y II	64,00%
UTE MANTENIMIENTO LEVANTE	50,00%
UTE MANTENIMIENTO RENFE LOTE 1	50,00%
UTE MANTENIMIENTO RENFE LOTE 2	50,00%
UTE MANTENIMIENTO RONDES 2012	30,00%
UTE MANTENIMIENTO SEMAFORICO TORREJON DE ARDOZ	50,00%
UTE MONTEFUERTE	25,00%
UTE OVYCYL INDRA GRUPO NORTE II	66,00%
UTE PEREZ MORENO SAU - COMSA SA - INDRA SISTEMAS	10,00%
UTE PIV2011 (PROINTEC-GMV SISTEMAS-EORIAN SYSTEMS-ETRALUX)	50,58%
UTE PROTEC 110	66,02%
UTE PWC - INDRA (EOI)	70,00%
UTE RED DE TRANSPORTE	50,00%
UTE RENFE BARIK	60,00%

Company name	Direct ownership interest
UTE S.A.I. DEL SEGURA	40,00%
UTE SAIH SUR	35,00%
UTE SEGURIDAD PEAJES	50,00%
UTE SISTEMAS METRO MALAGA	50,00%
UTE SIVE II INDRA-AMPER	50,00%
UTE SIVE INDRA - AMPER	50,00%
UTE SPEE 2/10	30,00%
UTE TECNOBIT, S.L.U. - INDRA SISTEMAS, S.A.	41,67%
UTE TELEBILLETICA	50,00%
UTE TELVENT - INDRA - ATOS	33,00%
UTE TES - INDRA	50,00%
UTE TGSS 7201/13G	49,00%
UTE TRANSITIA - PABISA - INDRA	22,50%
UTE TSOL-INDRA IV SITEL	35,00%
UTE TUNELES ANTEQUERA	16,34%
UTE TUNELES DE GUADARRAMA	16,34%
UTE TUNELES DE PAJARES	17,10%
UTE ZONA NORTE	10,00%
UTE PROINTEC-TALHER-GEOCISA-DRAGADOS	10,00%
PROINTEC-GPY ARQUITECTOS, S.L.U.-CIVILPORT INGENIEROS, S.L.P.-ENRIQUE AMIGÓ, S.L. (INTERCAMBIADOR CANDELARIA)	15,00%
UTE AUDING-CENSA-INTECSA INARSA-PROINTEC (UTE PORT BARCELONA)	33,00%
PROINTEC, S.A.-INTEMAC, S.A.-PAYMA COTAS, S.A.U., UTE (UTE AEROPUERTO VALENCIA)	33,30%
UTE CEMOSA-TYPSA-PROINTEC	33,00%

Company name	Direct ownership interest
UTE CEMOSA-TYPSA-PROINTEC	33,00%
UTE INOCSA-PROSER-PROINTEC	33,34%
UTE CEMOSA-TYPSA-PROINTEC	34,00%
UTE PROINTEC-TYPSA-CEMOSA ALICANTE	34,00%
UTE CPS-PROINTEC-EUROCONSULT (UTE AUDITORIA A-66	34,00%
UTE PROINTEC-ESTUDIO 7 GUIADOR	40,00%
UTE ZORNOTZA (EUSKONTRO-PROINTEC-INGEPLAN	40,00%
UTE METRO DONOSTI (ACCIONA-PROINTEC-ASMATU)	40,00%
UTE PROINTEC-AQUAGEST-GRS (CENSO TRIBUTARIO BURGOS)	40,00%
UTE TRN-MECSA	50,00%
UTE INCOSA-PROINTEC III (AUDITORIO DE BURGOS)	50,00%
UTE INDRA B.M.B-PROINTEC	50,00%
UTE EIPSA-PROINTEC-EUSKONTROL (UTE VIADUCTO)	50,00%
PROINTEC-INYSUR	50,00%
PROINTEC-ESTUDIO 7 VARIANTE BAÑADEROS	50,00%
PyG ESTRUCTURAS AMBIENTALES, S.L. – PROINTEC, S.A. (U.T.E. LODOS)	50,00%
UTE PROINTEC-ESTUDIO 7 CALDERETA	50,00%
UTE PAYMA COTAS S.A.U-PRO	50,00%
PROINTEC-PROINTEC EXTREMADURA II	50,00%
AGUA Y ESTRUCTURAS, S.A. - PROINTEC (UTE AYEPRO)	50,00%
PROINTEC - PROINTEC EXTREMADURA, S.L. III	50,00%
UTE PROINTEC-GROMA INGENIERIA	50,00%

This Appendix should be read together with Notes 1, 5 and 44 to the consolidated financial statements, of which it is an integral part.

Company name	Direct ownership interest
UTE AGENCIA EFE (INCOSA-PROINTEC)	50,00%
UTE INOCSA-PROINTEC (TUNEL O CAÑIZO)	50,00%
UTE PROINTEC-VIGUECONS ESTEVEZ	50,00%
GEOPRIN-EUROCONSULT ANDALUCIA-EUROCONSULT SA	50,00%
GEOPRIN-ICYF, S.A.	50,00%
MECSA-OVE ARUP	50,00%
MECSA-SAN ANDRES	50,00%
UTE III PLAN CARRETERAS CLM	50,00%
TRIBUGEST-PROINTEC III	50,00%
UTE PROINTEC-MEDIO AMBIENTE Y PATRIMONIO SL (MAP)	50,00%
UTE PROINTEC-EYSER	50,00%
UTE PROINTEC-PRORAIL	50,00%
UTE PROINTEC-BPG UTE PTL2016	50,00%
UTE PROINTEC-BLOM	50,00%
PROINTEC-AUDITORIAS E INGENIERIAS.A. (MONTAJE VIA)	50,00%
UTE PROINTEC-GIUR LP-2	50,00%
UTE PUEBLA DE OBANDO (PROINTEC-PROINTEC EXTREMADURA)	50,00%
UTE III PLAN CARRETERAS CLM	50,00%
UTE PROINTEC-BPG UTE PTL2016	50,00%
UTE PROINTEC-AIRIA AEROPUERTO DE BARCELONA 2012	50,00%
UTE PROINTEC-PROINTEC EXTREMADURA SEGURIDAD VIAL 2013-2014	50,00%
UTE PROINTEC-NOLTER INGENIERIA (ABASTECIMIENTO LA RIOJA)	50,00%

