Consolidated Annual Accounts 2018

For the fiscal year ending at 31 December 2018

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain.

In the event of a discrepancy, the Spanish-language version prevails.

indra

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Independent auditor's report on consolidated financial statements

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

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financia! statements of Indra Sistemas, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated statement of financia! position as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements far the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2018, and its consolidated results and its consolidated cash flows far the year then ended in accordance with International Financial Reporting Standards as adopted by the European Unían (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

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

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

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

Key Audit Matters

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

Recognition of revenue by reference to stage of completion

Description

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

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

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

The information relating to the revenue recognised by reference to the stage of completion is disclosed in Notes 4-v and 27 to the consolidated financia! statements.

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

Procedures applied in the audit

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

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

Lastly, we checked. that the disclosures included in Notes 4-v and 27 to the accompanying consolidated financia! statements in connection with this matter are in conformity with those required by the applicable accounting regulations.

Recovery of goodwill and other int angible assets

Description

The Group has recognised goodwill amounting to EUR 812 million and intangible assets amounting to EUR 373 million, as presented in the consolidated statement of financia! position as at 31 December 2018 and as indicated in Notes 7 and 8 to the consolidated financia! statements.

The impairment of goodwill and other intangible assets requires management to make significant judgements, including the projection of cash flows from operating activities and the determination of appropriate discount rates and long-term growth rates, and, therefore, this issue was considered to be a key matter in our audit.

Procedures applied in the audit

Our audit procedures used to address this matter included, among others, tests to verify the operating effectiveness of the controls that mitigate the risks identified in the impairment analysis process. Also, we were assisted by in-house valuation specialists in assessing the reasonableness of the models and the key assumptions used.

We assessed the reasonableness of the cash flow projections and the discount rates by comparing the assumptions with data obtained from interna! and externa!
sources, and performed a critica! assessment of the key inputs of the models used.

Specifically, we compared the revenue growth rates with the latest approved strategic plans and budgets and checked that they are consistent with market information. We also assessed the historical accuracy of management in its budgeting process and questioned the discount rates by measuring the cost of capital of the Group and comparable organisations, as well as the perpetuity growth rates, among other information.

In addition, we assessed whether the Group’s disclosures in relation to the impairment test meet the requirements of EU-IFRSs, and whether the disclosures relating to the sensitivity of the impairment test to changes in the key assumptions adequately reflect the risks inherent to the assumptions. These issues are described in Note 7 to the accompanying consolidated financia! statements.

Other Information: Consolidated Directors’ Report

The other information comprises only the consolidated directors’ report for 2018, the preparation of which is the responsibility of the Parent’s directors and which does not form part of the consolidated financia! statements.

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

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

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

Based on the work performed, as described above, we have checked that the non-financia! information described in section a) above is presented in the separate report, “Corporate Social Responsibility Report” to which a reference is included in the consolidated directors’ report, that the information in the ACGR, discussed in the aforementioned section, is included in the consolidated directors’ report and that the other information in the consolidated directors’ report is consistent with that contained in the consolidated financia! statements for 2018 and its content and presentation are in conformity with the applicable regulations.

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

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

In preparing the consolidated financia! statements, the Parent’s dírectors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the goíng concern basís of accounting unless the directors either intend to liquidate the Group orto cease operations, or have no realistíc alternative but to do so.

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

Auditor’s Responsibilities for the Audit of the Consolidated Financia! Statements

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

Reasonable assurance is a high level of assurance, but is nota guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financia! statements.

A further description of our responsibilities for the audit of the consolidated financia! statements is included in Appendix 1 to this auditor’s report. This description, which is on pages 6 and 7, forms part of our auditor’s report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit and Compliance Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit and compliance committee dated 22 March 2019.

Engagement Period

The Annual General Meeting held on 30 June 2016 appointed us as auditors of the Group for a period of three years from the year ended 31 December 2015.

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

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

22 March 2019

Appendix 1 to our auditor's report

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financia! statements, whether dueto fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of interna! control.
- Obtain an understanding of interna! control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's interna! control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.
- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financia! statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financia! statements, including the disclosures, and whether the consolidated financia! statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financia! information of the entities or business activities within the Group to express an opinion on the consolidated financia! statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.
- We communicate with the Parent's audit and compliance committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in interna! control that we identify during our audit.

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

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

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

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

Índice

Consolidated Statements of FINANCIAL POSITION as of December 31, 2018 and 2017

(Expressed in Thousands of EUR)

Assets	Note	2018	2017
Property, plant and equipment	6	108,378	104,118
Property investments		1,394	1,500
Goodwill	7	811,927	802,702
Other intangible assets	8	373,494	352,229
Investments accounted for using the equity method	10	10,618	11,456
Non-current financial assets	11	185,879	220,638
Long-term contractual assets	12	52,789	-
Deferred tax assets	36	160,385	165,757
Total non-current assets		**1,704,864**	**1,658,400**
Assets classified as held for sale	13	14,112	26,891
Short-term contractual inventories and assets	14	311,649	89,308
Other current assets	15	75,340	78,149
Derivatives	15	2,082	10,731
Current tax assets	36	34,556	55,965
Trade and other receivables	16	980,832	1,248,028
Cash and other equivalent liquid assets	17	917,825	699,116
Total current assets		**2,336,396**	**2,208,188**
Total assets		**4,041,260**	**3,866,588**

Equity and liabilities	Note	2018	2017
Share capital	18	35,330	35,330
Share premium	18	523,754	523,754
Reserves	18	(1,553)	(755)
Other equity instruments	18	3,446	28,695
Cash flow hedges	18	(13,955)	3,816
Treasury shares	18	(3,663)	(9,432)
Foreign exchange differences	18	(79,852)	(72,762)
Prior years' profits (losses)	18	193,319	122,771
Equity attributable to the Parent Company's Owners		**656,826**	**631,417**
Non-controlling interests	18	20,861	17,508
Total shareholders' equity		**677,687**	**648,925**
Financial liabilities from the issuance of negotiable obligations and securities	20	593,533	268,633
Non-current debts payable to credit institutions	20	765,116	747,745
Other non-current financial liabilities	21	131,258	131,393
Government grants	22	4,492	5,105
Provision for risks and expenses	23	65,639	70,240
Deferred tax liabilities	36	2,687	20,808
Total non-current liabilities		**1,562,725**	**1,243,924**
Liabilities held for sale	13	2	2
Financial liabilities from the issuance of negotiable obligations and securities	24	7,920	152,098
Current debts payable to credit institutions	24	34,429	118,854
Trade and other payables	25	1,321,541	1,274,965
Current tax liabilities	36	21,885	16,041
Other Current Liabilities	26	394,327	402,892
Derivatives	38	20,744	8,887
Total current liabilities		**1,800,848**	**1,973,739**
Total liabilities and shareholders' equity		**4,041,260**	**3,866,588**

The attached report and annexes are an integral part of the Consolidates Financial Statements

Consolidated Income Statement for the fiscal years ending on December 31 of 2018 and 2017

(Expressed in Thousands of EUR)

	Note	2018	2017
Ordinary income	27	3,103,735	3,011,059
Works carried out by the group for its own non-current assets	8	61,294	37,725
Other sources of income	28	24,045	20,300
Changes in inventories of finished and semi-finished products		22,282	9,253
Consumption and other supplies	29	(751,166)	(803,184)
Personnel Expenses	30	(1,606,877)	(1,486,026)
Other Operating Costs	31	(561,279)	(521,768)
Other income/loss from non-current assets	32	1,005	(1,105)
Amortization	6 y 8	(93,699)	(70,625)
Operating Result		**199,340**	**195,629**
Financial income	9	7,301	7,463
Financial expenses	9	(42,361)	(42,595)
Other Financial Income/loss	33	332	2,816
Financial Income/loss		**(34,728)**	**(32,316)**
Result of Companies Accounted for Using the Equity Method	10	(724)	(482)
Pre-tax income		**163,888**	**162,831**
Corporate tax	36	(41,659)	(33,757)
Resultado del ejercicio		**122,229**	**129,074**
Profit or loss for the financial year		**119,760**	**126,905**
Profit or loss attributable to non-controlling interest	18	2,469	2,169
Basic earnings per share (in EUR)	19	0.6797	0.7378
Diluted earnings per share (in EUR)	19	0.6247	0.6721

The attached report and annexes are an integral part of the Consolidates Financial Statements

Consolidated Statement of Comprehensive Income for the fiscal years ending on December 31 of 2018 and 2017

(Expressed in Thousands of EUR)

	Note	2018	2017
Profit/(loss) for the period		**122,229**	**129,074**
Other comprehensive income/loss:			
Items that may be reclassified under profit/loss:			
Income and Expenses Recognized Directly in Shareholders' Equity		**(25,191)**	**5,858**
Foreign exchange differences		(7,121)	(35,213)
Cash flow hedges	18	(24,094)	54,762
Taxable	18	6,024	(13,691)
Transfers to the consolidated profit and loss statement		**300**	**(10,482)**
Cash flow hedges	18	399	(13,977)
Taxable	18	(99)	3,495
Other comprehensive profit for the period, net of tax		**(24,891)**	**(4,624)**
Total Comprehensive income/loss of the year		97,338	124,450
Total comprehensive income attributable to the Parent Company		**94,900**	**123,577**
Total comprehensive income attributable to non-controlling interest		2,438	873

The attached report and annexes are an integral part of the Consolidates Financial Statements

Consolidated Statements of Changes in Shareholders' Equity for the years ending on December 31, 2018 and 2017
(Expressed in Thousands of EUR)

							Other comprehensive income/loss				
	Capital	Premium of Emission	Reserves	Retained Profit	Treasury Sharess	Other equity instruments	Foreign exchange difference	Cash flow hedges	Total	Non Controlling interests	Total
Balance as at 01/01/17	**32,826**	**375,955**	**(1,024)**	**2,319**	**(3,422)**	**23,882**	**(38,845)**	**(26,773)**	**364,918**	**13,004**	**377,962**
Distribution of the 2016 result:											
- Dividends	-	-	-	-	-	-	-	-	**-**	(480)	**(480)**
Transactions with treasury shares (note 18)	-	-	269	-	(6,010)	-	-	-	**(5,741)**	-	**(5,741)**
Acquisitions to non controlling interests (note 18)	-	-	-	30	-	-	-	-	**30**	(30)	**-**
Increase (reductions) by business combinations (note 5)	2,504	147,799	-	(9,590)	-	-	-	-	**140,713**	4,101	**144,814**
Issuance of compound instruments	-	-	-						**-**		**-**
Other increases and decreases	-	-	-	3,107	-	4,813	-	-	**7,920**	-	**7,920**
Other comprehensive income for the period	-	-	-	-	-	-	(33,917)	30,589	**(3,328)**	(1,296)	**(4,624)**
Profit/(loss) for the period	-	-	-	126,905	-	-	-	-	**126,905**	2,169	**129,074**
Balance as at 12/31/2017	**35,330**	**523,754**	**(755)**	**122,771**	**(9,432)**	**28,695**	**(72,762)**	**3,816**	**631,417**	**17,508**	**648,925**
Adjustments due to application IFRS (note 2)	-	-	-	(63,180)	-	-	-	-	**(63,180)**	-	**(63,180)**
Balance adjusted to 01/01/2018	**35,330**	**523,754**	**(755)**	**59,591**	**(9,432)**	**28,695**	**(72,762)**	**3,816**	**568,237**	**17,508**	**585,745**
Distribution of the 2017 result:											
- Dividends	-	-	-	-	-	-	-	-	**-**	(100)	**(100)**
Transactions with treasury shares (note 18)	-	-	(798)	-	5,769	-	-	-	**4,971**	-	**4,971**
Acquisitions to non controlling interests (note 18)	-	-		(1,015)	-	-	-	-	**(1,015)**	1,015	**-**
Increase (reductions) by business combinations (note 5)	-	-	-	-	-	-	-	-	**-**	-	**-**
Issuance of compound instruments	-	-	-	16,999	-	(16,999)	-	-	**-**	-	**-**
Other increases and decreases (note 18)	-	-	-	(2,016)	-	(8,250)	-	-	**(10,266)**	-	**(10,266)**
Other comprehensive income for the period	-	-	-	-	-	-	(7,090)	(17,771)	**(24,861)**	(31)	**(24,892)**
Profit/(loss) for the period	-	-	-	119,760	-	-	-	-	**119,760**	2,469	**122,229**
Balance as at 31.12.2018	**35,330**	**523,754**	**(1,553)**	**193,319**	**(3,663)**	**3,446**	**(79,852)**	**(13,955)**	**656,826**	**20,861**	**677,687**

The attached report and annexes are an integral part of the Consolidates Financial Statements

Statement of Consolidated Cash Flows for the fiscal years ending on December 31 of 2018 and 2017

(Expressed in thousands of EUR)

	2018	2017
Profit or loss for the financial year	122,229	129,074
Corporate taxes (Note 36)	41,659	33,757
Pre tax income	163,888	162,831
Adjustments for:		
Grants (note 22)	(11,781)	(11,454)
Provisions for commercial credits and others accounts receivable (note 16)	6,228	18,758
Variation in provisions from trade transactions (notes 23 and 26)	(34,179)	(22,449)
Results from non current assets (note 32)	(1,005)	1,105
Others	(848)	8,787
	(41,585)	(5,253)
− Amortizations (notes 6 and 8)	93,699	70,625
− Results of associated companies (note 10)	724	482
− Financial Income/loss (notes 9 and 33)	34,728	32,316
+ Dividends received	1,338	3,246
Profit (Loss) from operations before changes in working capital	**252,792**	**264,247**
Changes in trade receivables and other items	6,805	(67,448)
Changes in inventories	(24,240)	(20,655)
Changes in trade payables and other items	45,377	123,873
Cash flows from operating activities	**27,942**	**35,770**
Corporate tax paid	(16,715)	(52,529)
Net cash flow from operating activities	**264,019**	**247,488**
Payments for the acquisition of non current assets:		
Material (note 6)	(24,683)	(13,863)
Intangible (note 8)	(63,483)	(38,266)
Financial (notes 5 y 10)	(47,319)	(202,664)
Collections from sale of non current assets:		
Financial aspects	-	10,369
Interest received	5,568	6,982
Other cash flows from investment activities	8,750	12,090
Cash used in investing activities	**(121,167)**	**(225,352)**

The attached report and annexes are an integral part of the Consolidates Financial Statements

(Continuación tabla)

	2018	2017
Acquisition of Shares of External Partners (note 5)	-	(5,173)
Variation of treasury shares (note 18)	(3,639)	(6,087)
Dividends from the companies to Non Controlling interests (note 18)	(100)	(137)
Increases/(decrease) of debt with credit institutions Other Group Companies note 20)	(63,868)	(52,262)
Debt increases from the issuance of negotiable obligations and other securities (note 20)	323,916	-
Debt Issuance with Parent Company's Credit Institutions (note 20)	119,244	171,900
Return and amortization of negotiable obligations and other securities (note 20)	(161,511)	(6,713)
Return and amortization of debts with Parent's credit institutions (note 20)	(110,983)	(57,131)
Interest paid (note 9)	(22.640)	(27,947)
Changes in other financial investments (note 15)		367
Net cash used in financing activities		**16,817**
Increase/(decrease) Excluding Cash and other Cash Equivalent Assets	**223,342**	**38,953**
Initial balance of Cash and cash equivalent assets	699,116	673,901
Effects of the exchange differences on cash and other equivalent assets	(4,633)	(13,738)
Net Increase/(decrease) of Cash and other equivalent assets		38,953
Closing Balance of Cash and other Equivalent Assets (note 17)		**699,116**

The attached report and annexes are an integral part of the Consolidates Financial Statements

1 Nature, Composition and Activities of the Group

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

The Parent Company has its shares admitted to trading on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges (see note 18) and included on this date in the selective IBEX 35 index.

The Parent Company's corporate purpose is the design, development, production, integration, operation, maintenance, repair and commercialization of systems, solutions and products that make use of information technologies as well as any part or component of them and any type of service associated with all of the above, including the civil work necessary for its installation, and which is applicable to any field or sector; the provision of services in the areas of business consulting and management, technology consulting and training for any field or sector, and the provision of outsourcing services for activities and processes belonging to any field or sector.