Company name	Direct ownership interest
UTE E3 SOLINTEG SL Y PROINTEC S.A. (UTE PROTOCOL PROJECTES)	50,00%
UTE INGENIERIA CIVIL INTERNACIONAL S.A.-PROINTEC S.A. (UTE ALMUDEVAR)	50,00%
UTE PUEBLA DE OBANDO (PROINTEC-PROINTEC EXTREMADURA)	50,00%
AMINSA-PROINTEC (UTE TRANVIA A LA MAR)	50,00%
UTE PROINTEC-PYG MARJAL SUR	60,00%
PROINTEC-UG 21 (TOCON-ILLORA)	60,00%
UTE PROINTEC-UG 21 (COIN-ALHAURIN)	60,00%
UTE PROINTEC-E3 SOLINTEG (UTE COMITÉ D'OBRES)	60,00%
MECSA-ESTUDIO TORRE ELORDUY	70,00%
PROINTEC-ALAUDA	70,00%
PROINTEC - INGENIA SERVICIOS GLOBALES DE INGENIERIA, S.L. (UTE TRAMO 7 PLAYA DEL INGLES)	70,00%
PROINTEC-INGEPLAN (LINEA 3)	72,50%
PROINTEC-INGEPLAN (BERGARA)	72,50%
UTE PROINTEC-HIDROVIAL INGENIEROS	50,00%
PROINTEC-CIVILPORT-ENRIQUE AMIGO (UTE TRAMO 2 TREN DEL SUR)	80,00%
PROINTEC - AIRTHINK, S.L. (UTE PLANES DIRECTORES)	80,00%
UTE TUNELES ANTEQUERA	16,34%
UTE TUNELES DE GUADARRAMA	16,34%
UTE TUNELES DE PAJARES	17,10%
UTE DI CUENCA	50,00%
UTE INDRA - ALSTOM	37,00%

Company name	Direct ownership interest
UTE INDRA SISTEMAS DE SEG.-MONT.ELECTRISUR	50,00%
UTE INDRA SISTEMAS-ALSTOM-INDRA SIST. SEGURIDAD	50,00%
UTE SEGURIDAD PEAJES	50,00%
UTE AV 2/2015	50,00%
UTE INDRA BPO - T.SOLUCIONES	50,00%
UTE INDRA PROUR	50,00%
AIE CRISTAL HIPOTECARIO 2009	60,00%
AIE FORMALIZACIÓN ALCALA 265	60,00%
UTE ALG - FULCRUM	60,00%
UTE ALG - M & A	60,00%
UTE ALG - CINESI (Plans Mobilitat)	60,00%
CONSORCIO ALG-ANDINA	60,00%
UTE CAYMASA-MAILING	70,00%
UTE SADIEL-CAYMASA	70,00%
UTE AYESA-CAYMASA II	70,00%
UTE INDRA - NOVASOFT - SADIEL	70,00%
UTE INDRA SISTEMAS - ALSTOM - INDRA SISTEMAS DE SEGURIDAD,	72,50%
UTE INDRA-INDRA SIST.SEGURIDAD AM 08/2011	72,50%
UTE INDRA - SOFTWARE LABS	75,00%
UTE TUNELES DE PAJARES,	75,00%
UTE INDRA - TELEFÓNICA SOLUCIONES II	80,00%
UTE TUNELES ANTEQUERA,	33,66%

Company name	Direct ownership interest
UTE MTO. RENFE BCN	65,00%
UTE INDRA-XERIDIA	76,30%
UTE SALMANTINA	50,00%
UTE TUNELES DE GUADARRAMA,	33,66%
UTE INDRA-COINTEC OSAKIDETZA	83,67%
UTE ZONA NORTE GC	20,00%
UTE INDRA SISTEM	64,26%
UTE INDRA-AYESA CIS2	65,00%
UTE INDRA-BABEL Me y SS lote 3	90,00%
UTE tdE-INDRA	50,00%
UTE INDRA-IV	50,00%
UTE INDRA-DEITEL	55,00%
UTE GESTIO DE TRANSIT RONDES	80,00%
UTE INSS 7201/16G LOTE 1	22,00%
UTE ETRA-INDRA MANTENIMIENTO SAE, EBUS Y VEA	33,00%
UTE GESTIO VIARIA GVA SICE-INDRA	50,00%
UTE INDRA-ALTIA	48,67%
UTE DGT ITS NORTE 2017	40,00%
UTE MNEMO-INDRA	48,19%
UTE INDRA - ITP	50,00%
UTE DGT ITS SURESTE 2017	60,00%
UTE INDRA EWS/ STN ATLAS	60,00%
PROINTEC-T.T.U.	50,00%
PROINTEC-T.T.U. II	50,00%