On November 23, 2017 the Board of Directors of Indra Sistemas, S.A. approved the 2018-2020 Strategic Plan, which contains the future corporate reorganization of the group, based on the segregation of the IT economic unit. Within this framework, on April 26, 2018 the Company submitted the joint segregation, merger through absorption and total spin-off project between the Parent Company (as a Segregated Company), Tecnocom Telecomunicaciones y Energía, S.A.U., Tecnocom España Solutions, S.L.U.,Tecnocom Telefonía y Redes, S.L.U., and Gestión Sexta Avenida, S.A.U. (as absorbed companies), Indra Software Labs, S.L.U. (as a wholly spun-off company) and Indra Soluciones Tecnologías de la Información, S.L.U. (as beneficiary company of the segregation, company absorbing the merger and company partially benefiting from the total spin-off) and Indra Production Software, S.L.U. (as company partially benefiting from the total spin-off).

The common segregation, merger through absorption and total spin-off project (the "Common Project of Structural Modifications") was formulated with the purpose of reorganizing the information technology ("IT") business currently conducted by the Indra Group through several companies.

The IT business comprises the provision of outsourcing services, consulting, implementation and maintenance of applications, development of technologies and proprietary solutions for the energy, industry and consumer sectors, public administration and health, telecommunications and media, financial services and electoral processes.

For this purpose, by means of the structural modifications covered by this Common Project of Structural Modifications, a process for the corporate restructuring of the different economic units that make up the IT business will be carried out in order to perform specialized risk, commercial and economic-financial management of said economic units.

One of the Indra Group's essential objectives is the efficient and rational management of its business in the provision of its services. Therefore, the objective of the operations included in this Common Project of Structural Modifications is to rationalize the corporate structure related to the Indra Group's IT business. The following are economic and operational reasons justifying the different operations covered by this Common Project of Structural Modifications:

i. To centralize the development of the Indra Group's IT business, with its consequent improvement by means of integrated management.

ii. To promote the continuous improvement of the service levels provided.

iii. To streamline and simplify the organizational structures of both the IT business, in particular, and the Indra Group itself, in general.

iv. To achieve greater homogenization and efficiency with regard to the processes and systems.

v. To improve the management and responsibility approach by separating the different lines of business in order to achieve greater specialization and to define the responsibilities of each line of business.

vi. To implement more streamlined commercial management.

vii. To achieve more strategic flexibility and to simplify the management structure and the decision-making and execution processes, adapting them to the individual needs of each line of business.

viii. To facilitate the establishment of strategic partnerships, joint ventures and integration processes with other companies engaged in the IT business.

The restructuring process envisaged in this Common Project of Structural Modifications has been reflected in the execution of the following corporate operations:

i. October 2018 saw the segregation of the IT economic unit that is currently owned by Indra Sistemas, S.A. (“Indra Sistemas”) on behalf of its wholly-owned subsidiary, Indra Soluciones Tecnologías de la Información, S.L.U. (“Indra Soluciones TI”). This economic unit is made up of the equity of Indra Sistemas related to the IT business, comprising the following activities (a) supply and marketing of proprietary solutions (meaning technologies and solutions developed internally by Indra Sistemas that are subsequently marketed to third parties) and third parties (meaning technologies and solutions developed by third parties that Indra Sistemas has the capacity to implement and manage), including the consulting division of Indra Sistemas known as Minsait that specializes in digital solutions to help customers to obtain a position favorable to digital transformation; (b) activities known as the Global Development Center - Information Technology Outsourcing “GDC ITO”), which encompass everything related to the field of the outsourcing of IT services; and (c) the activities known as Global Development Centers (“GDCs”), which are centers engaged in the development of software that performs said activity as a definable, repeatable and measurable industrial process in an environment of high productivity (the “Segregation”).

   By virtue of the Segregation, there has been a block transfer, by universal succession, of Indra Sistemas’ equity indicated above, forming an economic unit on behalf of Indra IT Soluciones, with Indra Sistemas receiving social holdings from Indra Sistemas in exchange. The equity covered by the segregation totals €326,912 thousand.

ii. October 2018 saw the merger through absorption of Indra Soluciones TI (as absorbing company, the “Absorbing Company”) of the following companies, all of them directly or indirect subsidiaries fully owned by Indra Sistemas: (a) Tecnocom Telecomunicaciones y Energía, S.A.U. (“Tecnocom”), a company wholly owned by Indra Sistemas; (b) Tecnocom España Solutions, S.L.U. (“Tecnocom España Solutions”), a company wholly owned by Tecnocom; (c) Tecnocom Telefonía y Redes, S.L.U. (“Tecnocom Telefonía y Redes”), a company wholly owned by Tecnocom; and (d) Gestión Sexta Avenida, S.A.U. (“Gestión Sexta Avenida”), a company wholly owned by Tecnocom. This operation resulted in the cancellation of the investment that the Parent Company had in Tecnocom Telecomunicaciones y Energía, S.A., for the amount of €335,239 thousand and a recognition in Indra Soluciones TI for the amount of €333,076 thousand.

   Under the Merger, Tecnocom, Tecnocom España Solutions, Tecnocom Telefonía and Redes y Gestión Sexta Avenida (the “Absorbed Companies”) were extinguished and integrated into Indra IT Soluciones by means of the block transfer of the equity of the Absorbed Companies to Indra IT Soluciones, which acquired, by universal succession, their rights and obligations. Among others, the Absorbed Companies carry out the following activities: (i) provision of services to entities in the financial sector by means of licensing solutions, outsourcing options and advanced BPO models; (ii) provision of consulting services, value-added solutions and network solutions focused on the telecommunications sector; (iii) provision of transformation services, customer and business operations in the energy sector, with particular emphasis on the oil, gas, electricity, renewable energy and water sectors; (iv) procurement with the public sector offering the Public Administrations solutions within the framework of the relationship between citizens and the administration through different channels; and (v) the development of outsourcing activities with Datacenter, Workplace, Field Service and Service Desk capabilities.

iii. In October 2018 there was a total spin-off of Indra Software Labs, S.L.U. ("Indra Software Labs"), a company wholly owned by Indra Sistemas, with the consequent extinction of Indra Software Labs and the division of its equity into two parts, each of which will be transmitted en bloc, by universal succession, on behalf of Indra Producción Software,S.L.U. ("Indra Producción Software") and Indra Soluciones TI, both wholly owned by Indra Sistemas. The spin-off will be referred to as the "Total Spin-Off" and, together with the Segregation and the Merger, the "Structural Modifications".

The economic units of Indra Software Labs that will be transmitted en bloc and by universal succession to each of the beneficiary companies of the Total Spin-Off are:

a. On behalf of Indra Producción Software: the economic unit formed by the part of the equity of Indra Software Labs integrated by the activities of the software factory whose main purpose is to develop software for the projects of Indra Sistemas.

b. On behalf of Indra IT Solutions: the economic unit formed by the part of the equity of Indra Software Labs integrated by the activity known as "Integrated Technological Services", an activity devoted to the tasks of the user attention center (UAC), microinformatics, system monitoring and control, support in the implementation of applications and maintenance and technical support for hardware and software systems and infrastructures.

The distribution of the equity of the Spin-Off Company between the two Companies benefiting from the Total Spin-off amounted to €23,447 thousand on behalf of Indra Soluciones TI and €16,886 thousand on behalf of Indra Producción Software.

Likewise, the framework of the process to affiliate the information technology business of the Indra Group ("IT Business") approved by the Board of Directors and the Shareholders' General Meeting of the sole shareholder of the Company, in other words, Indra Sistemas, S.A. (the "Sole Shareholder") in its sessions of April 26, 2018 and June 28, 2018, respectively, whose ultimate purpose is for Indra Holding Tecnologías de la Información, S.L.U. (a company wholly-owned by the sole shareholder) to be the holding company of all the companies of the Indra Group that conduct the above-mentioned IT business, and following the execution of the segregation, merger and total spin-off transactions also agreed on by the Shareholders' General Meeting of the Sole Shareholder of June 28, 2018, the Sole Shareholder, in execution of what was approved, in December 2018 the Company proceeded to provide several of its subsidiaries conducting IT business to Indra Soluciones Tecnologías de la Información by means of capital increases in said Company.

In Appendix I, which is an integral part of the report of the Group's Consolidated Annual Accounts, for the year ended on December 31, 2018, the Companies that make up the consolidation perimeter, their address, activity and the percentage of capital owned in them are indicated.

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

- On January 23, 2018, the Parent Company incorporated the Spanish company Indra Soluciones Tecnologías de la Información S.L.U. and subscribed and paid out 100% of its capital for the amount of €3 thousand. In 2018, with the contribution of the "IT Business" subsidiaries, the capital was increased by €23,371 thousand and added to Indra Holding Tecnologías de la Información, S.L.U.

- On January 23, 2018, the Parent Company incorporated the Spanish company Indra Holding Tecnologías de la Información, S.L.U. and subscribed and paid out 100% of its capital for the amount of €3 thousand. In December 2018, with the contribution of the "IT Business" subsidiaries, the capital increased by €28,297 thousand.

- On January 23, 2018, the Parent Company incorporated the Spanish company Indra Producción Software, S.L.U. and subscribed and paid out 100% of its capital for the amount of €3 thousand. In 2018, with the contribution of Software Labs, S.L.U., the capital was increased by €1,000 thousand and added to Indra Soluciones Tecnologías de la Información, S.L.U.

- On March 27, 2018, Indra Corporate Services incorporated the Philippine company Indra Corporate Services Philippines and subscribed and paid out 100% of its capital in the amount of €170 thousand.

During the year ended on December 31, 2018, the following subsidiary was liquidated:

- On January 9, 2018, the subsidiary Tecnocom USA, Inc. was merged through absorption with the subsidiary Indra Usa, Inc. (for accounting purposes January 1, 2018).

- In October 2018, the subsidiary Tecnocom Telecomunicaciones y Energía, S.A was merged through absorption with the subsidiary Indra Soluciones Tecnologías de la Información S.L.U. (for accounting purposes January 1, 2018).

- In October 2018, the subsidiary Tecnocom Telefonía y Redes, S.L Unipersonal, was merged through absorption with the subsidiary Indra Soluciones Tecnologías de la Información S.L.U. (for accounting purposes January 1, 2018).

- In October 2018, the subsidiary Tecnocom España Solutions, S.L.U was merged through absorption with the subsidiary Indra Soluciones Tecnologías de la Información S.L.U (for accounting purposes January 1, 2018).

- In October 2018, the subsidiary Gestión Sexta Avenida, S.A. Unipersonal was merged through absorption with the subsidiary Indra Soluciones Tecnologías de la Información S.L.U. (for accounting purposes January 1, 2018).

- In October 2018 saw the total spin-off of Indra Software Labs, S.L.U into Indra Producción Software, S.L.U. and Indra Soluciones Tecnologicas de la Información, S.L.U.

- On June 29, 2018, the subsidiary Tecnocom Gestión y Servicios A.I.E. was merged through absorption with the subsidiary Indra Corporate Services, S.L.U.

- On April 30, 2018, the subsidiary Indra USA, Inc. proceeded to the dissolution and liquidation of its investee Indra Puerto Rico, Inc.

During the year ended on December 31, 2018, the Group has made the following acquisitions of subsidiaries:

- On August 21, 2018 the company Indra USA, Inc. acquired 100% of the holding company North American Transmission & Distribution Group Inc. for the amount of US$46,000 thousand, this being the parent company of Advanced Control Systems, INC.

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

During the year ended on December 31, 2018, the Group has increased its percentage of ownership in the following subsidiary, in which it already exercised control:

- On April 26, 2018, the Parent Company acquired an additional 30% of Indra Technology South Africa PTY. (LTD) for the amount of US$20 thousand. As a result of this acquisition, the Parent Company now holds 100% of the shares of that Company.

During the year ended December 31, 2017, the Group has made the following acquisitions of subsidiaries:

- On April 18, 2017 the Spanish National Stock Market Commission ('Comisión Nacional del Mercado de Valores') published the result of the takeover bid ('Oferta Pública de Adquisición', OPA) of shares in relation to Tecnocom, Telecomunicaciones y Energía, S.A. (Tecnocom). The offer was accepted by shareholders holding 70,491,565 shares of Tecnocom, which represented 97.21% of the shares to which the offer was addressed (excluding 2,508,974 shares of Tecnocom in treasury stock); this number of shares was equivalent to 93.96% of the share capital of Tecnocom. The consideration for the offer was mixed (consisting in one part to Indra shares and another in cash) and materialized in two phases by means of: (i) the realization of a capital increase through the issuance of 12,173,056 new shares of the Parent Company, with a par value of €0.20 each (€2,435 thousand) and an issue premium of €144,434 thousand; and (ii) the delivery of cash amounting to €179,763 thousand. On May 18, 2017, through the procedure called "squeeze out", 100% of Tecnocom's share capital was achieved, and was formalized as follows: (i) the realization of a capital increase by means of the issuance of 348,807 new shares of the Parent Company, each with a nominal value of €0.20 (€69 thousand) and an issue premium of €3,365 thousand and the delivery of cash amounting to €5,173 thousand.

- On December 15, 2017, the Parent Company acquired 100% of the company Paradigma Digital, S.L. for €59,312 thousand. In addition, the Parent Company has recorded an investment of €30,668 thousand, which is considered the maximum amount to be paid out of the “earn-out agreement”, which grants the right to receive future compensation in addition to the cash consideration already paid, in the event that the company Paradigma Digital, S.L. in the future reaches specific objectives stipulated in the purchase agreement.

During the year ended December 31, 2017, the Group has increased its percentage of ownership in the following subsidiary, in which it already exercised control:

- On April 25, 2017, the Parent Company acquired an additional 30% of the company Indra Technology Solutions Malaysia Sdn. Bhd. amounting to €0 thousand. After this acquisition, its ownership percentage becomes 100%.

There have been no other significant perimeter variations that affect these Consolidated Financial Statements as of the date of their formulation.

2 Basis of Presentation and Comparative Information

The Consolidated Annual Accounts have been prepared by the Parent Company’s directors based on the accounting records of Indra Sistemas, S.A. and of the companies within the Group. The Group’s Consolidated Annual Accounts for the year 2018 have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (EU-IFRSs), that were effective as of December 31, 2018, and with other provisions of the applicable regulatory financial reporting framework, in order to fairly present the consolidated equity and the consolidated financial position of Indra Sistemas, S.A. and Subsidiaries as of December 31, 2018, and the Group’s consolidated financial performance, consolidated cash flows and changes in the consolidated equity for the year ended on that date.

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

The Parent Company’s Directors consider that the Consolidated Annual Accounts for 2018, which were prepared on Friday, March 22, 2019, will be approved by the shareholders at the Annual General Meeting without any changes.

The Consolidated Annual Accounts for the year 2017 were approved by the shareholders at the Annual General Meeting held on Thursday, June 28, 2018.

Presentation criteria and formats

These Consolidated Annual Accounts are presented in euros, with figures rounded off to the nearest thousand (thousands of EUR), as the euro (€) is the Parent Company’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 Annual Accounts in accordance with EU-IFRSs requires the application of significant accounting estimates and that judgments, estimates and assumptions be made when applying the Group's accounting policies. The estimates and assumptions used have been based on experience, good faith, best estimate and other historical factors that make the results reasonable under these circumstances. However, the results could be different if other estimates are used, or if events unforeseen by the Group and others take place. In this regard, following is a summary of the matters that required a greater degree of judgment or complexity, or in relation to which the assumptions and estimates are material for the preparation of the Consolidated Annual Accounts:

- The Group engages mainly in the performance of projects commissioned by customers. The group applies IFRS 15 for the recognition of income. For certain contracts Indra applies the so-called percentage of compleation method for the accounting of sales, as it is the most appropriate method for reflecting the true image. The margin of the contract will be recognized uniformly throughout its life and will maintain the appropriate correlation between income and expenses. The Group's management reviews all contract estimates on an ongoing basis and adjusts them accordingly (see note 16).

- The costs incurred in development projects are capitalized to "Development Expenditure" if it is probable that the projects will generate future economic benefits that will offset the cost of the related asset recognized. 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. The intangible assets are amortized based on their 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 the analysis performed by the corresponding technical departments so that they can be duly accredited (see note 8).

- Each year, the Group carries out the impairment test of goodwill. The determination of the recoverable value of a division to which the goodwill has been assigned implies the use of estimates by the Management. The recoverable amount of the assets is the higher of their fair value less the costs of disposal and their value in use. The Group generally uses discounted cash flow methods to determine these 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 future evolution of the market. 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, the weighted average cost of capital, tax rates and the working capital levels (see note 7).

- The Group estimates the useful life of tangible and intangible assets in order to calculate the amortization of the various components of the fixed assets. The determination of the useful life requires estimates in relation to the expected technological evolution, which requires a significant degree of judgment. 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 recognizes provisions for risks and expenses. The ultimate cost of litigation and contingencies may vary depending on interpretations of regulations, opinions and final evaluations. Any change in these circumstances could have a significant effect on the amounts recorded under the "Provisions for risks and expenses" heading (see note 23).

- Deferred tax assets are recorded for all deductible temporary differences, 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 recorded, 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 36).

- The Group is subject to regulatory and legal processes and government inspections in various jurisdictions. If there is likely to be an obligation at year-end that will result in an outflow of resources, a provision is recognized if the amount can be estimated reliably. Legal processes usually involve complex legal issues and are subject to substantial uncertainties. As a result, Management exercises significant judgment when determining whether the process is likely to result in an outflow of resources and when estimating the amount (see note 23).

- Valuation adjustments arising from customers' insolvencies require a high degree of judgment by Management and a review of individual balances based on customers' creditworthiness, current market trends and historical analysis of insolvencies at aggregate level (see note 16). In application of IFRS 9, a provision is made for the expected loss, based on a series of parameters:

  - Segmentation of the commercial debt by maturity.
  - Large customers and other customers.
  - Debt of projects in countries in accordance with their creditworthiness.

  Also, an analysis of the historical behavior of the debt based on:

  - Impairment ratios on billing.
  - Percentages of aging debt.
  - Impairment ratios on past due debt balances.

- The calculation of provisions for onerous contracts is subject to a high degree of uncertainty. The Group recognizes 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 at the stage of completion (see note 23).

Furthermore, although these estimates have been made on the basis of the best information available at the date of preparation of these Consolidated Annual Accounts, events that take place in the future might make it necessary to change these estimates, which would be applied prospectively, recognizing the effects of the change in estimates in the corresponding future Consolidated Annual Accounts.

Standards and interpretations approved by the European Union that are effective and applicable to the consolidated annual accounts for the year ended on December 31, 2018

The Standards applied for the first time in the Consolidated Annual Accounts for the year ended on December 31, 2018 were as follows:

- **FRS 9 "Financial Instruments"**: this standard has replaced IAS 39 as from the year beginning on January 1, 2018, chiefly modifying three aspects of the previous standard: classification and valuation, impairment of value and accounting for hedges. IFRS 9 has been applied without re- expression of the comparative information for 2017. The main features of the new standard are summarized below:

  - Investments in debt that are kept within a business model whose objective is to obtain contractual cash flows that consist exclusively of principal and interest payments, in general, will be valued at amortized cost. When these debt instruments are kept within a business model whose objective is achieved by obtaining contractual cash flows of principal and interest and the sale of financial assets, in general, they will be measured at fair value with changes in other comprehensive income. All other investments in debt and equity will be measured at their fair value with changes in profit and loss. However, entities may irrevocably choose to feature subsequent changes in the fair value of certain investments in equity instruments in "Other comprehensive income" and, in general, in this case only the dividends will be subsequently recognized in profit or loss.

- With respect to the valuation of the financial liabilities designated optionally in the fair value through profit or loss category, the amount of the change in the fair value of the financial liability that is attributable to changes in the credit risk itself must be presented in the "Other comprehensive income", unless this creates or increases an accounting asymmetry in the result, and will not be subsequently reclassified to the profit and loss account.

- The contractual changes of the financial liabilities that do not determine their removal from the balance sheet should be accounted for as a change in the estimation of contractual liabilities, maintaining the original effective interest rate and adjusting their carrying amount on the date of the modification, recording the difference in the income statement.

- In relation to the impairment of financial assets, IFRS 9 requires the application of a model based on the expected loss, compared to the model of IAS 39 structured on the loss incurred. Under this model, the Group will account for the expected loss, as well as changes in it at each presentation date, to reflect the changes in credit risk from the date of initial recognition. In other words, it is no longer necessary for an impairment event to occur before recognizing a credit loss.

IFRS 9 has provided a greater degree of flexibility in terms of the types of transactions suitable for the application of hedge accounting, specifically by expanding the classes of instruments that meet the criteria for consideration as hedging instruments, and in terms of the classes of risk components of the non-financial items that are suitable for hedge accounting. Furthermore, the effectiveness test has been revised, being replaced by the principle of "economic relationship". The retroactive evaluation of hedge effectiveness is no longer necessary.

Based on an analysis of the Group's financial assets and liabilities as at December 31, 2017, and based on the facts and circumstances existing on that date, Management has carried out a preliminary evaluation of the effect of IFRS 9 on the Consolidated Financial Statements, as indicated below:

Classification and Valuation

There has been no significant impact on its balance sheet or on its equity as a result of the new criteria of IFRS 9 regarding the classification and valuation of Financial Instruments. In particular:

- Accounts receivable at amortized cost, the amounts of which are detailed in Note 9 in the loans and receivables category, are contained within a business model whose objective is to collect the contractual cash flows that are only payments on principal and interest on outstanding principal. As a consequence, these financial assets will continue to be valued at amortized cost in accordance with IFRS 9.

- For investments in debt that have a business model that consists of both the payment on maturity of the principal and interest and the sale of the investments, they will be valued at fair value with changes in other comprehensive income.

- The other investments in debt and equity will be valued at fair value with changes in the income statement, unless it is decided to opt for the voluntary, irrevocable, option to value certain investments in equity at fair value with changes in another global result. In this case, after the deregistration of the investment, the rule does not allow the impact accumulated in another global result to be reclassified to the profit and loss account. The Group has decided to avail itself of this voluntary and irrevocable option.

  The reconciliation of the classification and valuation of financial assets under IAS 39 and IFRS 9 on the date of first application is broken down below:

Type of instrument	Classification as at 31.12.2017 (IAS 39)	Classification as at 01.01.2018 (IFRS 9)
Non-current financial assets		
Non-current financial assets	Assets available for sale	Fair value with changes in another global result
Non-current financial assets	Loans and receivables	Amortized cost
Current financial assets		
Trade and other receivables	Loans and receivables	Amortized cost
Other current financial assets	Loans and receivables	Amortized cost
Derivatives (*)	Financial assets held for trading	Fair value with changes in Results
Cash and other equivalent liquid assets	Loans and receivables	Amortized cost

(*) For derivatives not designated as hedge accounting.

Impairment

Financial assets valued at amortized cost, accounts receivable for finance leases, amounts pending collection from customers and financial guarantee contracts will be subject to the provisions of IFRS 9 regarding impairment.

The entity expects to apply the simplified approach to recognize the expected loss of credit over the life of its trade accounts receivable, its accounts receivable for financial leases and the amounts pending collection from customers resulting from transactions within the scope of IFRS 15.

The amount of the additional allocation required by the application of the new model in the balances of financial assets held as at January 1, 2018 amounted to €29.8 million in Net Equity (after taxes). This provision resulted in a lower amount of the Reserves as at January 1, 2018, due to said value.

Hedge accounting

Given that the new hedge accounting requirements are consistent with the Group's risk management policies, the Group's current hedging relationships have been evaluated and these meet the conditions for their continuity as hedging relationships with the application of IFRS 9.

- **IFRS 15 "Revenue from Ordinary Activities Resulting from Contracts with Customers".** Said standard has replaced the following standards from the year beginning January 1, 2018:
  - IAS 18 Revenue from ordinary operating activities
  - IAS 11 Construction contracts
  - IFRIC 13 Customer loyalty programs
  - IFRIC 15 Agreements for the construction of real estate
  - IFRIC 18 Transfers of assets from customers, and
  - SIC-31 Income-advertising service swaps

According to this standard, revenue must be recognized in such a way that the transfer of goods or services to customers is shown with an amount reflecting the consideration to which the entity expects to be entitled in exchange for those goods or services. This approach is based on five steps:

- Step 1: Identify the contract or contracts with a customer.
- Step 2: Identify the contractual obligations.
- Step 3: Determine the transaction price.
- Step 4: Distribute the transaction price among the contract obligations.
- Step 5: Recognize income when (or as) the entity complies with each of the obligations.

In accordance with IFRS 15, revenue must be recognized when the obligations included in the contract are fulfilled.

The Group has calculated the valuation of the first application of the standard, identifying those projects and services whose Method of Recognition of income must be adjusted to the new regulation as at January 1, 2018. For this, the Group:

1. Has carried out a review of its contracts and has grouped them by type.

2. For each type, it has carried out the corresponding five-step analysis required by IFRS 15, establishing for each type the revenue recognition policy in accordance with that standard.

3. Each contract has then been assigned to one of these types, thus defining the revenue recognition policy to be applied to each contract.

4. In comparison with the income recognition policies that were applied until 2017, the impacts have been calculated.

The effect of the application of IFRS 15 as at January 1, 2018 has been as follows:

- Reduction of “Trade debtors and other accounts receivable” amounting to €215.5 million.
- Reduction of “Non-current financial assets” amounting to €75.4 million.
- Recognition of “Long-term contractual assets” amounting to €66.7 million.
- Recognition of “Inventories and short-term contractual assets” for €179.7 million.
- Reduction of assets for a gross amount of €44.5 million (€33.4 million after taxes), accounting for 1.6% of average sales for the last three years.

All these effects are in keeping with the advanced group estimates in the annual accounts for 2017.

The total effect of the application of the new International Financial Reporting Standards is as follows

	Thousands of EUR			
	31/12/.2017	Reclassification IFRS 15	Reclassification IFRSF 9	01/01/2018 (Restated)
TOTAL NON-CURRENT ASSETS	**1,658,400**	**2,376**	**9,925**	**1,670,701**
Long-term contractual assets		66,659	-	
Long-term Billable Production Debtors		(75,417)	-	
Deferred Tax Assets		11,134	9,925	
TOTAL CURRENT ASSETS	**2,208,188**	**(35,780)**	**(39,701)**	**2,132,707**
Short-term contractual inventories and assets		179,743	-	
Customers for sales and provision of services		-	(39,701)	
Accounts Receivable		(215,523)	-	
TOTAL ASSETS	**3,866,588**	**(33,404)**	**(29,776)**	**3,803,408**
EQUITY	**648,925**	**(33,404)**	**(29,776)**	**585,745**
TOTAL NON-CURRENT LIABILITIES	**1,243,924**			**1,243,924**
TOTAL CURRENT LIABILITIES	**1,973,739**			**1,973,739**
TOTAL LIABILITIES	**3,866,588**	**(33,404)**	**(29,776)**	**3,803,408**

(*) Balance at 01/01/2018 following the adoption of the new standards IFRS 9 and IFRS 15.

There is no material impact on the consolidated income statement, the consolidated cash flow statement or basic and diluted earnings per share.

The following modifications and interpretations have also been adopted by the European Union in 2018 and are effective as at January 1, 2018:

- Modification to IFRS 2: Classification and valuation of share-based payments
- Modification to IAS 40: Reclassification of real estate investments
- Interpretation of IFRIC 22: Transactions and advances in foreign currency
- Modification to IFRS 4: Insurance contracts
- Annual improvements IFRS 2014-2016

The application of these amendments and interpretations has not had a significant effect on the Group's Consolidated Annual Accounts.

Standards and interpretations issued, approved by the European Union, which the Group will adopt as of January 1, 2019 (they have not been adopted in advance):

- **IFRS 16 "Leases"**: swill replace IAS 17 and the current associated interpretations. Its mandatory entry date is for the fiscal years beginning from January 1, 2019 onwards. The main new feature of IFRS 16 is that there will be a single accounting model for lessees, which will include in the balance sheet all the leases (with limited exceptions) with an impact similar to that of the current financial leases. This standard establishes that financial tenants must recognize on the consolidated balance sheet a financial liability for the current value of the payments to be made during the remaining life of the lease and an asset for the right to use the underlying asset, which is valued taking as a reference the amount of the associated liability, to which the initial direct costs incurred are added. In addition, it changes the criteria for the recording of the lease expense, which is recorded as an expense for asset amortization and financial expense due to the updating of the lease liability. As regards the current accounting of the lessor, the standard does not vary substantially and it must continue to classify the lease as operating or financial, depending on the degree of substantial transmission of the risks and advantages inherent to the property.

  In accordance with IFRS 16, the Indra Group has decided to apply the modified retrospective approach, on the basis of which no comparative figures from previous years will be re-expressed.

  The following criteria, policies and estimates have been applied:

  1. A review of the contracts and agreements has been carried out to identify whether the contract contains a lease.

  2. For each contract an analysis has been made of the five steps indicated by the standard for the proper identification of whether the contract contains a lease.

  3. It has been decided not to apply IFRS 16 to short-term leases (maturity less than or equal to 12 months) or in leases in which the underlying asset is of a low value.

  4. For each contract, the standard asks for the application of an interest rate implicit in the leases. For cases in which its determination is not possible, the standard allows applying the incremental interest rate of the loans, which has been used by the company, taking into account the term of the lease and the country for the appropriate initial valuation of the liability.

  5. For each liability an asset has been created for the corresponding right of use, taking into account any amounts which, under IFRS 16, the company should add to its asset value, such as advance payments, decommissioning costs and the initial direct cost.

  6. After the initial analysis, the following impacts are estimated approximately in reference to around 200 contracts affected by IFRS 16: Increase in the approximate non-current assets of between €150,000 thousand and €200,000 thousand under the heading "Assets by right of use", in "Other intangible assets". Increase in current and non-current liabilities estimated between €150,000 thousand and €200,000 thousand, of which €120,000 thousand and €160,000 thousand under the heading "Financial liabilities under non-current leases" and €30,000 thousand and €40,000 thousand under the heading "Financial liabilities under current leases" (both under the heading "Other non-current and current liabilities"). Increase in the EBITDA between €30,000 thousand and €40,000 thousand, increase in the operating profit between €2,000 thousand and €5,000 thousand and decrease in Net profit between €2,000 thousand and €4,000 thousand during the first year of application of said standard.

- **Amendments to IFRS 9 "Characteristics of early cancellation with negative compensation"**, it is permitted to make a valuation at amortized cost of certain prepayable financial assets for an amount lower than the outstanding amount of the principal and the interest on said principal. This amendment will not have significant effects on the Group.

- **IFRIC 23 "Uncertainty regarding the treatment of taxes on earnings"**. These amendments are effective for fiscal years beginning on or after January 1, 2019. They explain how to recognize and measure deferred and current corporate tax assets and liabilities when there is uncertainty about any tax treatment. The interpretation does not apply to taxes or levies that lie outside the scope of IAS 12, nor does it specifically include the requirements related to interest and penalties associated with uncertain tax treatments. The Group does not expect significant impacts due to the adoption of this interpretation.

- **Amendments to IAS 28: "Long-term interests in associates and joint ventures"**. These amendments are effective for fiscal years beginning on or after January 1, 2019. They clarify that IFRS 9 is applicable to investments in long-term interests in associates and joint ventures, but only to those to which the equity procedure is not applied. IAS 28 will continue to apply to investments that apply the equity procedure. The Group does not expect significant impacts due to the adoption of these amendments.

- **Amendments to IAS 19: "Modification, reduction or liquidation of a plan"**. These amendments are effective for fiscal years beginning on or after January 1, 2019. It clarifies how to calculate the cost of the service for the current period and the net interest for the remainder of an annual period when a defined benefit plan is modified, reduced or liquidated. The Group does not expect significant impacts due to the adoption of these amendments.