Company name	Direct ownership interest
UTE PROINTEC-EUSKONTROL	50,00%
UTE EUSKONTROL-EIPSA	50,00%
CONSORCIO P & B COLOMBIA	85,00%
UTE PROINTEC-ACCIONA-ASMATU	50,00%
CONSORCIO SANAG	50,00%
CONSORCIO GMQ	40,00%
UTE PROINTEC, S.A. - ASMATU, SLP UTE Ley 18/1982 (UTE MIRACONCHA)	70,00%
AMOREBIETA UTE	23,00%
UTE COLECTOR MURCIA	40,00%
UTE CIESA-PROINTEC	50,00%
UTE INDRA BPO - INDRA BPO SERVICIOS	98,00%
UTE INDRA-LKS KZ-gunea 019/2016	64,00%
UTE INDRA-BPO SERVICIOS	49,00%
UTE INDRA BPO - INDRA BPO SERVICIOS	2,00%
UTE INDRA-INDRA SIST.SEGURIDAD AM 08/2011	50,00%
UTE INDRA - ALSTOM,	18,00%
UTE INDRA - SOFTWARE LABS (ICM)	15,00%

This Appendix should be read together with Notes 1, 5 and 44 to the consolidated financial statements, of which it is an integral part.

Consolidated Financial Statements as at 31 December 2015
(Appendix II)

Company name	Direct ownership interest
Of 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%
Metronec-Siemens-Indra UTE	33,33%
Of Indra Perú	
CONSORCIO PROCOM	49,00%
CONSORCIO INFORMÁTICA 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%
Of Spanish Group companies	
EBB PUBLICACIONES TECNICAS EXP.20046300	45%
ETRALUX SA SICE INDRA (UTE PUCELA)	20%
FCC INDUSTRIAL E INFRAESTRUCTURAS ENERGÉTICAS, SAU-	30%

Company name	Direct ownership interest
INDRA SISTEMAS, S.A. - CONSORCIO REGIONAL DE TRANSPORTE	95%
INDRA SISTEMAS, S.A. - ELEKTRA, S.A., U.T.E.	51%
INDRA SISTEMAS, S.A. - INDRA SIST. DE SEGURIDAD, U.T.E.	50%
INDRA SISTEMAS, SA-AYESA ADVANCED TECHNOLOGIES, SA, U.T.E	65%
INDRA SISTEMAS, SA-INDRA SISTEMAS DE SEGURIDAD, SA, U.T.E.	50%
PEREZ MORENO S.AU. COMSA S.A. INDRA SISTEMAS S.A.	20%
PRICEWATERHOUSECOOPERS ASESORES DE NEGOCIOS, S.L. - INDRA	39%
SELEX ES S.P.A. - INDRA SISTEMAS, S.A.CLOSEYE L.1, U.T.E	40%
SISTEMAS Y MONTAJES INDUSTRIALES, S.A.-INDRA SISTEMAS, S.A., U.T.E.	40%
UTE AEAT 10/2011	27%
UTE COPSA - INDRA	50%
UTE VCR 8X8	38%
UTE 2 INDRA - UNITRONICS	50%
UTE 3 INDRA - UNITRONICS	85%
UTE 3 INDRA - UNITRONICS -"DEIF 2"	85%
UTE ABI CORREDOR NORTE	4%
UTE ABI EXTREMADURA - CORREDOR OESTE	15%
UTE AC-14 ACCESOS A CORUÑA	90%
UTE ACCENTURE - INDRA	35%
UTE ACCENTURE, SL-CORITEL-ACCENTURE O.S., SAU-INDRA	25%

Company name	Direct ownership interest
UTE ACCESOS CGT MADRID	50%
UTE ACCESOS CGT MADRID II	50%
UTE ACCESOS LEVANTE	50%
UTE ACCESOS NOROESTE	30%
UTE ADIS	12%
UTE AEAT 03/07	27%
UTE AEAT 42/10	35%
UTE AEAT 68/06	35%
UTE AIMEN	40%
UTE ALTA CAPACIDAD	20%
UTE ALTA CAPACIDAD G.C.	60%
UTE ALTIA - ILUS-INDRA-R. CABLE	25%
UTE AMTEGA 110/2015 L1	71%
UTE ARTXANDA - ETORKISUNA -	30%
UTE AV 2/2015	60%
UTE AV 20/2014	35%
UTE AVIONICA	50%
UTE AVIONICA DE HELICOPTEROS	50%
UTE BILBOMATICA, S.A. - INDRA SISTEMAS, S.A.	45%
UTE CC MOVIMA	80%
UTE CEIDECOM	60%
UTE CETRADA	33%
UTE CGSI ASTURIAS LOTE 3	70%

This Appendix should be read together with Notes 1, 5 and 44 to the consolidated financial statements, of which it is an integral part.

Company name	Direct ownership interest
UTE CGSI ASTURIAS LOTE 4	60%
UTE CIC-TF	50%
UTE CONTROL ACCESOS DONOSTIA	50%
UTE CONTROL MOGAN	33%
UTE CONTROL POLOPOS	50%
UTE DGT NOROESTE 2014	65%
UTE DI CUENCA	50%
UTE EBB-PUBLICACIONES TECNICAS 086300	20%
UTE EBB-PUBLICACIONES TECNICAS-GEL	50%
UTE ELECTRONIC TRAFIC - INDRA SISTEMAS	50%
UTE EMTE-INDRA	50%
UTE ENTELGY-INDRA	14%
UTE ETRA - INDRA	50%
UTE ETRALUX - INDRA	40%
UTE GALILEO - INDRA	21%
UTE GISS 11	35%
UTE GISS 7	30%
UTE GISS 7201/10 LOTE 6	34%
UTE GISS 7201/10 LOTE 8	36%
UTE GISS 7201/10 LOTE 9	49%
UTE GISS 7201/14G L.2	39%
UTE GISS 7201/14G LOTE 1	57%
UTE IBERMATICA-INDRA-BILBOMATICA	22%
UTE IECISA - INDRA	42%