- **Annual improvements IFRS - 2015-2017 cycle**. These improvements are effective for fiscal years beginning on or after January 1, 2019. Four standards have been amended, the most significant aspects of which are as follows:

Standard	Amendment
IFRS 3 Business Combinations and IFRS 11 Joint Ventures	The amendments to IFRS 3 clarify that when an entity obtains control over a business previously registered as a joint venture, it shall be treated as a business combination conducted in stages. In contrast, the amendments to IFRS 11 clarify that when an entity obtains joint control over a joint venture, which is a business in which it had an interest but does not have joint control, the entity shall not evaluate its previous interest.
IAS 12 Income Taxes	The amendment clarifies that the tax impact of the remuneration of financial instruments classified as equity should be recorded in the income statement.
IAS 23 Interest Cost	The amendments clarify that a loan obtained specifically to finance an asset, and which remains outstanding once the related asset is ready for use or sale, will be considered in determining the capitalization rate for the purpose of activating the interest costs of general financing.

The Group does not expect significant impacts due to the adoption of these improvements

Standards and interpretations issued by the International Financial Reporting Standards (IFRS) Board pending approval by the European Union:

Standards	Effective Date Proposed
EU-IFRS 17 "Insurance Contracts"	Friday, January 1, 2021
Amendments and/or interpretations	**Effective Date Proposed**
“Improvements to IFRS 3: Business Combinations	January 1, 2020
"Amendment to IAS 1 and IAS 8: "Definition of material"	January 1, 2020
"Amendments to references to the IFRS Conceptual Framework"	January 1, 2020

The application of the amendments and revised standards included in the above table will not have any material impact on the consolidated financial statements of the Group; however, they will result in a broader disclosure of information in the consolidated financial statements.

Information comparability

As required by the EU-IFRS, these Consolidated Financial Statements for the year 2018 present the corresponding figures for the previous year for comparative purposes.

Changes in accounting policies

Except for the adaptation of the Group’s accounting policies due to the adoption of the new accounting standards mentioned above, the Group has not changed its accounting criteria with respect to the previous year.

3 Application / Distribution of Profit or Loss

The Board of Directors of the company Indra Sistemas S.A., Parent Company, will propose to its Shareholders’ General Meeting that the benefits thereof amounting to €23,718,070.84 will be applied to compensation losses from previous years.

The proposed application of the profit or loss for the year 2018 in the Group companies has been formulated by their respective Administrators and is pending approval by the corresponding shareholders at the Annual General Meeting.

4 Accounting Policies and Valuation Standards

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

The accounting policies detailed below have been applied consistently in the years presented in these Consolidated Financial Statements.

The most significant of which are the following:

a. Subsidiary Entities and business combinations

Subsidiary entities, including structured entities, are considered to be those over which the Parent Company, directly or indirectly, exercises control. The Parent Company controls a subsidiary when, due to its involvement in it, it is exposed, or has the right, to variable returns and has the ability to influence those returns through the power it exercises over that subsidiary. The Parent Company has the power when it has substantive rights in force that give it the ability to direct the relevant activities. The Parent Company is exposed, or has rights, to variable returns due to its involvement in the subsidiary entity when the returns obtained by such involvement may vary depending on the investee's performance.

A structured entity is one which 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 lines of business are governed through contractual arrangements.

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

Subsidiaries are consolidated using the global integration method, including all their assets, liabilities, revenue, expenses and cash flows in the Consolidated Financial Statements, once the adjustments and eliminations corresponding to the intergroup transactions have been made.

For business combinations, the Group applies the acquisition method.

The acquisition date is one in which the Group obtains control of the acquiree.

The consideration transferred by the business combination is determined at the date of acquisition by the sum of the fair values of the assets delivered, the liabilities incurred or assumed, the equity interests issued and any contingent consideration that depends on future events or compliance with certain conditions in exchange for control of the acquiree.

The consideration transferred excludes any payment that is not part of the exchange for the acquiree. As at January 1, 2010, the costs related to the acquisition are recognized as an expense on an accrual basis.

Contingent liabilities are recognized until their settlement, cancellation or expiration for the greater of the amount initially recognized, less the amounts that must be charged to consolidated results according to the ordinary income valuation rule and the amount resulting from the provision valuation rule.

At the acquisition date, the Group recognizes the acquired assets, the liabilities assumed and any non-controlling interest at fair value. The non-controlling interest in the acquiree is recognized by the amount corresponding to the percentage of ownership interest in the fair value of the net assets acquired. This criterion is only applicable to non-controlling interests which grant current access to the economic benefits and the right to a proportional part of the net assets of the acquired entity in case of liquidation. Otherwise, non-controlling interests are valued at their fair value or value based on market conditions. The liabilities assumed include contingent liabilities insofar as they represent present obligations that arise from past events and their fair value can be measured reliably. In addition, the Group recognizes the assets for indemnification granted by the seller at the same time, and following the same valuation criteria of the item of the acquired business subject to indemnification, considering where applicable the insolvency risk and any contractual limitation on the amount indemnified.

Assets and liabilities assumed are classified and designated for subsequent valuation on the basis of contractual agreements, economic conditions, accounting and operating policies and other conditions existing at the date of acquisition, excepting lease and insurance contracts.

The excess between the consideration given, plus the value assigned to the non-controlling interests, and the net amount of the assets acquired and the liabilities assumed, is recorded as goodwill. Where applicable, any deficit, after evaluating the amount of the consideration given, the value assigned to the non-controlling interests, and the identification and valuation of the net assets acquired, is recognized in profit or loss.

i. Non-Controlling interests

Non-controlling interests are presented in consolidated equity separately from the equity attributed to the shareholders of the Parent Company. Non-controlling interests in the consolidated results for the year (and in the global consolidated results for the year) are also presented separately in the Consolidated Income Statement and in the Consolidated Statement of Comprehensive Income.

The Group's interest and the non-controlling interests in the consolidated results for the year (the total global consolidated result for the year) and in the changes in the net assets of the subsidiaries, after taking into account the adjustments and eliminations derived from the consolidation, are determined based on the ownership interests at the end of the year, without considering the possible exercise or conversion of the potential voting rights, and discounting the effect of dividends, whether agreed or not, of preferred shares with cumulative rights that have been classified in net equity accounts. However, the Group's ownership interest and non-controlling interests are determined considering the eventual exercise of potential voting rights and other derivative financial instruments that, in substance, currently grant access to the economic benefits associated with ownership interests; that is, the right to participate in future dividends and changes in the value of the subsidiaries.

The excess of losses attributable to non-controlling interests generated prior to January 1, 2010, not attributable to them for exceeding the amount of their ownership interest in the assets of the subsidiary, is recorded as a decrease in equity attributable to the shareholders of the Parent Company, except in those cases in which the non-controlling interests have a binding obligation to assume part or all of the losses and have the capacity to make the necessary additional investment. The profits obtained in subsequent years are allocated to the net equity attributable to the shareholders of the Parent Company, until the amount of the losses absorbed in previous accounting periods relating to the non-controlling interests is recovered.

With effect from January 1, 2010, the results and each component of the Other Comprehensive Income are allocated to the equity attributable to the shareholders of the Parent Company and to the non-controlling interests in proportion to their investment, even if this implies a debit balance in respect of the non-controlling interests. The agreements entered into between the Group and the non-controlling interests are recognized as a separate transaction.

Increases and reductions of non-controlling interests in a subsidiary while maintaining control are recognized as transactions with equity instruments. Therefore, there is no new acquisition cost in increases and no results are recognized in reductions, but the difference between the consideration given or received and the book value of the non-controlling interests is recognized in reserves of the investor company, notwithstanding reclassifying the consolidation reserves and reallocating the Other Global Result between the Group and non-controlling interests. In the reduction of the Group's ownership interest in a subsidiary, the non-controlling interests are recognized by their ownership interest in the consolidated net assets, including goodwill.

The Group recognizes the options for the sale of shareholdings in the subsidiaries granted to non-controlling interests on the date of acquisition of a business combination as an acquisition in advance of those interests, by recording a financial liability for the present value of the best estimate of the amount to be paid, which is part of the consideration given.

In subsequent years, the variation of the financial liability, including the financial component, is recognized in results. Discretionary dividends, if any, paid to non-controlling interests up to the exercise date of the options, are recognized as a distribution of results. If the options are not exercised in the end, the transaction is recognized as a sale of shares to minority shareholders.

Instruments with a sale option and with obligations that arise in a settlement, and which meet the conditions to be classified as equity instruments in the separate financial statements of the subsidiaries, are classified as financial liabilities in the Consolidated Annual Accounts and not as non-controlling interests.

ii. Other aspects related to the consolidation of dependent entities

Transactions and balances held with Group companies, and profits or losses which are unrealized have been eliminated in the consolidation process. However, unrealized losses have been considered as an indicator of impairment of the assets transferred.

The accounting policies of the subsidiaries have been adapted to the accounting policies of the group, for transactions and other events that are similar and have occurred in similar circumstances.

The Annual Accounts or financial statements of the subsidiaries used in the consolidation process refer to the same reporting date and the same period as those of the Parent Company.

b. Jointly controlled assets and holdings

Joint agreements are considered to be those in which there is a statutory or contractual agreement to share control over an economic activity, such that strategic decisions, both financial and operational, related to that activity require the unanimous consent of the Company and the rest of the participants.

For jointly controlled assets and holdings, the Group recognizes in the annual accounts the assets under its control, the liabilities it has incurred, the proportional part of the jointly controlled assets, and the liabilities incurred jointly, based on its percentage of ownership interest; as well as that part of the income obtained from the sale of goods or the provision of services and the expenses incurred by virtue of the joint agreement. Likewise, the statement of changes in equity and the statement of cash flows also includes the proportion relating to the Group by virtue of the agreements reached.

Transactions, balances, income, expenses and reciprocal cash flows have been eliminated in proportion to the ownership interest maintained by the Group in the joint agreements.

Unrealized profits or losses on non-monetary contributions or transactions coming down with joint agreements from the Group are recorded based on the substance of the transactions. In this sense, where the transmitted assets are maintained in the joint agreements and the Group has transmitted the significant risks and benefits inherent in the ownership thereof, only the proportional part of the profits or losses corresponding to the rest of participants is recognized. Likewise, unrealized losses are not eliminated to the extent that they constitute evidence of impairment of the asset transferred.

The profits or losses of transactions between the joint agreements and the Group are recorded only to the extent of the proportion thereof which applies to the rest of the participants, applying the same recognition criteria in the case of losses described in the previous paragraph.

The Group has proceeded to make the necessary adjustments to the value and time necessary to integrate the joint agreements in the annual accounts.

The information related to jointly controlled economic activities which are Temporary Business Associations (TBAs) is presented in Appendix ll.

i. Joint operations

In joint operations, the Group recognizes in the Consolidated Annual Accounts its assets, including its ownership interest in the assets controlled jointly; its liabilities, including its share of the liabilities it has incurred jointly with the other operators; the income obtained from the sale of its part of the production derived from the joint operation, its expenses, including the part that corresponds to the joint expenses.

In the sale or contribution transactions of the Group to joint operations, only the results corresponding to the ownership interest of the other operators are recognized; unless the losses show a reduction or impairment of the value of the transferred assets, in which case, these are recognized in their entirety.

In the purchase transactions of the Group from joint operations, the results are only recognized when the assets acquired are sold to third parties, unless the losses show a reduction or impairment of the assets acquired, in which case the Group fully recognizes the proportional part of the losses that relate to it.

The acquisition by the Group of an initial and a subsequent participation in a joint operation is recognized by applying the criteria developed for the business combinations in accordance with the percentage of ownership interest it has in the individual assets and liabilities. However, in the event of a subsequent acquisition of an additional interest in a joint operation, the prior ownership interest in the individual assets and liabilities is not subject to revaluation.

c. Investments accounted for under the equity method

Associate entities are considered to be those over which the Group directly or indirectly exercises significant influence. Significant influence is the power to intervene in decisions relating to the financial and operational policy of an entity, without necessarily having control or joint control over it. In evaluating whether significant influence exists, the potential voting rights exercisable or convertible at the closing date of each financial year are considered, as well as the potential voting rights owned by the Group or by another entity.

Investments in associates are recorded using the equity method with effect from the date on which significant influence is exercised until the date on which the Group can no longer justify the existence of that influence.

The Group’s share in the profits or losses of the associates obtained with effect from the acquisition date is recorded as an increase or decrease in the value of the investments, with a credit or debit under the heading “Result of companies valued using the equity method” of the Consolidated Income Statement.

d. Intangible Assets

i. Goodwill

Goodwill (see note 7) arising from business combinations effected as of the transition date (January 1, 2004), is valued initially at an amount equivalent to the difference between the cost of the business combination and the Group’s share of the net fair value of the assets acquired, and the liabilities and contingent liabilities assumed by the acquired subsidiary or joint venture.

Goodwill is not amortized. However, its possible impairment is checked annually, or as soon as there are indications of a potential loss of the value. For this purpose, goodwill arising from the business combination is assigned to each of the cash generating units (CGUs) which are expected to benefit from the synergies of the combination and the criteria referred to in section g) of this note are applied. After the initial recognition, goodwill is valued at cost less accumulated impairment losses.

Any impairment loss to goodwill recognized is not reversed in subsequent years.

ii. Other intangible assets

Intangible assets are recorded at their cost of acquisition or production. Any diminution in value is adjusted annually as described in section g) of this note. The assets included in this section are the following:

- Development Expenditure: They include the direct costs incurred in specific developments analyzed by project.

  Expenses related to research, development and innovation projects (R + D + i) are recorded directly in the Consolidated Income Statement for the corresponding period, except in the case of costs incurred in development projects, which are capitalized in the “Development Expenses “account, when the following conditions are met:

  - The expenditure attributed to the project can be reliably measured.
  - The allocation, imputation and time distribution of the project costs are clearly established.
  - There are well-founded reasons for technical success in the realization of the project, both in the case of direct operation, and for the sale to a third party of the result of the project once completed, in the case of an existing market.
  - The economic-commercial profitability of the project is reasonably foreseeable.
  - Funding for completion of the project, and the availability of adequate technical or other resources to complete the project, and to use or sell the intangible asset are reasonably assured.
  - There exists an intention to complete the intangible asset, in order to use it or sell it.

  Development costs are only capitalized when there is certainty that future income will be generated which will offset the cost capitalized under that project.

  In the case of development projects, the Group carries out the corresponding impairment analysis, in case it is necessary to make valuation adjustments. If they meet the definition of development expenditure assets, development expenses are recorded directly in this category. When complete, they are transferred to computer applications and their amortization begins.

  The amortization of the development expenses (which are transferred to computer applications) begins when the asset is available for use; once the development process has been completed and the tests and quality controls applicable in each case have been passed.

- Computer applications/Software: The amounts paid for the acquisition of the property or right to use computer programs, as well as the costs corresponding to programs prepared by the Group, are activated when said programs contribute to the generation of the Group's income.

  In no case do the amounts capitalized include the costs derived from the modification or modernization of the programs that are operative in the Group, nor those corresponding to works carried out by other companies for the revision, consultancy or training of the personnel for the implementation of those programs.

  Computer applications from business combinations are recorded at the fair value of the identifiable asset acquired on the date of exchange.

  The cost of the completed development projects which are transferred to computer applications is charged to results through the depreciation account, by applying a depreciation amount based on the estimated useful life.

- Industrial Property: Industrial property is presented at the acquisition value, and is amortized over the period of exploitation of the rights that give rise to the possession of the industrial property.

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

- Contractual relationships: Contractual relationships include the portfolio of customer relationships resulting from business combinations. Contractual relationships are amortized through a charge to the consolidated statement of comprehensive income in a linear manner over their useful life, which ranges between 9 and 10 years. Tests are performed on the impairment in order to adjust the book value to achieve the committed objectives.

Useful life and amortizations: The Group evaluates for each acquired intangible asset whether the useful life is finite or indefinite. For these purposes, it is understood that an intangible asset has an indefinite useful life when there is no foreseeable limit to the period during which it will generate cash inflows.

Amortization of intangible assets with finite useful lives is carried out by allocating the depreciable amount systematically over its useful life, applying the following criteria:

	Amortization Method	Years of Estimated Useful Life
Industrial Property	Straight-Line	10 years
Computer software	Straight-Line	1 to 10 years
Contractual Relations	Straight-Line	9 to 10 years

For this purpose, the depreciable amount is defined as the purchase cost less its residual value.

The Group reviews the useful life and amortization method of intangible assets at the end of each year. Changes to criteria established initially are recognized as changes in estimates.

The Group does not have any assets with residual value.

Intangible assets with indefinite useful lives are not amortized, but any value impairment is checked annually, or sooner if there are indications of a potential loss of value.

e. Property, plant and equipment

The items of Property, plant and equipment are valued at cost less accumulated depreciation and the accumulated amount of losses due to impairment. Expansion, modernization and improvement costs, which lead to increased productivity, capacity or efficiency, or an increase in the useful life of the assets, are capitalized. On the other hand, maintenance and repair expenses are recorded in the Consolidated Income Statement at the time they are incurred.

Amortization of Property, plant and equipment is carried out based on cost values, or values assigned by independent third parties, following the straight-line method during the following estimated average life periods:

	Years of useful life
Construction assets	50
Technical installations and machinery, and other installations	10
Furniture	10
Information processing equipment	4
Transport equipment	7
Other Property, plant and equipment	10

The Group reviews the useful life and depreciation method of Property, plant and equipment at the end of each year. Changes to criteria established initially are recognized as changes in estimates.

f. Property investments

Real estate investments include the values of land, buildings and other buildings that are well maintained, and which are to be operated on a rental basis, or to obtain a surplus value on sale as a result of the increases that may occur in the future in their respective market prices.

These assets are valued in accordance with the criteria indicated in section e), relating to Property, plant and equipment.

g. Impairment of non-financial assets subject to amortization or depreciation

The Group follows the criterion of evaluating the existence of indications that could reveal the potential impairment of non-financial assets subject to amortization or depreciation, in order to verify whether the book value of the aforementioned assets exceeds their recoverable value.

Likewise, and regardless of the existence of any indication of impairment, the Group checks at least once a year for any potential impairment in the value of goodwill, of intangible assets with indefinite useful life, as well as intangible assets that are not yet available for use.

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

The determination of value in use is carried out based on the expected future cash flows derived from the use of the asset, the expectations about possible changes in the amount or timing of those flows, the time value of money, the price for carrying the uncertainty related to the asset, and other factors that market participants would consider in the valuation of future cash flows associated with the asset.

The negative differences resulting from the comparison of the book values of the assets with their recoverable values are recognized in the results.

The recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows largely independently of other assets or groups of assets. If this is the case, the recoverable amount is determined for the Cash Generating Unit (CGU) to which it belongs.

In the current period the Group uses the detailed calculations made in a previous year of the recoverable amount of a CGU which incorporates an intangible fixed asset with indefinite useful life or goodwill, provided always that the following requirements are met:

a. the assets that make up that unit have not changed significantly since the calculation of the most recent recoverable amount;

b. the calculation of the most recent recoverable amount resulted in an amount that exceeded the carrying amount in the accounts of the unit by a significant margin; and

c. based on an analysis of the events that have occurred and the circumstances that have changed since the most recent calculation of the recoverable amount was made, the probability that the determination of the current recoverable amount is less than the current carrying amount of the unit, is remote.

If there are indications of impairment in a CGU to which it has not been possible to allocate goodwill, the Group first verifies the impairment of the CGU excluding goodwill and recognizes, where appropriate, the impairment loss at the CGU level. The Group then verifies the impairment at the level of the CGU group to which the goodwill has been allocated, and recognizes, where appropriate, the impairment loss at the level of the CGU group.

When verifying the impairment of a CGU, the Group identifies the common assets related to it. If a part of the common assets can be reasonably and consistently allocated to the CGU, the Group compares the book value of the CGU, including the common assets, with the recoverable amount and recognizes, where appropriate, the impairment loss value at the level of the CGU. If the Group cannot allocate a portion of the common assets in a reasonable and consistent manner to the CGU, the Group compares the carrying amount of the unit, without the common assets, with the recoverable amount and recognizes, where appropriate, the impairment loss at the CGU level. The Group then identifies the smallest group of CGUs to which the book value of common assets can be allocated reasonably and consistently, and compares the book value of the group of CGUs, including common assets, with the recoverable amount and recognizes, where appropriate, the impairment loss at the level of the CGU group.

The losses related to the CGU impairment initially reduce, where applicable, the value of the goodwill allocated to it, and then to the other assets of the CGU, prorating according to the book value of each of the assets, with the limit for each of them being the greater of their fair value less the costs of disposal or disposition by other means, their value in use, and zero.

The Company assesses at each reporting date whether there is any indication that an impairment loss recognized in prior years no longer exists or may have decreased. Impairment losses relating to goodwill are not reversible. Impairment losses on other assets are reversed if there has been a change in the estimates used to determine the recoverable amount.

The reversal of the impairment loss is recorded with a credit to income. However, the reversal of the loss cannot increase the carrying amount of the asset above the carrying amount that it would have had, after taking account of amortization, if the impairment had not been recorded.

The amount of the reversal of a loss of value of a CGU is distributed between its non-current assets, excepting goodwill, prorated according to the book value of the assets, with a limit per asset of the lower of its recoverable value and the book value that would have had, after taking account of amortization, if the loss had not been recorded.

h. Financial leases

Leases in which the Group assumes substantially all the risks and benefits inherent to ownership of the leased asset are classified as finance leases. At the beginning of the financial lease, the Group recognizes an asset and a liability for the lesser of the fair value of the leased asset and the present value of the minimum lease payments. Financial expenses are charged to the Consolidated Income Statement by applying the effective interest rate method.

Other leases are operating leases, under which the assets leased are not recognized in the Consolidated Statement of Financial Position. Instalments are recognized as expense on a straight-line basis over the term of the lease.

Contingent lease payments are recorded as an expense when it is probable that they will be incurred.

i. Financial instruments

As mentioned in note 2, this is the first year in which the company has drawn up its financial statements in accordance with IFRS 9. This standard replaced IAS 39 as from the year beginning on January 1, 2018, chiefly modifying three aspects of the previous standard: classification and valuation, impairment and accounting for hedges.

I. Financial Assets

Classification

The classification depends on the valuation category that is determined upon the basis of the business model and the characteristics of the contractual cash flows and only reclassifies the financial assets when the business model to manage said assets changes.

The Group classifies its financial assets in the following categories:

a. at fair value with changes in equity,
b. at fair value with changes in results, and
c. at amortized cost

The financial instruments are classified at the time of their initial recognition as a financial asset, in accordance with the economic fund of the contractual agreement and with the definitions of financial asset, financial liability and equity instrument used in IAS 32 “Financial Instruments: Presentation”.

Valuation

The income from interest on financial assets at fair value through changes in profit or loss is recognized in the income statement as part of other income when the Group’s right to receive collections is established.

In accordance with the provisions of note 9, the company has divided its financial assets into the following categories:

a. Equity instruments

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

After initial recognition, financial assets classified in this category are valued at fair value, recognizing the loss or gain in Other Comprehensive Income. The amounts recognized in Other Comprehensive Income are recognized in profit or loss at the time of the derecognition of the financial assets and if appropriate the impairment loss.

Investments in equity instruments for which fair value cannot be estimated reliably, and the derivative instruments that are linked to them and that must be settled by delivery of such unquoted equity instruments, are valued at cost. However, if the Group can obtain a reliable valuation of the financial asset at any time, it is recognized at that time at fair value, recording subsequent profits or losses against equity accounts.

For investments in equity instruments valued at cost, the Group recognizes the corresponding income only to the extent that reserves resulting from profits arising after the acquisition are distributed. Dividends received in excess of such earnings are considered to be a recovery of the investment amount and are therefore recognized as a reduction of the book value of that investment.

b. Debt instruments

La medición posterior de los instrumentos de deuda depende del modelo de negocio del Grupo para administrar el activo y las características del flujo de efectivo del activo. Hay tres categorías de medición en las que el Grupo clasifica sus instrumentos de deuda:

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

  After initial recognition, these receivable balances are valued at amortized cost using the effective interest rate, provided they have a fixed term of maturity of more than 1 year.

- Fair value with changes in other comprehensive income: the assets held for the collection of contractual cash flows and the sale of financial assets, when the cash flows of the assets represent only payments of principal and interest, are measured at fair value with changes in other comprehensive income. The movements in book value are taken through other comprehensive income, except for the recognition of impairment profits or losses, interest income and exchange gains and losses, which are recognized as profits and losses. When the financial asset is written off in accounts, the accumulated profit or loss previously recognized in other comprehensive income is reclassified from profit and loss equity and recognized under the “Other Financial Income/loss” heading”.

- Fair value with changes in results: assets that do not meet the criteria of amortized cost or fair value with changes in other comprehensive income are measured at fair value with changes in results. A profit or loss in debt instruments that are subsequently measured at fair value with changes in results is recognized in profit and loss and is presented net under the “Other Financial Income/loss” heading in the period in which it arises.

Impairment

Financial assets valued at amortized cost, accounts receivable for finance leases, amounts pending collection from customers and financial guarantee contracts will be subject to the provisions of IFRS 9 regarding impairment.

The entity expects to apply the simplified approach to recognize the expected loss of credit over the life of its trade accounts receivable, its accounts receivable for financial leases and the amounts pending collection from customers resulting from transactions within the scope of IFRS 15.

The amount of the additional allocation required by the application of the new model to the balances of financial assets held as at January 1, 2018 amounts to €39.7 million, without considering the tax effect. This provision resulted in a lower amount of the Reserves as at January 1, 2018, totaling €29.8 million.

This approach was taken upon the basis of the following methodology:

- Segmentation of the commercial debt by maturity and of the "Billable Production Debtors," distinguishing between:

    1. Large Customers, a collective that accounts for approximately €385 million.
    2. Debt of projects of countries with creditworthiness at investment grade to countries and other countries.

- Analysis of historical debt behavior. Based on:

    1. Impairment ratios on billing.
    2. Percentages of aging debt.
    3. Impairment ratios on past due debt balances.

- Application of a "Rate of provision for expected credit loss" to the two preceding points.

Derecognitions

The Group applies the criteria for derecognizing financial assets to a part of a financial asset or to a part of a group of similar financial assets or to a financial asset or a group of similar financial assets.

Financial assets are derecognized when the rights to receive the related cash flows have expired or have been transferred, and the Company has substantially transferred the risks and rewards inherent to ownership. Likewise, the derecognition of financial assets in the circumstances in which the Group retains the contractual rights to receive the cash flows only occurs when contractual obligations have been assumed which determine the payment of such cash flows to one or more recipients and the following requirements are complied with:

- The payment of cash flows is subject to prior collection;

- The Group cannot proceed with a sale or pledge of the financial asset; and

- The cash flows collected on behalf of the eventual recipients are sent without any significant delay, and the Group is unable to reinvest the cash flows. Exceptions to the application of this criterion are investments in cash or cash equivalents made by the Group during the settlement period between the date of collection and the date of remittance agreed with the eventual recipients, provided that the accrued interest is attributed to the eventual recipients.

In transactions recording the derecognition of a financial asset in its entirety, the relevant financial assets or financial liabilities, including liabilities incurred for management services, are recorded at fair value.

In transactions in which the partial derecognition of a financial asset is recorded, the book value of the complete financial asset is assigned to the sold part and to the maintained part, including assets corresponding to the administration services, in proportion to the fair value of each of them.

The full derecognition of a financial asset entails recognition in the company's Other Comprehensive Income of the profit or loss resulting from the difference between its book value and the sum of the consideration received, net of transaction costs, including assets obtained or liabilities assumed, and any deferred loss or gain.

The criteria for recognizing the derecognition of financial assets in operations in which the Group neither transfers nor substantially retains the risks and benefits inherent to its ownership are based on the analysis of the degree of control maintained. In this way:

- If the Group has not retained control, it derecognizes the financial asset and recognizes any rights and obligations created or retained in the transfer separately as assets or liabilities.

- If control has been retained, it continues to recognize the financial asset due to the Group's ongoing commitment thereto and records an associated liability. The continuous commitment to the financial asset is determined by the amount of its exposure to changes in value in that asset. The asset and the associated liability is valued in accordance with the rights and obligations which the Group has recognized. The associated liability is recognized in such a way that the book value of the asset and the associated liability is equal to the amortized cost of the rights and obligations retained by the Group, when the asset is valued at amortized cost or at the fair value of the rights and obligations kept by the Group, if the asset is valued at fair value. The Group continues to recognize the income derived from the asset to the extent of its continuing commitment and the expenses derived from the associated liability. Changes in the fair value of the asset and of the associated liability are recognized consistently in results or in equity, following the general recognition criteria set forth above and should not be offset.

Transactions in which the Group substantially retains all the risks and benefits inherent to the ownership of a financial asset are recorded through recognition in liabilities of the consideration received.

II. Financial liabilities

Classification

The accounting of the Group's financial liabilities is not significantly affected with respect to the provisions of IAS 39.

The Group classifies its financial liabilities in the following categories:

a. at amortized cost,
b. at fair value with changes in results,

Financial liabilities, including trade creditors and other accounts payable that are not classified at fair value with changes in results, are initially recognized at fair value less the transaction costs directly attributable to their issue. After initial recognition, liabilities classified under this category are measured at amortized cost using the effective interest rate.

Valuation

In accordance with the provisions of note 9, the company has divided its financial liabilities into the following categories:

a. Financial liabilities at amortized cost

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

   After initial recognition, these receivable balances are valued at amortized cost using the effective interest rate, provided they have a fixed term of maturity of more than 1 year.

   In addition, the financial debt is initially recognized at fair value, net of the transaction costs incurred. The financial debts are subsequently valued at amortized cost. Any difference between the income obtained (net of the transaction costs) and the reimbursement value is recognized in results over the life of the debt in accordance with the effective interest rate method.

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

   If it is an issue of compound financial instruments with components of liabilities and equity, the Parent Company determines the equity component by determining the residual amount that is obtained by deducting the amount of the liability component including any derivative financial instrument from the fair value of the instrument as a whole. The liability component is valued at the fair value of a similar instrument that does not involve the equity component. Transaction costs related to the issue of compound financial instruments are allocated based on the relative book value of each of the components at the time of classification.

   The Company has contracted confirming operations to manage payments to suppliers with several financial entities. Commercial liabilities where settlement is managed by financial institutions are shown under the heading “Trade creditors and other payables” in the balance sheet up to the date of their settlement, cancellation or expiry.

   Income received from financial institutions in consideration for the transfer of business for the acquisition of invoices or payment documents to customers is recognized when accrued in the profit and loss account.

   In addition, debts owed to financial institutions as a result of the assignment of commercial liabilities are recognized as commercial debts advanced by credit institutions under the heading of “commercial creditors and other accounts payable” in the balance sheet.

b. Financial liabilities at fair value with changes in results

   These are liabilities that are acquired for the purpose of selling them in the short term. Derivatives are considered in this category unless they are designated as hedging instruments. These financial liabilities are valued, both initially and in subsequent valuations, at their fair value, allocating the changes that occur in said value in the profit and loss account for that year.

Derecognitions

A financial liability, or a part of it, is derecognized when the Group either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

The exchange of debt instruments between the Group and the counterparty or significant changes to the initially recognized liabilities shall be 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 conditions.

The Group takes into account 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 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

The Group recognizes the difference between the book value of the financial liability or a portion of it that is canceled or transferred to a third party, and the consideration paid, including any transferred assets other than cash or liability assumed in profit or loss.

III. Offsetting principles

Financial assets and financial liabilities are offset only when the Company has the legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

IV. Coverage

IFRS 9 has provided a greater degree of flexibility in terms of the types of transactions suitable for the application of hedge accounting, specifically by expanding the classes of instruments that meet the criteria for consideration as hedging instruments, and in terms of the classes of risk components of the non- financial items that are suitable for hedge accounting. Furthermore, the effectiveness test has been revised, being replaced by the principle of “economic relationship”. The retroactive evaluation of hedge effectiveness is no longer necessary.

Derivative financial instruments which comply with the hedge accounting criteria are initially recognized at their fair value, plus the transaction costs that are directly attributable to their contracting, if applicable, or minus the transaction costs that are directly attributable to the issuance thereof. However, transaction costs are subsequently recognized in profit or loss, to the extent that they are not part of the effective hedge variation. Those that do not comply are classified and valued as financial assets or liabilities at fair value through profit or loss.