Company name	Direct ownership interest
UTE IECISA - INDRA (ALFIL III)	42%
UTE IECISA - INDRA (COMUNYCATE)	45%
UTE IECISA - INDRA (SEFCAN)	33%
UTE IECISA-INDRA SUM. SOP. M. INTERIOR	50%
UTE IECISA-INDRA-ZENSANIA-EMTE	38%
UTE IMD INDRA.TELEF	70%
UTE IMPLAMTBAT	50%
UTE INDICADORES AMBIENTALES DELTA DEL EBRO	33%
UTE INDRA - AGFA	61%
UTE INDRA - ALBATROS	60%
UTE INDRA - ALFATEC	70%
UTE INDRA - ALTIA (IMSERSO)	59%
UTE INDRA - ALVENTO	50%
UTE INDRA - AMBAR	85%
UTE INDRA - ARTE	80%
UTE INDRA - AVANZIT	50%
UTE INDRA - CESSER	80%
UTE INDRA - E y M INSTALACIONES	50%
UTE INDRA - ETRA	51%
UTE INDRA - EVERIS - ISOFT - TELVENT INTERACT.	34%
UTE INDRA - HP	65%
UTE INDRA - ITALTEL	50%
UTE INDRA - ITP (1)	50%
UTE INDRA - ITP (2)	50%
UTE INDRA - LKS	65%

Company name	Direct ownership interest
UTE INDRA - NETINEX	50%
UTE INDRA - OTIPE	50%
UTE INDRA - OTIS	50%
UTE INDRA - SAINCO	64%
UTE INDRA - SALLEN	70%
UTE INDRA - TECNOCOM	50%
UTE INDRA - TES	50%
UTE INDRA - TRADIA TELECOM	50%
UTE INDRA AM 26/2011	50%
UTE INDRA SISTEMAS, S.A. - UNISYS, S.L.U.	70%
UTE INDRA SISTEMAS, S.A. - EUROCOPTER ESPAÑA, SA	63%
UTE INDRA SISTEMAS, S.A. - SIA, S.p.A.	50%
UTE INDRA SISTEMAS, S.A. - TELVENT TRAF.Y TRANS.	50%
UTE INDRA SISTEMAS, SA-AVANTIC ESTUDIO DE INGENIEROS, SL, UTE	90%
UTE INDRA -TELEFÓNICA HDA	78%
UTE INDRA-ACISA	50%
UTE INDRA-ALTIA (AMTEGA)	50%
UTE INDRA-ALTIA (XUNTA DE GALICIA)	50%
UTE INDRA-ALTIA-R. CABLE	33%
UTE INDRA-ARANZADI	50%
UTE INDRA-BMB	51%
UTE INDRA-COMPAÑÍA VASCA DE INGENIERIA	60%
UTE INDRA-CONNECTIS	74%

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Company name	Direct ownership interest
UTE INDRA-EADS CASA	50%
UTE INDRA-ETRA	55%
UTE INDRA-FIBRAL	70%
UTE INDRA-IECISA (ALFIL)	42%
UTE INDRA-IECISA M-14-059	75%
UTE INDRA-INICIATIVAS AMBIENTALES	50%
UTE INDRA-KONECTA	87%
UTE INDRA-MNEMO	35%
UTE INDRA-MNEMO-SOPRA	66%
UTE INDRA-OESIA	87%
UTE INDRA-PUENTES Y CALZADAS INFRAESTRUCTURAS	80%
UTE INDRA-PWC (ADIF)	60%
UTE INDRA-SADIEL 043/2012	80%
UTE INDRA-SOLUCIONS-TECN. D'AVANTGUARDA	60%
UTE INDRA-TECDOA	50%
UTE INDRA-TELEFONICA	50%
UTE INDRA-TELEFONICA S.I.C.	50%
UTE INDRA-TELVENT	60%
UTE INDRA-UNISYS	60%
UTE INDTEC 137/09	50%
UTE INSS - 392/CP-40/05	15%
UTE INSS 60/VC-28/10	15%
UTE INSTALACIONES MADRID ESTE	8%
UTE INSTALACIONES SEGUNDO CINTURON	25%

Company name	Direct ownership interest
UTE INSTALACIONES TUNELES MUROS-DUEÑAS	50%
UTE INSTALACIONES VSM/VSM INSTALAZIOAK	25%
UTE IRST F-110	50%
UTE ISM LOTE 1	60%
UTE ISM LOTE 2	40%
UTE ITGIPUZKOA	80%
UTE ITS MADRID 15	60%
UTE JAÉN	52%
UTE JOCS DEL MEDITERRANI	25%
UTE LINEA 9 MANTENIMIENTO TRAMO IV	64%
UTE LINEA 9 TRAMO I Y II	64%
UTE MANTENIMIENTO DNIe	50%
UTE MANTENIMIENTO LEVANTE	50%
UTE MANTENIMIENTO RENFE LOTE 1	50%
UTE MANTENIMIENTO RENFE LOTE 2	50%
UTE MANTENIMIENTO RONDES 2012	30%
UTE MANTENIMIENTO SEMAFORICO TORREJON DE ARDOZ	50%
UTE MONTEFUERTE	25%
UTE ORION	50%
UTE OSAKIDETZA	34%
UTE OSAKIDETZA AM	34%
UTE OVYCYL INDRA GRUPO NORTE II	66%

Company name	Direct ownership interest
UTE PEREZ MORENO SAU - COMSA SA - INDRA SISTEMAS	10%
UTE PIV2011 (PROINTEC-GMV SISTEMAS-EORIAN SYSTEMS-ETRALUX	51%
UTE PROTEC 110	66%
UTE PWC - INDRA (EOI)	70%
UTE RED DE TRANSPORTE	50%
UTE RENFE BARIK	60%
UTE S.A.I. DEL SEGURA	40%
UTE SAIH C.H.J.	25%
UTE SAIH SUR	35%
UTE SAN MAMES FASE II	27%
UTE SEGURIDAD PEAJES	50%
UTE SIEMENS - INDRA	20%
UTE SISTEMAS METRO MALAGA	50%
UTE SIVE II INDRA-AMPER	50%
UTE SIVE INDRA - AMPER	50%
UTE SOFTWARE AG - INDRA (INSS)	25%
UTE SOPORTE LOTE 2	50%
UTE SPEE 2/10	30%
UTE TECNOBIT, S.L.U. - INDRA SISTEMAS, S.A.	42%
UTE TELEBILLETICA	50%
UTE TELECO	70%
UTE TELEFÓNICA SOL.DE INF. Y COM. DE ESPAÑA, SAU -	50%
UTE TELVENT - INDRA - ATOS	33%
UTE TES - INDRA	50%

Company name	Direct ownership interest
UTE TGSS 7201/13G	49%
UTE TRANSITIA - PABISA - INDRA	23%
UTE TSOL-INDRA IV SITEL	35%
UTE TUNELES ANTEQUERA	34%
UTE TUNELES DE GUADARRAMA	34%
UTE TUNELES DE PAJARES	35%
UTE ZAINDU HIRU	13%
UTE ZONA NORTE	10%
UTE PROINTEC-TALHER-GEOCISA-DRAGADOS	7,00%
PROINTEC-GPY ARQUITECTOS, S.L.U.-CIVILPORT INGENIEROS, S.L.P.-ENRIQUE AMIGÓ, S.L. (INTERCAMBIADOR CANDELARIA)	15,00%
UTE AUDITORIA SEGURIDAD VIARIA AUTOVIA A-22	25,00%
UTE ESMOVILIDAD-INTEF-PROINTEC-LCA	25,00%
UTE METRO QUITO (AYESA-PROINTEC-CAMINOSGA)	30,00%
UTE AUDING-CENSA-INTECSA INARSA-PROINTEC (UTE PORT BARCELONA)	33,00%
PROINTEC, S.A.-INTEMAC, S.A.-PAYMA COTAS, S.A.U., UTE (UTE AEROPUERTO VALENCIA)	33,30%
UTE CEMOSA-TYPSA-PROINTEC	33,00%
UTE CEMOSA-TYPSA-PROINTEC	33,00%
UTE ESMOVILIDAD AYESA-PROINTEC	33,33%
UTE INOCSA-PROSER-PROINTEC	33,34%
UTE CEMOSA-TYPSA-PROINTEC	34,00%
UTE PROINTEC-TYPSA-CEMOSA ALICANTE	34,00%

Company name	Direct ownership interest
TRN-GETINSA-PROINTEC (UTE AUDITORÍA FP 11)	34,00%
UTE CPS-PROINTEC-EUROCONSULT (UTE AUDITORIA A-66	34,00%
ALATEC-PROINTEC-TCA. Y CCION. DE CATALUÑA	35,00%
GEOPRIN-ICYFSA	37,00%
UTE PROINTEC-ESTUDIO 7 GUIADOR	40,00%
UTE ZORTNOZA (EUSKONTRO-PROINTEC-INGEPLAN	40,00%
UTE METRO DONOSTI (ACCIONA-PROINTEC-ASMATU)	40,00%
UTE PROINTEC-AQUAGEST-GRS (CENSO TRIBUTARIO BURGOS	40,00%
UTE TRN-MECSA	50,00%
UTE INCOSA-PROINTEC III (AUDITORIO DE BURGOS)	50,00%
PROINTEC-INIMA Mº AMBTE S.EUROPEOS (LINDE NORTE)	50,00%
UTE INDRA B.M.B-PROINTEC	50,00%
UTE EIPSA-PROINTEC-EUSKONTROL (UTE VIADUCTO)	50,00%
PROINTEC-INYSUR (BAJA CENSAL)	50,00%
PROINTEC-ESTUDIO 7 VARIANTE BAÑADEROS	50,00%
EPTISA SERVICIOS DE INGENIERIA, S.L. - PROINTEC, S.A., UTE	50,00%
UTE PROINTEC-G.O.C.	50,00%
PyG ESTRUCTURAS AMBIENTALES, S.L. – PROINTEC, S.A. (U.T.E. LODOS)	50,00%
UTE PROINTEC-ESTUDIO 7 CALDERETA	50,00%
UTE PAYMA COTAS S.A.U-PRO	50,00%