The Group records exchange rate risk hedging of firm commitments as a cash flow hedge.

At the inception of the hedge, the Group formally designates and documents hedge relationships, as well as its hedging objective and strategy. The accounting of the hedging operations only applies when the hedging is expected to be highly effective at its beginning and in the subsequent years, in order to offset the changes in fair value or cash flows attributable to the hedged risk during the period for which it has been designated (prospective analysis).

Likewise, in cash flow hedging of forecast transactions, the Group assesses whether such transactions are highly probable, and whether they present an exposure to cash flow variations, which could ultimately affect the profit/loss for the year.

The Group has entered into forward foreign exchange purchase/sale contracts. These insurance contracts are considered to be derivative financial instruments that meet the conditions to be considered hedging instruments.

The portion of the changes in the fair value of the derivatives that are effective is directly accounted for, net of taxes, through the equity until the committed or anticipated transaction occurs, at which time they will be reclassified to the consolidated statement of comprehensive income. The portion deemed ineffective is directly recognized in the consolidated statement of comprehensive income under the “Financial Income/loss” heading.

The fair value of currency forwards is calculated by the exchange rate of each currency at the end of each accounting period (hierarchy level 2).

Given that the new hedge accounting requirements are consistent with the Group’s risk management policies, the Group’s current hedging relationships have been evaluated and they meet the conditions for their continuity as hedging relationships with the application of IFRS 9.

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

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement is made based on the premise that the transaction is taking place within the main market, that is, the market with the highest asset or liability volume or activity. In the absence of a main market, the transaction is assumed to be carried out in the most advantageous market, that is, the market that maximizes the amount received for selling the asset or minimizes the amount payable to transfer the liability.

The fair value of an asset or a liability is determined 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, they are informed and can enter into a transaction for the asset or liability, and they are motivated but not forced or otherwise compelled to do so.

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

- Level 1: the fair value is calculated by taking into account prices quoted for identical assets and liabilities in active markets.

- Level 2: the fair value is calculated by taking into account variables other than the quoted prices included in Level 1 that are directly or indirectly observable in the market for the asset or liability. The methods and assumptions used to determine the fair values for this Level by asset or liability type take into account the allowance for future cash flows discounted at the present time with the zero coupon interest rate curves of each currency on the last business day of each reporting period, and this amount is converted into euros at the exchange rate in effect on the last business day of each period end. All the measurements described are made through internal tools.

- Level 3: the fair value is calculated by taking into consideration any variables related to the asset or liability that are not based on observable market data. For the fair value measurement of assets and liabilities, the Indra Group uses valuation techniques appropriate for the circumstances and for which sufficient data is available to calculate the fair value, maximizing the use of relevant observable variables and minimizing the use of unobservable variables.

The fair values of different derivative financial instruments are calculated through the following procedures:

- Derivatives quoted in an organized market are measured at their year-end price.

- In the case of derivatives not quoted in organized markets, the Indra Group calculates the fair value of the financial derivatives by taking into account observable market variables, estimating the future cash flows discounted at the present time with the zero coupon interest rate curves of each currency on the last business day of each closure; this amount is converted into euros at the exchange rate in effect on the last business day of each closure. These measurements are made through internal tools. Once the gross market value is obtained, a “Debt Valuation Adjustment (DVA)” is made for own credit risk, and a “Credit Valuation Adjustment (CVA)” for the counterparty risk. The “Credit Valuation Adjustment (CVA)” / “Debt Valuation Adjustment (DVA)” is measured based on the future potential exposure of the instrument (creditor or debtor position), the counterparty risk profile and Indra Group’s own risk profile. During the 2018 and 2017 years, the value of the adjustments made for the counterparty risk “Credit Valuation Adjustment (CVA)” and for own credit risk “Debt Valuation Adjustment (DVA)” have not been significant.

In real estate, the fair values of non-financial assets and liabilities are determined in accordance with the appraisals made by independent experts, and are based on the available market prices for the rest of assets and liabilities, or through the discounting of future cash flows if a market cannot be identified.

Financial instruments are classified at the time of their initial recognition as financial assets, financial liabilities or an equity instrument, in accordance with the economic substance of the contractual agreement, and the definitions of financial assets, financial liability or equity instrument set out in IAS 32 “Financial Instruments: Presentation”.

j. Treasury Shares of the Parent Company

The acquisition of the Parent Company’s equity instruments by the Group is presented separately at acquisition cost as a reduction in equity in the Consolidated Statement of Financial Position, regardless of the reason that justified the acquisition. No profit or loss is recognized in transactions with equity instruments.

Subsequent amortization of the Parent Company’s instruments results in a capital reduction in the amount of the par value of the shares, and the positive or negative difference between the acquisition price and the par value of the shares is charged or credited to the reserve accounts.

Transaction costs related to own equity instruments, including the issuance costs related to a business combination, are recorded as a reduction in net worth, once any tax effects are taken into account.

k. Non-current assets and disposal groups of items held for sale

The Group classifies a non-current asset or a disposal group as held for sale when it has made the decision to sell it, which is estimated to be carried out within the next twelve months.

These assets or disposal groups are valued at their book value or their fair value minus the costs needed for sale, whichever is lower.

Assets classified as non-current and held for sale are not amortized, but at each reporting date, the corresponding value adjustments are made so that the book value does not exceed fair value less sales costs.

The revenues and expenses generated by non-current assets and disposable groups of items held for sale that do not qualify as discontinued operations are recognized under the relevant profit and loss account heading.

l. Inventories

Inventories are initially measured at acquisition or production cost. The cost of inventories is based on the FIFO method. Ongoing projects include the direct costs of labor, materials and other services acquired for projects. The direct acquisition of the materials or services needed for the project is valued at its acquisition cost, and labor at the standard cost, which does not significantly differ from the actual cost.

The cost value of the inventories is subject to value correction in cases where its cost exceeds its net realizable value. For these purposes, the net realizable value is understood as:

- For raw materials, their replacement price. The Parent Company does not recognize valuation adjustments in cases where it is expected that the finished products, into which raw materials and other supplies have been incorporated, are to be sold for a value equivalent to the production cost or above it.
- For goods and merchandise, their estimated selling price less costs required for sale.
- For ongoing projects, the corresponding estimated sales price, less the estimated costs to complete their production and sales-related costs.

The previously recognized valuation adjustments are reversed in the profit and loss account, if the circumstances which caused the decrease in value no longer exist or when there is clear evidence of an increase in the net realizable value as a result of a change in economic circumstances. The limit for the reversal of the valuation adjustment is the lower of cost and the new net realizable value of the inventories.

Valuation adjustments and reversals for inventory impairment are recorded under the headings “Changes in inventories of finished goods and those in progress”, depending on the type of inventory.

In addition, the Group records contractual assets, namely costs for work in progress whose performance obligations are pending compliance in accordance with the new income recognition standard (see note 4v).

m. Cash and other cash equivalents

Cash and other equivalent liquid assets include cash in hand and sight deposit accounts at credit institutions. This also includes highly liquid short-term investments, provided that they are easily convertible into determinable amounts of cash and are subject to an immaterial risk of change in value. For these purposes, investments maturing in less than three months after the acquisition date are included.

n. Government Grants

The non-refundable subsidies the Group received for the financing of research and development expenses are recorded at the lower of the asset value related to the subsidy and are recognized as revenue in the Consolidated Income Statement as the projects launched are amortized as other intangible assets.

Financial liabilities incorporating implicit aid in the form of below-market interest rates are initially recognized at fair value. The difference between this value, adjusted by the financial liability issuance costs where appropriate, and the amount received, is recorded as government grants according to the type of the grant awarded.

o. Provisions and Contingencies

Provisions are recognized when the Group has a present liability, whether legal or implicit, as a result of a past event; it is probable that there may be an outflow of resources incorporating future economic rewards to cancel this liability, and the liability amount can be calculated in a reliable manner.

Present obligations at the closing date, which arise as a result of past events from which equity damages to the Group may derive, whose settlement amount and time are undetermined, are recorded under liabilities in the Consolidated Statement of Financial Position, as provisions for risks and expenses for the present value of the most probable amount estimated that the Group will have to pay to settle the obligation.

The provision amounts are determined by taking into account the best information available on the consequences of the event that produces them, at each balance sheet date.

The amounts recognized in the Consolidated Statement of Financial Position are the best estimate of the payments required to settle the present obligation at the year end date, taking into account the risks and uncertainties related to the provision and, where material, the financial effect of discounting, provided that the payments that will be made in each period can be determined reliably. The pre-tax discount rate is determined by taking the time value of money into account, as well as the specific risks that have not been considered in future flows related to the provision at each year end date.

Isolated obligations are valued by the individual most likely outcome. If the obligation involves an important population of homogeneous items, it is valued by weighing the possible outcomes by their probabilities. If there is a continuous range of possible outcomes and each point in that range is as likely as the rest, the obligation is valued based on the average amount.

The financial effect of provisions is recognized as financial expenses under profit or loss.

The provisions do not include the tax effect, nor gains expected from the disposal of assets.

Provisions are reversed against the profit and loss account, when it is not likely that there is an outflow of resources to settle the obligation. The reversal is made against the profit or loss statement in which the corresponding expense was recorded, and any excess is recognized under the item other income.

i. Provisions for restructuring

Provisions related to restructuring processes are recognized when the Group has a constructive obligation due to the existence of a detailed formal plan, and when valid expectations are generated in those affected that the process will be carried out, either by starting to implement the plan or having announced its main characteristics. Restructuring provisions only include restructuring-related disbursements that are not associated with the Group's ongoing activities.

ii. Provisions for onerous contracts

The provision amount for onerous contracts is determined based on the present value of the unavoidable costs, which are calculated as the lowest of the costs to be incurred in relation to the contract, net of any income that could be obtained and the costs of non-compliance-related compensations or penalties.

iii. Provisions for trade transactions

These include the estimated expense amount for carrying out the repair or revision works for projects delivered during the warranty period.

iv. Contingent liabilities

Contingent liabilities are considered to be potential obligations arising from past events that depend on the occurrence of future events beyond the control of the Group and those current obligations arising from past events, for which it is not likely that there will be an outflow of resources for their settlement or that they cannot be reliably measured. These liabilities are not recognized in the accounts and are outlined in the annual report.

p. Termination benefits

Except in cases of justified causes, under current labor regulations, companies are obliged to make severance payments to employees with whom they have terminated their working relationship under specific conditions. The Group records the indemnities payable at the time when the employment termination decision is approved and communicated to the affected parties.

q. R & D loans

R & D loans are granted as aids for R & D activities of the Group with a repayment period of generally over five years and an explicit interest rate of zero.

They are initially recognized under liabilities in the Consolidated Statement of Financial Position at the present value of future cash flows, adjusted at the market interest rate, taking the difference with the face value as the least amount of the accrued expense, therefore considering it an operating subsidy, if the expense has occurred, or as a capital subsidy if the expense has neither occurred nor been activated.

In subsequent periods, the loan adjustment is accounted for under financial expenses or income.

r. Classification of assets and liabilities

Asset and liability balances are presented in the Consolidated Statement of Financial Position classified as per the following criteria in terms of maturity:

- Non-current: debts maturing more than twelve months after the date of the Statement of Financial Position, this being the normal operating course of the Group, and assets that are not expected to be realized, sold or consumed within this period.

- Current: assets projected to be realized, sold or consumed within the normal operating course of the Group and liabilities maturing in less than twelve months from the date of the Statement of Financial Position.

s. Income tax

Expenses or Revenues under income tax include both current and deferred taxes.

Current tax is the amount payable or to be recovered for the income tax related to the consolidated fiscal profit or loss for the period. Current income tax assets or liabilities are valued at the amounts expected to be paid or recovered by tax authorities, using the regulations and tax rates that have been approved or substantively enacted on the closing date.

Current and deferred income tax is recognized in the profit and loss account, unless a transaction or economic event arises that has been recognized in the same period or in a different period against equity or from a business combination.

Deferred tax liabilities are the amounts payable in the future as corporations tax related to taxable temporary differences, while deferred tax assets are the amounts to be recovered by way of income tax due to the existence of deductible temporary differences, tax losses eligible for compensation or deductions pending application. In that regard, temporary difference is understood to be the difference between the book value of assets and liabilities and their tax base.

The Group recognizes investment deductions by applying the recognition and measurement criteria of current or deferred tax assets, unless they are considered a subsidy. If the deductions are considered a subsidy, they are recognized, presented and valued by applying the corresponding accounting policy. In this regard, the Group considers as subsidies the deductions that are applied independently of the existence of a positive total amount, and those that have additional substantive operating conditions along with investment realization or maintenance.

i. Recognition of deferred tax liabilities

The Group recognizes deferred tax liabilities in all cases except those that:

- Arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination, and on the date of the transaction affects neither the book income nor the taxable income.

- Correspond to differences associated with investments in subsidiaries, associates and joint ventures over which the Group has the ability to control the timing of their reversal, and which would be unlikely that the differences would be reversed in the foreseeable future.

ii. Recognition of deferred tax assets

The Group recognizes deferred tax assets provided that:

- It is probable that there are future taxable profits sufficient for their compensation or when the tax legislation considers the possibility of a future conversion of deferred tax assets into a receivable against the public authorities. However, assets arising from the initial recognition of assets or liabilities in a transaction which is not a business combination and affects neither accounting nor taxable profit at the date of the transaction are not recognized.

- They correspond to the temporary differences associated with investments in subsidiaries, associates and joint ventures to the extent that the temporary differences will be reversed in the foreseeable future and are expected to generate future taxable profits to compensate for the differences.

The Group recognizes the conversion of a deferred tax asset into an account receivable from the Public Authorities, when it is required under the provisions of the current tax legislation. To this end, the disposal of the deferred tax asset is recognized through deferred income tax expense, and the account receivable is credited to the current income tax. Likewise, the Group recognizes the exchange of a deferred tax asset related to government debt securities, when the ownership thereof is acquired.

The Group recognizes the payment obligation derived from the equity provision as an operating expense charged to borrowings with the Public Authoritie.

It is probable that the Group has sufficient tax profits to recover the deferred tax assets, provided there are sufficient taxable temporary differences associated with the same tax authority and the same taxpayer, whose reversal is expected in the same fiscal year in which the deductible temporary differences are expected to revert, or in years in which a tax loss, arising from a deductible temporary difference, can be compensated with prior or subsequent earnings. When the only future taxable profits are derived from the existence of taxable temporary differences, the deferred tax assets derived from tax losses are limited to 70% of the amount of the recognized deferred tax liabilities.

In order to determine future taxable profits, the Group takes tax planning opportunities into account, provided that it has the intention of adopting them or that it is likely that it will adopt them.

iii. Valuation of deferred tax assets and liabilities

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years in which the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted, reflecting the tax effects that would follow from the manner in which the Group expects to recover the assets or settle the liabilities. In that regard, the Group has considered the deduction for the reversal of temporary measures developed in the transitory provision 37 of Law 27/2014, of November 27, on Corporations Tax, as an adjustment to the tax rate applicable to the deductible temporary difference associated with the non-deductibility of the amortization deductions made in the years 2013 and 2014, of December 27.

At the year end date, the Group reviews the book value of the deferred tax assets, in order to reduce this value to the extent that it is unlikely that there is going to be sufficient future taxable income to offset them.

Deferred tax assets that do not meet the above conditions are not recognized in the consolidated statement of financial position. At year end the Group reconsiders whether the conditions are met to recognize deferred tax assets that have not previously been recognized.

iv. Classification

Deferred tax assets and liabilities are recognized in the consolidated statement of financial position as non-current assets or liabilities, regardless of the date of realization or settlement.

t. Earnings per Share

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

u. Segment Reporting

"Business segments" derive from the grouping of the various vertical markets in which the Group operates. The "business segments" are:

- Transportation and Defense ("T&D"). The vertical markets grouped in this segment are: "Defense and Security" and "Transport and Traffic".

- Information Technology ("IT"). The vertical markets grouped in this segment are: "Energy and Industry" market, "Financial Services" market, "Telecommunications and Media" market, and "Public and Health Authorities" market.