Company name	Direct ownership interest
PROINTEC-MECSA (UTE ZAL ALMERIA)	50,00%
INSERCO-PROINTEC, UTE EDAR GUADALHORCE	50,00%
PROINTEC-PROINTEC EXTREMADURA II	50,00%
AGUA Y ESTRUCTURAS, S.A. - PROINTEC (UTE AYEPRO)	50,00%
PROINTEC - PROINTEC EXTREMADURA, S.L. III	50,00%
UTE ARQUING-PROINTEC 577	50,00%
UTE PROINTEC-GROMA INGENIERIA	50,00%
UTE GOC-PROINTEC	50,00%
UTE AGENCIA EFE (INCOSA-PROINTEC)	50,00%
UTE INOCSA-PROINTEC (TUNEL O CAÑIZO	50,00%
UTE PROINTEC-VIGUECONS ESTEVEZ	50,00%
GEOPRIN-EUROCONSULT ANDALUCIA-EUROCONSULT SA	50,00%
GEOPRIN-ICYF, S.A.	50,00%
PROINTEC-MECSA (UTE ZAL ALMERIA)	50,00%
MECSA-OVE ARUP	50,00%
MECSA-SAN ANDRES	50,00%
MECSA-ESTUDIOS Y PROYECTOS NIP (NIPSA)	50,00%
UTE III PLAN CARRETERAS CLM	50,00%
UTE CIPSA CONSULPAL SA - PROINTEC SA	50,00%
TRIBUGEST-PROINTEC III	50,00%
UTE PROINTEC-MEDIO AMBIENTE Y PATRIMONIO SL (MAP)	50,00%
UTE PROINTEC-EYSER	50,00%
UTE PROINTEC-PRORAIL	50,00%

This Appendix should be read together with Notes 1, 5 and 44 to the consolidated financial statements, of which it is an integral part.

Company name	Direct ownership interest
PROINTEC-AGROVIAL CONSULTORES (BALSA-CALDERETA)	50,00%
UTE PROINTEC-BPG	50,00%
UTE GRUPO 5-PROINTEC	50,00%
UTE PROINTEC-EUROESTUDIOS	50,00%
UTE PROINTEC-INTEMAC (AEROP.MURCIA)	50,00%
UTE PROINTEC-BLOM	50,00%
PROINTEC-INFRAESTRUCTURA Y ECOLOGIA, S.L.	50,00%
PROINTEC-AUDITORIAS E INGENIERIAS.A. (MONTAJE VIA)	50,00%
PROINTEC-BB&J CONSULT S.A. (UTE MOVILIDAD BARCELONA)	50,00%
UTE PROINTEC-GIUR LP-2	50,00%
UTE ABASTECIMIENTO ORENSE (PROINTEC-INSERCO)	50,00%
UTE PUEBLA DE OBANDO (PROINTEC-PROINTEC EXTREMADURA)	50,00%
UTE III PLAN CARRETERAS CLM	50,00%
UTE PROINTEC-BPG UTE PTL2016	50,00%
UTE PROINTEC-AIRIA AEROPUERTO DE BARCELONA 2012	50,00%
UTE PROINTEC-PROINTEC EXTREMADURA SEGURIDAD VIAL 2013-2014	50,00%
UTE PROINTEC-NOLTER INGENIERIA (ABASTECIMIENTO LA RIOJA)	50,00%
UTE E3 SOLINTEG SL Y PROINTEC S.A. (UTE PROTOCOL PROJECTES)	50,00%
UTE INGENIERIA CIVIL INTERNACIONAL S.A.-PROINTEC S.A. (UTE ALMUDEVAR)	50,00%
UTE PUEBLA DE OBANDO (PROINTEC-PROINTEC EXTREMADURA)	50,00%

Company name	Direct ownership interest
AMINSA-PROINTEC (UTE TRANVIA A LA MAR)	50,00%
UTE PROINTEC-ACCIONA-ASMATU (UTE ZIZURKIL)	50,00%
UTE PROINTEC-EUSKONTROL II (UTE MANUALES)	60,00%
UTE PROINTEC-PYG MARJAL SUR	60,00%
UTE PROINTEC-UG 21 (ALJARAFE II)	60,00%
PROINTEC-UG 21 (TOCON-ILLORA)	60,00%
UTE PROINTEC-UG 21 (COIN-ALHAURIN)	60,00%
UTE PROINTEC-E3 SOLINTEG (UTE COMITÉ D'OBRES)	60,00%
MECSA-ESTUDIO TORRE ELORDUY	70,00%
PROINTEC-MECSA&ARENAS ASOCIADOS (UTE RED ARTERIAL CARTAGENA	70,00%
PROINTEC-ALAUDA	70,00%
PROINTEC - INGENIA SERVICIOS GLOBALES DE INGENIERIA, S.L. (UTE TRAMO 7 PLAYA DEL INGLES)	70,00%
PROINTEC-INGEPLAN (LINEA 3)	72,50%
PROINTEC-INGEPLAN (BERGARA)	72,50%
UTE PROINTEC-HIDROVIAL INGENIEROS	75,00%
UTE MECSA-ACORDE (UTE PLAN FORMACION)	75,00%
PROINTEC-CIVILPORT-ENRIQUE AMIGO (UTE TRAMO 2 TREN DEL SUR)	80,00%
PROINTEC - AIRTHINK, S.L. - UTE PLANES DIRECTORES	80,00%
TUNELES ANTEQUERA	16,34%
TUNELES GUADARRAMA	16,34%
TUNELES PAJARES	16,34%
UTE CCTV METRO	50,00%

Company name	Direct ownership interest
UTE DI BADAJOZ	50,00%
UTE DI CUENCA	50,00%
UTE INDRA - ALSTOM	55,00%
UTE INDRA SISTEMAS DE SEG.-MONT.ELECTRISUR	80,00%
UTE INDRA SISTEMAS-ALSTOM-INDRA SIST. SEGURIDAD	55,00%
UTE PROSELEC-INDRA SISTEMS DE SEGURIDAD	50,00%
UTE SEGURIDAD PEAJES	50,00%
UTE AV 2/2015	40,00%
UTE INDRA BPO - T. SOLUCIONES	69,42%
UTE LANBIDE	1,00%
UTE INDRA PROUR	50,00%
AIE CRISTAL HIPOTECARIO 2009	20,00%
AIE FORMALIZACIÓN ALCALA 265	20,00%
AIE ENRIQUE JARDIEL PONCELA 6	25,00%
UTE ALG - FULCRUM	50,00%
UTE ALG - M & A	70,00%
UTE ALG-CINESI	50,00%
CONSORCIO ALG-ANDINA	90,00%
UTE CAYMASA-MAILING	50,00%
UTE SADIEL-CAYMASA	50,00%
UTE AYESA-CAYMASA II	50,00%

This Appendix should be read together with Notes 1, 5 and 44 to the consolidated financial statements, of which it is an integral part.