For consolidation purposes, assets and liabilities (non-current assets, goodwill, net working capital, receivables and payables with Public Authorities, etc.) have been distributed according to the business area that generated them. On the other hand, any associated liabilities and financial costs, as well as other assets not directly attributable to the business segments, such as treasury and other equivalent liquid assets, have been allocated to other non-distributable lines of business by segments that are broken down under the Corporate column (non-distributable).

Likewise, the following geographical areas have been identified in terms of the different geographical features of the areas where the Group carries out its lines of business: Spain, America, Europe and Asia, Middle East & Africa. In these notes to the consolidated financial statements, only these geographical areas have been detailed in terms of foreign sales, investments and assets employed.

v. Recognition of ordinary income

The Group records the income from its projects, mostly construction and maintenance contracts, as the performance obligations established in the contracts with its customers are progressively met over time in accordance with the provisions of the International Financial Reporting Standards that regulate the Income from Ordinary Activities from Contracts with Customers (IFRS-15). In accordance with this Standard, the most appropriate measurement method is determined to reasonably measure the progress in accordance with the nature of the contract, which may be based either on the resource method or on the product method, respectively known as "degree of progress" or "certified milestones".

In the case of contracts by "degree of progress", the Group records the income based on the estimated proportion of the total contract that has been completed at the closing date. In accordance with this method, the total expected profit is distributed over the years of implementation, depending on its stage of completion at each closing date.

The percentage of completion of a transaction, used for recognizing the company's ordinary income, is determined according to the proportion of the contract costs incurred for work performed to date, in relation to the estimated total contract costs.

In the case of contracts by "certified milestones", the Group records the income based on the customer's acceptance of the work performed (certification of the milestone reached).

During the execution of the works, the Group proceeds to activate, under the "contractual assets" heading of the Consolidated Statement of Financial Position, the costs incurred until the milestone certification is obtained from the customer, provided that the latter are recoverable. Once the Group obtains acceptance of the work performed (the certification of the milestone), it proceeds to recognize the income, this being the sum of the activated cost and the margin associated with the obtaining thereof.

This method of income recognition requires a milestone plan in which the milestones to be certified by the customer must be declared. These certifiable milestones will include data on the amount of income or sale that will be recognized in the event of said milestones being reached and certified.

In the event that the invoices made out involve an implicit financial component in such a way that they exceed the income obtained by the application of the advance cost percentage or the acceptance of the work by the customer, said excess is recorded as customer advances. On the other hand, the amount corresponding to unbilled income (in contracts in which the invoices are lower than the income obtained by the application of the degree of progress or the certification of a non-invoiced milestone) is recorded as part of the balance of the “Debtors” heading of the Consolidated Statement of Financial Position.

The Group periodically evaluates whether any service provision contract is onerous, and recognizes the necessary provisions where appropriate.

w. Foreign currency transactions and balances

Transactions in foreign currency are converted to the functional currency by applying the cash exchange rates between the functional currency and the foreign currency on the transaction dates.

Monetary assets and liabilities denominated in foreign currency have been converted to the functional currency by applying the existing year-end rate, while non-monetary items valued at historical cost are converted by applying the exchange rates from the transaction date. Lastly, the conversion of non- monetary assets measured at fair value to the functional currency was performed by applying the exchange rate on the quantification date.

In the Consolidated Statement of Cash Flows, cash flows from foreign currency transactions are converted into euros by applying the exchange rates effective on the transaction dates. The effect of the exchange rate variation on Cash and other equivalent liquid assets in foreign currency is presented separately in the consolidated statement of cash flows under “Effect of exchange differences on cash”.

Losses or profits from exchange differences related to monetary financial assets or liabilities in foreign currency are recognized under profit or loss.

Monetary financial assets in foreign currency classified as available for sale are accounted for at amortized cost in foreign currency, and therefore the exchange differences associated with the changes in amortized cost are recognized under profit or loss, and the rest of the fair value variation is recognized as explained in section i).

i. Conversion of foreign businesses

The Group received the exemption provided in IFRS 1 “First-time adoption of IFRS” with regard to Foreign exchange differences, so that the Foreign exchange differences recognized in the Consolidated Financial Statements generated prior to January 1, 2004 were included in the reserves for accumulated earnings. From that date, for any foreign business whose functional currency is not from a country with hyperinflation, the conversion to euros has been made by applying the following criteria:

- Assets and liabilities, including goodwill and adjustments to net assets derived from business acquisitions, including comparative balances, are converted at the closing exchange rate on each Statement of Financial Position date;
- Revenue and expenses, including comparative balances, are converted at the exchange rates in effect on each transaction date;
- and the exchange differences resulting from the application of the above criteria are recognized as conversion differences under Other Global Result.

This same criterion is applied for the conversion of the companies' financial statements accounted for using the equity method, by recognizing the conversion differences corresponding to the Group's share in Other Global Result.

The Foreign exchange differences recorded in Other Global Result are recognized under profit or loss, as an adjustment to the sales result, following the criteria set forth in the sections related to subsidiary and associated entities.

ii. Entities located in countries with a high inflation rate

Starting July 1, 2018, in accordance with the criteria established by IAS 29 "Financial Information in Hyperinflationary Economies", the Argentine economy should be regarded as hyperinflationary with retroactive effects as at January 1, 2018. The financial information presented in previous financial statements will not be restated.

The inflation rates used are the domestic wholesale price index (IWPI) until December 31, 2016 and the consumer price index (CPI) as of January 1, 2017.

The main impacts as of December 31, 2018 were:

- An increase in net equity as a result of applying the variation of inflation to the historical cost of non-monetary assets and liabilities from their date of acquisition or incorporation into the consolidated balance sheet for an amount of €1,177 thousand.

- An update of the different items of income and expenses to apply the variation of inflation from the date on which they were incorporated into the income statement and a positive effect on the Financial Income/loss due to the net monetary position.

- The adjusted financial statements of the Argentine subsidiaries were converted into euros by applying the closing exchange rates of the Argentine peso/euro.

  The main impacts on the results of the consolidated financial statements as at December 31, 2018 derived from the adjustments of the hyperinflation in Argentina were:

	Thousands of EUR
Ordinary Income	(2,473)
Operating Result	130
Finanacial Income/Loss	350
Profit or loss for the financial year	337

5 Business Combinations

During the year ended December 31, 2018, the Parent Company made the following modifications to the business combinations performed during 2017:

Tecnocom Group

An adjustment to the fair value of Tecnocom's assets took place in 2018, resulting in an increase in Goodwill amounting to €2,698 thousand.

Esta combinación de negocios es definitiva una vez finalizado el periodo de 12 meses desde la adquisición previsto en la NIIF 3 "Combinaciones de negocios", no habiéndose producido cambios significativos respecto al importe registrado a 31 de diciembre de 2017. Los cambios realizados son los siguientes:

	2017		Addition		2018	
	Fair value	Book value of the acquired company	Fair value	Book value of the acquired company	Fair value	Book value of the acquired company
			Thousands of EUR			
Total assets	261,160	196,784	(353)	-	260,807	196,784
Total liabilities	182,963	157,425	2,345	-	185,308	157,425
Net Assets	**78,197**	**39,359**		**-**	**75,499**	**39,359**
% Acquisition	97.21%					
Total Consideration	326,632					
Consolidation Goodwill	**250,616**		**2,698**		**253,314**	

Paradigma Digital, S.L.

An adjustment to the fair value of the assets and liabilities of Paradigma Digital took place in 2018, resulting in a variation in the goodwill calculated in 2017 amounting to €22,904 thousand. The following assets were revalued in the process for the allocation of the purchase price made by an independent expert, decreasing the amount of the Goodwill:

- An amount of €10,000 thousand that corresponds to the fair value of the Paradigma brand.
- An amount of €14,500 thousand that corresponds to the contractual relationships.

This business combination is definitive once the 12-month period starting from the acquisition envisaged in IFRS 3 "Business Combinations" has ended. The changes made were the following:

	2017 Fair Value	Altas Fair Value	2018 Fair Value
		Thousand of EUR	
Total assets	16,254	25,049	41,303
Total Liabilities	13,449	5,833	19,282
Net Assets	**2,805**	**19,216**	**22,021**
% Acquisition	100.00%		
Total Consideration	59,312		59,312
Earn-out agreement	30,668	(3,688)	26,980
Consolidation Goodwill	**87,175**	**(22,904)**	**64,271**

Said effects set forth for the business combinations of the Tecnocom Group and Paradigma Digital take place at the dates of the operations. However, the Group decided not to restate its figures because the effects set forth above are not significant for the Consolidated Balance Sheet, the Consolidated Profit and Loss Account or the Consolidated Statement of Cash Flows or for the basic and diluted earnings per share.

The Group made the following business combinations during the year ended December 31, 2018:

North American Transmission & Distribution Group Inc.

On August 21, 2018, Indra USA, INC. acquired 100% of North American T&D Group, Inc., for the amount of €41,577 thousand. The provisional goodwill due to this operation totals €26,183 thousand.

North American T&D Group, Inc. is a holding company that directly owns 100% of the capital stock of Advanced Control Systems, Inc., a company specializing in the design and production of control systems (SCADA - Supervisory Control and Data Acquisition) and equipment for the acquisition, control and operation of networks and the management of distributed energy resources. The American company has more than 360 customers, chiefly in the United States and Canada, and has references in customers in Central America, South Africa, India and Taiwan. Its workforce consists of approximately 120 employees and it is based in Norcross, Georgia.

With this acquisition, Indra has completed a solid "end-to-end" offer in the advanced management of transport networks and energy distribution, adding the manufacture of SCADA systems and a comprehensive range of operational technologies to its current offer.

The amount of the net assets acquired and the provisional goodwill generated after the acquisition is as follows:

	2018
	Fair Value
	Thousands of EUR
Non-current assets	6.979
Current Assets	11.667
Total assets	**18.646**
Total Liabilities	**3.252**
Net Assets	**15.394**
% Acquisition	**100,00%**
Total Consideration	**41.577**
Provisional goodwill on consolidation	**26.183**

Softfobia, S.R.L.

On October 18, 2018, Indra Italia, S.P.A. acquired 100% of Softfobia S.R.L. for the amount of €2,244 thousand. The provisional goodwill due to this operation totals €1,198 thousand.

Softfobia S.R.L. specializes in the design of digital solutions in the fields of e-commerce, web marketing and strategic planning and digital business positioning. The company has a specialized team of 23 employees and it is based in Cagliari (Sardinia).

With this acquisition, Indra has strengthened the group's capabilities in the digital field and incorporated complementary references in significant economic sectors in Italy such as Industry, Consumption and Media.

The amount of the net assets acquired and the provisional goodwill generated after the acquisition is as follows:

	2018
	Fair Value
	Thousands of EUR
Non-current assets	118
Current Assets	1,111
Total assets	**1,229**
Total Liabilities	**183**
Net Assets	**1,046**
% Acquisition	**100.00%**
Total Consideration	**2,244**
Provisional goodwill on consolidation	**1,198**

In addition, in the current year the parent company has acquired the business of manufacturing digital cards and 3D radar components. The amount of the acquired business totals €4,000 thousand, (€778 thousand corresponds to tangible assets).

6 Property, plant and equipment

The detail of this heading in the consolidated statements of financial position as at December 31, 2018 and 2017 is as follows:

	Thousands of EUR						
	Balance as at 12/31/17	Change of Perimeter	Exchanges differences	Addition	Disposal	Transfers	Balance as at 12/31/18
Investments:							
Lands	10,197	-	(3)	-	(139)	-	10,055
Buildings	55,448	-	(102)	285	(116)	200	55,715
Technical facilities, machinery and other facilities.	224,780	504	(70)	15,743	(1,988)	3,023	241,992
Furniture	46,916	278	(395)	2,129	(1,561)	1,102	48,469
Transport Equipment	3,703	-	(199)	18	(297)	(1)	3,224
Information Processing Equipment	94,483	4,912	(1,009)	3,983	(1,462)	3,019	103,926
Other Non-Current Assets	10,575	354	(737)	98	(187)	285	10,388
	446,102	**6,048**	**(2,515)**	**22,256**	**(5,750)**	**7,628**	**473,769**
Retirements:							
Buildings	(24,016)	-	38	(1,312)	116	278	(24,896)
Technical facilities, machinery and other facilities.	(184,034)	(472)	28	(13,636)	1,816	(150)	(196,448)
Furniture	(38,114)	(195)	245	(2,543)	1,469	(361)	(39,499)
Transport Equipment	(2,494)	-	50	(335)	153	1	(2,625)
Information Processing Equipment	(85,164)	(2,257)	858	(5,315)	1,450	(2,847)	(93,275)
Other Non-Current Assets	(8,162)	(19)	496	(708)	187	(442)	(8,648)
	(341,984)	**(2,943)**	**1,715**	**(23,849)**	**5,191**	**(3,521)**	**(365,391)**
Net book value:							
Lands	10,197	-	(3)	-	(139)	-	10,055
Buildings	31,432	-	(64)	(1,027)	-	478	30,819
Technical facilities, machinery and other facilities.	40,746	32	(42)	2,107	(172)	2,873	45,544
Furniture	8,802	83	(150)	(414)	(92)	741	8,970
Transport Equipment	1,209	-	(149)	(317)	(144)	-	599
Information Processing Equipment	9,319	2,655	(151)	(1,332)	(12)	172	10,651
Other Non-Current Assets	2,413	335	(241)	(610)	-	(157)	1,740
Total	**104,118**	**3,105**	**(800)**	**(1,593)**	**(559)**	**4,107**	**108,378**

	Thousands of EUR						
	Balance as at 12/31/16	**Perimeter Change**	**Exchange Differences**	**Addition**	**Disposal**	**Transfers**	**Balance as at 12/31/17**
Investments:							
Lands	10,167	-	-	-	(6)	36	10,197
Buildings	55,853	-	(14)	27	(1,148)	730	55,448
Technical facilities, machinery and other facilities.	192,645	28,225	(622)	7,273	(2,806)	65	224,780
Furniture	41,112	6,148	(706)	866	(571)	67	46,916
Transport Equipment	2,764	466	25	878	(431)	1	3,703
Information Processing Equipment	70,563	23,048	(1,973)	3,892	(1,066)	19	94,483
Other Non-Current Assets	10,789	1,338	(928)	400	(98)	(926)	10,575
	383,893	**59,225**	**(4,218)**	**13,336**	**(6,126)**	**(8)**	**446,102**
Retirements:							
Buildings	(22,897)	(270)	163	(1,084)	357	(285)	(24,016)
Technical facilities, machinery and other facilities.	(152,941)	(21,025)	283	(12,960)	2,806	(197)	(184,034)
Furniture	(31,669)	(4,867)	628	(2,649)	508	(65)	(38,114)
Transport Equipment	(1,533)	(901)	99	(470)	310	1	(2,494)
Information Processing Equipment	(64,027)	(19,587)	2,116	(4,664)	1,023	(25)	(85,164)
Other Non-Current Assets	(7,380)	(1,315)	736	(869)	87	579	(8,162)
	(280,447)	**(47,965)**	**4,025**	**(22,696)**	**5,091**	**8**	**(341,984)**
Net book value:							
Lands	10,167	-	-	-	(6)	36	10,197
Buildings	32,956	(270)	149	(1,057)	(791)	445	31,432
Technical facilities, machinery and other facilities.	39,704	7,200	(339)	(5,687)	-	(132)	40,746
Furniture	9,443	1,281	(78)	(1,783)	(63)	2	8,802
Transport Equipment	1,231	(435)	124	408	(121)	2	1,209
Information Processing Equipment	6,536	3,461	143	(772)	(43)	(6)	9,319
Other Non-Current Assets	3,409	23	(192)	(469)	(11)	(347)	2,413
Total	**103,446**	**11,260**	**(193)**	**(9,360)**	**(1,035)**	**-**	**104,118**

The additions to Technical facilities, machinery and other facilities in 2018, as in 2017, were due mainly to the continuation of the refurbishment and expansion of the facilities at the Parent Company's new offices.

The additions to Information Processing Equipment relate to the technological updating of the equipment, mainly at the Parent Company.

The disposals in 2018 gave rise to a loss of €351 thousand (€215 thousand as at December 31, 2017) and this amount was recorded in the consolidated income statement (see note 32).