Exposure of the Group to foreign currency risk
(Appendix III)

2016	US dollar	Pound sterling	Mexican peso	Argentine peso	Chilean peso	Brazilian real	Peruvian sol	Swiss franc	Canadian dollar	Norwegian krone	Colombian peso	Moroccan dirham	Polish zloty	Australian dollar	Other currencies	TOTAL
Other financial assets	51	sterling"	-	-	-	-	-	-	-	-	-	-	-	-	19	70
Total non-current assets	51	-	-	-	-	-	-	-	-	-	-	-	-	-	19	70
NON-GROUP trade and other receivables	95.103	1.814	158	-	-	6.326	1.288	488	332	-	27.891	12.155	178	125	74.702	220.560
NON-GROUP other financial assets	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2
Total current assets	**95.105**	**1.814**	**158**	**-**	**-**	**6.326**	**1.288**	**488**	**332**	**-**	**27.891**	**12.155**	**178**	**125**	**74.702**	**220.562**
Total assets	**95.156**	**1.814**	**158**	**-**	**-**	**6.326**	**1.288**	**488**	**332**	**-**	**27.891**	**12.155**	**178**	**125**	**74.721**	**220.632**
Other financial liabilities	21	-	-	-	-	-	-		-	-	-	-	-	-	3	24
NON-GROUP trade and other payables	36.049	34.318	39	7	-	1.621	-	281	109	55	10.989	315	5	150	46.050	129.988
Total current liabilities	**36.070**	**34.318**	**39**	**7**	**-**	**1.621**	**-**	**281**	**109**	**55**	**10.989**	**315**	**5**	**150**	**46.053**	**130.012**
Total liabilities	**36.070**	**34.318**	**39**	**7**	**-**	**1.621**	**-**	**281**	**109**	**55**	**10.989**	**315**	**5**	**150**	**46.053**	**130.012**
Gross statement of financial position exposure	**59.086**	**(32.504)**	**119**	**(7)**	**-**	**4.705**	**1.288**	**207**	**223**	**(55)**	**16.902**	**11.840**	**173**	**(25)**	**28.668**	**90.620**
Sales hedges	277.743	13.844	13.308	-	4.486	735	1.268	0	792	1.628	1.939	855	201	3.329	604.121	-
Purchase hedges	28.187	13.176	12	-	0	738	94	183	159	21	165	0	0	286	-	-
Derivative financial instruments - net hedges	249.556	668	13.296	-	4.486	(3)	1.174	(183)	633	(21)	1.774	855	201	3.043	-	-

This Appendix should be read together with Note 36-a.(I) to the consolidated financial statements, of which it is an integral part.

2015	US dollar	Pound sterling	Mexican peso	Argentine peso	Chilean peso	Brazilian real	Peruvian sol	Swiss franc	Canadian dollar	Norwegian krone	Colombian peso	Moroccan dirham	Polish zloty	Australian dollar	Other currencies	TOTAL
Other financial assets	20	-	-	-	-	-	-	-	35	-	-	10	-	-	105	170
Total non-current assets	20	-	-	-	-	-	-	-	35	-	-	10	-	-	105	170
NON-GROUP trade and other receivables	153.472	7.242	10.469	9.936	4.054	6.480	1.173	-	270	11	38.292	12.112	178	2.136	63.069	308.894
NON-GROUP other financial assets	4		403	27	-	-	-	38	-	-	-	-	-	-	65	537
NON-GROUP debt securities	579	-	-	-	-	-	-	-	-	-	-	-	-	-	-	579
Total current assets	**154.055**	**7.242**	**10.872**	**9.963**	**4.054**	**6.480**	**1.173**	**38**	**270**	**11**	**38.292**	**12.112**	**178**	**2.136**	**63.134**	**310.010**
Total assets	**154.075**	**7.242**	**10.872**	**9.963**	**4.054**	**6.480**	**1.173**	**38**	**305**	**11**	**38.292**	**12.122**	**178**	**2.136**	**63.239**	**310.180**
Financial liabilities - bank borrowings	21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21
Obligations under finance leases	1.538	-	-	-	-	-	-	1.086	-	-	-	-	-	-	-	2.624
Other financial liabilities	2.175	-	-	-	-	-	-		-	-	-	-	-	-	-	2.175
NON-GROUP trade and other payables	9	-	-	-	-	-	-		-	-	-	-	-	-	-	9
Total current liabilities	**3.743**	**-**	**-**	**-**	**-**	**-**	**-**	**1.086**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4.829**
Total liabilities	**3.743**	**-**	**-**	**-**	**-**	**-**	**-**	**1.086**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4.829**
Gross statement of financial position exposure	**150.332**	**7.242**	**10.872**	**9.963**	**4.054**	**6.480**	**1.173**	**(1.048)**	**305**	**11**	**38.292**	**12.122**	**178**	**2.136**	**63.239**	**305.351**
Sales hedges	265.972	21.973	18.654	-	5.125	1.375	2.139	71	1	-	4.706	1.193	181	4.322	163.904	-
Purchase hedges	30.253	8.156	-	-	57	445	173	206	139	23	369	-	53	369	-	-
Derivative financial instruments - net hedges	235.719	13.817	18.654	-	5.068	930	1.966	(135)	(138)	(23)	4.337	1.193	128	3.953	163.904	-

This Appendix should be read together with Note 36-a.(I) to the consolidated financial statements, of which it is an integral part.

Information on significant non-controlling interests at 31 December 2016 and 2015 (Appendix IV)

2016

Thousands of euros	Indra Philippines	Inmize Sistemas	Electrica Soluziona	Other scantly significant companies	Total
Percentage of non-controlling interest	50%	50%	49%		
Information from statement of financial position					
Non-current assets	2.370	-	84	-	**2.455**
Non-current liabilities	(1.359)	-	(66)	-	**(1.425)**
Total non-current assets, net	1.011	-	18	-	**1.030**
Current assets	27.821	8.053	2.798	-	**38.672**
Current liabilities	(10.487)	(287)	(942)	-	**(11.716)**
Total current assets, net	17.334	7.765	1.856	-	**26.956**
Net assets	18.346	7.765	1.874	-	**27.985**
Carrying amount of non-controlling interests (*))	**9.155**	**3.882**	**924**	**(952)**	**13.009**
Information from statement of profit or loss					
Total comprehensive income	2.889	28	312	-	**3.228**
Consolidated profit (loss) attributable to non-controlling interests	**1.441**	**14**	**154**	**(1.161)**	**448**

2015

Thousands of euros	Indra Philippines	Inmize Sistemas	Electrica Soluziona	Other scantly significant companies	Total
Percentage of non-controlling interest	50%	50%	49%		
Information from statement of financial position					
Non-current assets	2.283	-	57	-	**2.340**
Non-current liabilities	(1.369)	-	(42)	-	**(1.411)**
Total non-current assets, net	914	-	15	-	**929**
Current assets	25.281	8.014	3.174	-	**36.469**
Current liabilities	(9.618)	(275)	(1.289)	-	**(11.182)**
Total current assets, net	15.663	7.739	1.885	-	**25.287**
Net assets	16.577	7.739	1.900	-	**26.216**
Carrying amount of non-controlling interests (*))	**8.289**	**3.870**	**937**	**(952)**	**12.143**
Information from statement of profit or loss					
Total comprehensive income	2.923	4	326	-	**3.253**
Consolidated profit (loss) attributable to non-controlling interests	**1.459**	**2**	**161**	**(2.287)**	**(665)**

(*) Not including translation differences

This Appendix should be read together with Note 18 to the consolidated financial statements, of which it is an integral part.

Information on significant investments in associates at 31 December 2016 and 2015 (Appendix V)

2016	A4 Essor	Saes Capital	I-3 Televisión	IRB Riesgo Operational	Euromids	Tower	Eurofigter Simulation Systems	Iniciativas Bioenergéticas	Societat Catalana per la Mobilitat	Other scantly significant companies	Total
Thousands of euros											
Percentage of non-controlling interest	21%	49%	50%	33%	25%	50%	26%	20%	25%		
Non-current assets	-	4.020	88	979	153	-	336	52.352	29.554	4.341	91.823
Current assets	756	27	1.605	370	33.421	1.003	27.735	6.384	1.470	5	72.776
Non-current liabilities	(143)	(4.044)	(243)	(1.712)	(2.848)	(1.003)	(20.917)	(41.946)	(24.282)	(2.803)	(99.941)
Current liabilities	(604)	(3)	(1.458)	-	(30.972)	-	(3.860)	(16.263)	(7.230)	(1.536)	(61.926)
Revenue	(7.836)	-	(5.847)	(325)	(15.589)	-	(15.300)	(52.481)	(3.019)	(2.201)	(102.598)
Subcontracting and other expenses	7.827	-	5.855	688	15.835	-	12.006	51.954	3.507	2.194	99.866
Total	-	-	-	-		-	-	-	-	-	-

2015	A4 Essor	Saes Capital	I-3 Televisión	IRB Riesgo Operational	Euromids	Tower	Eurofigter Simulation Systems	Iniciativas Bioenergéticas	Societat Catalana per la Mobilitat	Other scantly significant companies	Total
Thousands of euros											
Percentage of non-controlling interest	21%	49%	50%	33%	25%	50%	26%	20%	25%		
Non-current assets	-	4.020	69	1.258	153	-	336	53.727	20.327	4.247	84.137
Current assets	5.393	27	1.759	499	33.421	1.003	27.735	8.671	3.495	13	82.016
Non-current liabilities	(126)	(4.052)	(456)	(2.075)	(2.096)	(1.003)	(20.864)	(41.500)	(22.688)	(2.559)	(97.419)
Current liabilities	(5.251)	(3)	(1.539)	(46)	(30.972)	-	(3.860)	(20.453)	(1.126)	(1.562)	(64.812)
Revenue	(8.252)	-	(6.360)	(305)	(41.519)	-	(21.724)	(60.307)	(1.999)	(5.003)	(145.469)
Subcontracting and other expenses	8.236	8	6.527	669	41.013	-	18.377	59.862	1.991	4.864	141.547
Total	-	-	-	-		-	-	-	-	-	-

This Appendix should be read together with Note 17 to the consolidated financial statements, of which it is an integral part.