The group made payments for the acquisition of Property, plant and equipment for the amount of €24,683 thousand (€13,863 thousand in 2017).

The detail by type of the assets held under finance lease at December 31, 2018 and 2017 is as follows:

	Thousands of EUR	
	2018	2017
Investments:		
Technical facilities, machinery and other facilities	-	8,476
Information processing equipment	701	1,178
Transport Equipment	785	1,367
	1,486	**11,021**
Retirements:		
Technical facilities, machinery and other facilities	-	(8,084)
Information processing equipment	(306)	(118)
Transport Equipment	(742)	(753)
	(1,048)	**(8,955)**
Valor neto:		
Technical facilities, machinery and other facilities	-	392
Information processing equipment	395	1,060
Transport Equipment	43	614
Total	**438**	**2,066**

The main finance lease, amounting to €8,476 thousand, relates to the acquisition of a flight simulator and was entered into by the Parent Company in 2011. This contract expired in September 2018. Its interest rate was 4.3%.

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

	2018			2017		
	Minimum Payments	Interest	Purchase Option	Minimum Payments	Interest	Purchase Option
Up to one year	311	10	1	2,005	37	115
Between one and five years	436	16	-	584	27	1
	747	**26**	**1**	**2,589**	**64**	**116**

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

At December 31, 2018, the fully depreciated Property, plant and equipment elements amounted to €295,695 thousand (€230,510 thousand in December 2017).

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

The detail of this heading in the consolidated statements of financial position as at December 31, 2018 and 2017 is as follows:

	Thousands of EUR	
	2018	2017
	Net book value	Net book value
Transport and Defense (“T&D”)	116,129	113,440
Information Technology (“IT”)	695,798	689,262
Total	**811,927**	**802,702**

	Thousands of EUR				
	12/31/17	Addition	Exchange Differences	Transfers	12/31/18
Transport and Defense ("T&D")	113,440	3,283	(594)	-	116,129
Information Technology (“IT”)	689,262	30,079	(639)	(22,904)	695,798
Total	**802,702**	**33,362**	**(1,233)**	**(22,904)**	**811,927**

	Thousands of EUR				
	12/31/16	Addition	Exchange Differences	Impair-ment	12/31/17
Transport and Defense ("T&D")	116,717	-	(2,383)	(894)	113,440
Information Technology (“IT”)	355,190	337,791	(3,719)	-	689,262
Total	**471,907**	**337,791**	**(6,102)**	**(894)**	**802,702**

The additions and transfers correspond to the business combinations outlined in note 5.

In addition, in the current year the parent company has acquired the business of manufacturing digital cards and 3D radar components. The amount of the acquired business totals €4,000 thousand, (€778 thousand corresponds to tangible assets, note 6).

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:

	Interannual Growth Rate Income (5 years)		Post tax discount rate tax		Residual Growth Rate		Residual EBIT margin residual		Days of Sales	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
T&D	8.7%	8.5%	7.2%	7.1%	1.9%	2.3%	16.8%	16.8%	(60)	15
TI	4.6%	3.8%	8.8%	8.3%	1.9%	2.3%	9.0%	8.4%	24	33

The assumptions used are in line with those of the previous year, adjusted for the actual for 2018, minor changes in the markets and short-term outlook.

The Management considers that, in the event of estimating the future cash flows and discount rates before taxes, the results of the impairment tests carried out in 2018 will not entail a significant difference with respect to those carried out in accordance with the methodology followed by the Management.

In all cases, sensitivity analysis 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 recognized. 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 2018 the post-tax rates ranged from 7.2% to 8.8%.

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 normalized 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 rate used in the projections made in 2018 is 1.9% for each of the CGUs.

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

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

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

$\text{Amortization}_{\text{Normalized flow}} = \text{Amortization}_{\text{Year 5}}$

$\text{Investment}_{\text{Normalized flow}} = \text{Amortization}_{\text{Normalized flow}}$

$\text{Investment in working capital}_{\text{Normalized flow}} = \text{Days working capital}_{\text{Year 5}} / 365 \text{ x Sales}_{\text{Year 5}} \text{ x } g^{(1)}$

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

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

"g" is the residual growth rate

(1) The 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 2018 and 2017 is as follows:

	2018	2017
T&D	82%	85%
TI	73%	84%

The book value of the CGUs, including goodwill, and the recoverable amounts thereof at 31 December, 2018 and 2017, was as follows:

	2018 Thousands of EUR			2017 Thousands of EUR		
	Book value (1)	Recoverable amount (2)	Difference (2)-(1)	Book value (1)	Recoverable amount (2)	Difference (2)-(1)
T&D	183,540	3,802,869	3,619,329	206,617	3,867,394	3,660,777
TI	956,457	2,070,597	1,114,139	1,013,014	1,982,325	969,311

The book value of the CGUs at 31 December, 2018 and 2017 is broken down among the main assets as follows:

	Non-current Assets		Current		FGoodwill		Others		Book value CGU	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
T&D	402,918	332,801	(194,474)	(134,244)	116,129	113,440	(141,033)	(105,380)	183,540	206,617
IT	329,634	357,139	113,599	127,957	695,798	689,262	(182,573)	(161,344)	956,457	1,013,014
Total	**732,552**	**689,940**	**(80,875)**	**(6,287)**	**811,927**	**802,702**	**(323,606)**	**(266,724)**	**1,139,998**	**1,219,631**

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

	2018				2017			
	WACC Variation		Residual Growth Rate		VWACC Variation		Residual Growth Rate	
Variation in recoverable value of cash generation	-1 p.p.	+1 p.p.	-0.5 p.p.	+0.5 p.p.	-1 p.p.	+1 p.p.	-0.5 p.p.	+0.5 p.p.
T&D	932,845	(634,978)	(288,237)	348,458	1,058,216	(697,149)	(315,666)	387,611
IT	356,378	(265,988)	(92,339)	106,825	435,379	(311,466)	(126,260)	148,865

	2018				2017			
	Changes in Sales	EBIT Margin	Residual EBIT	Changes in current days	Changes in Sales	EBIT Margin	Residual EBIT	Changes in current days
Variation in recoverable value of CGUs:	-5.0%	+1 p.p.	-1 p.p	+10 días	-5.0%	-1 p.p.	-1 p.p.	+10 días
T&D	(298,737)	(231,210)	(184,409)	(56,590)	(187,535)	(232,962)	(196,532)	(56.739)
ITuj	(259,990)	(238,773)	(175,253)	(73,196)	(91,099)	(256,021)	(205,272)	(72.005)

This sensitivity analysis shows 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 2018 and 2017, according to the calculations made, no indications of impairment in the goodwill allocated to these Cash Generating Units were identified.

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 25%, 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.

	2018 WACC		2017 WACC	
	Hypothesis	Value to equal the book value	Hypothesis	Value to equal the book value
T&D	7.18%	64.02%	7.14%	62.93%
TI	8.77%	17.43%	8.34%	13.18%

	2018					2017				
	Changes in sales	EBIT Margin		Current Days		Changes in sales	EBIT Margin		Current Days	
	Value to equal the book value	Hypothesis *	Value to equal the book value	Hypothesis *	Value to equal the book value	Value to equal the book value	Hypothesis **	Value to equal the book value	Hypothesis **	Value to equal the book value
T&D	(59.57%)	16.8%	(1.90%)	(60)	570	(97.52%)	16.8%	(1.38%)	15	660
TI	(22.46%)	9.0%	2.33%	24	190	(53.37%)	8.40%	3.68%	33	168

* Amount for normalized year (2023)
** Amount for normalized year (2022)

8 Other Intangible Assets

The detail of this heading in the consolidated statements of financial position as at December 31, 2018 and 2017 is as follows:

	Thousands of EUR						
	Balance as at 12/31/17	Change of perimeter	Exchange Differences	Addition	Disposal	Transfers	Balance as at 12/31/18
Investments:							
Industrial Property	46,270	-	(21)	2,213	-	10,000	58,462
Computer software	439,912	1,574	(440)	502	(755)	52,446	493,239
Development Expenses	115,790	-	(996)	61,294	-	(54,162)	121,926
Contractual Relations	60,400	-	-	-	(200)	14,500	74,700
Other Intangible Assets	21,343	5,538	(42)	-	(191)	(15)	26,633
	683,715	**7,112**	**(1,499)**	**64,009**	**(1,146)**	**22,769**	**774,960**
Amortization							
Industrial Property	(13,094)	-	30	(1,626)	-	415	(14,275)
Computer software	(230,041)	(1,058)	468	(58,818)	755	227	(288,467)
Development Expenses	(6,914)	-	810	(574)	-	(216)	(6,894)
Contractual Relations	(4,682)	-	-	(7,650)	-	-	(12,332)
Other Intangible Assets	(16,210)	(2,062)	45	(1,182)	191	(48)	(19,266)
	(270,941)	**(3,120)**	**1,353**	**(69,850)**	**946**	**378**	**(341,234)**
Grants							
Development Expenses	(33,390)	-	-	(8,750)	9,063	-	(33,077)
	(33,390)	**-**	**-**	**(8,750)**	**9,063**	**-**	**(33,077)**
Provisions							
Industrial Property	(6,063)	-	-	-	-	-	(6,063)
Computer software	(18,956)	-	-	-	-	-	(18,956)
Other Intangible Assets	(2,136)	-	-	-	-	-	(2,136)
	(27,155)	**-**	**-**	**-**	**-**	**-**	**(27,155)**
Net book value:							
Industrial Property	27,113	-	9	587	-	10,415	38,124
Computer software	190,915	516	28	(58,316)	-	52,673	185,816
Development Expenses	75,486	-	(186)	51,970	9,063	(54,378)	81,955
Contractual Relations	55,718	-	-	(7,650)	(200)	14,500	62,368
Other Intangible Assets	2,997	3,476	3	(1,182)	-	(63)	5,231
Total	**352,229**	**3,992**	**(146)**	**(14,591)**	**8,863**	**23,147**	**373,494**

The variations due to changes in the perimeter correspond to the acquisitions of Holding North American Transmission & Distribution Group Inc. Mainly and, almost marginally, Softfobia, S.R.L. (see note 5)

The contractual relationships correspond to the revaluation of the assets of Tecnocom (in 2017) and Paradigma Digital in the current year, due to the process to assign the purchase price for the amounts of €60,200 thousand and €14,500 thousand. As a result of the process to assign the price of the Paradigma company completed in 2018, as established in note 2, €14,500 thousand of contractual relationships and €10,000 thousand of industrial property were also identified, both reflected in the transfers during the year.

The group made payments for investment in intangible assets amounting to €63,483 thousand (€38,266 thousand in 2017).

In 2018 an amount of €52,446 thousand was transferred from Development Expenses to Computer Applications once the developments were completed, which will contribute to the generation of future income. For this purpose the associated business plan was analyzed, determining the expected flows of income and expenses.

	Thousands of EUR						
	Balance as at 12/31/16	Perimeter change	Exchange Differences	Addition	Disposal	Transfers	Balance as at 12/31/17
Investments:							
Industrial Property	46,156	130	(16)	-	-	-	46,270
Computer software	355,336	31,889	(997)	558	-	53,126	439,912
Development Expenses	130,014	-	(1,126)	37,725	-	(50,823)	115,790
Contractual Relations	-	60,400	-	-	-	-	60,400
Other Intangible Assets	22,413	4	(1,074)	-	-	-	21,343
	553,919	**92,423**	**(3,213)**	**38,283**	**-**	**2,303**	**683,715**
Amortization							
Industrial Property	(12,134)	(130)	16	(846)	-	-	(13,094)
Computer software	(175,921)	(14,652)	418	(39,621)	-	(265)	(230,041)
Development Expenses	(6,302)	-	764	(1,443)	-	67	(6,914)
Contractual Relations	-	-	-	(4,682)	-	-	(4,682)
Other Intangible Assets	(15,722)	1	848	(1,337)	-	-	(16,210)
	(210,079)	**(14,781)**	**2,046**	**(47,929)**	**-**	**(198)**	**(270,941)**
Grants							
Development Expenses	(31,816)	-	-	(7,199)	5,625	-	(33,390)
	(31,816)	**-**	**-**	**(7,199)**	**5,625**	**-**	**(33,390)**
Provisions							
Industrial Property	(6,063)	-	-	-	-	-	(6,063)
Computer software	(18,956)	-	-	-	-	-	(18,956)
Other Intangible Assets	(2,136)	-	-	-	-	-	(2,136)
	(27,155)						**(27,155)**
Net book value:							
Industrial Property	27,959	-	-	(846)	-	-	27,113
Computer software	160,459	17,237	(579)	(39,063)	-	52,861	190,915
Development Expenses	91,896	-	(362)	29,083	5,625	(50,756)	75,486
Contractual Relations	-	60,400	-	(4,682)	-	-	55,718
Other Intangible Assets	4,555	5	(226)	(1,337)	-	-	2,997
Total	**284,869**	**77,642**	**(1,167)**	**(16,845)**	**5,625**	**2,105**	**352,229**

In 2018 and 2017, the Group conducted the corresponding impairment tests required under accounting legislation, and it was not necessary to recognize any impairment in both years.

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

	Thousands of EUR		
	2018	2017	
Investments (1)			
Public Administration	9,112	6,774	
Defense and Security	141,830	130,579	
Energy	102,281	79,682	
Industry and Consumption	21,246	19,214	
Electoral Processes	771	771	
Healthcare	22,755	21,259	
Financial Services	84,280	69,432	
Telecom and media	5,956	5,064	
Air traffic	44,782	27,565	
Transport	34,484	24,872	
	467,497	**385,212**	**Years of Estimated Amortization (2)**
Accumulated amortization:			
Public Administration	(4,595)	(3,233)	1 to 5 years
Defense and Security	(62,138)	(49,102)	1 to 10 years
Energy	(32,186)	(20,589)	1 to 10 years
Industry and Consumption	(4,918)	(1,416)	1 to 10 years
Electoral Processes	(771)	(771)	1 to 5 years
Healthcare	(11,080)	(9,475)	1 to 10 years
Financial Services	(44,571)	(28,042)	1 to 5 years
Telecom and media	(4,993)	(4,993)	1 to 5 years
Air traffic	(11,604)	(6,485)	1 to 5 years
Transport	(16,534)	(11,319)	1 to 5 years
			1 to 5 years
	(193,390)	**(135,425)**	
Accumulated impairment:			
Energy	(18,956)	(18,956)	
	(18,956)	**(18,956)**	

	Thousands of EUR	
	2018	**2017**
Net book value:		
Public Administration	4,517	3,541
Defense and Security	79,692	81,477
Energy	51,139	40,137
Industry and Consumption	16,328	17,798
Electoral Processes	-	-
Healthcare	11,675	11,784
Financial Services	39,709	41,390
Telecom and media	963	71
Air traffic	33,178	21,080
Transport	17,950	13,553
Total	**255,151**	**230,831**

(1) In 2018 the carrying amount of the development and computer software projects capitalized in the year that had not started to be amortized was €61,170 thousand (€35,628 thousand in 2017).

(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 amortized in the same year in which it was capitalized, 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 capitalized asset.

In 2018, as in 2017, the Parent Company continued to invest in development in all of its areas of activity, the most notable investments being made in the Defense and Security market and the Air Traffic market. The total amount capitalized in 2018 was €40,827 thousand (€37,241 thousand in 2017).

The most significant transfers recognized under "Computer Software" in 2018 and 2017 relate to the following products, by vertical market:

	Thousands of EUR	
Product	**2018**	**2017**
Public Administration	1,793	1,272
Defense and Security	16,353	23,215
Energy	288	-
Industry and Consumption	-	15,799
Financial Services	6,270	-
Air traffic	11,088	4,394
Transport	1,222	-
Others	15,432	8,446
	52,446	**53,126**

Certain capitalized development expenditure is financed or subsidized by various public authorities through their corresponding bodies. The detail of the vertical markets (see note 4v) to which the most significant grants in 2018 and 2017 are related (€40,041 thousand and €31,535 thousand, respectively) is as follows:

	Miles de euros	
Product	**2018**	**2017**
Defense and Security	6,848	9,632
Energy	1,848	1,904
Healthcare	349	509
Financial Services	4,032	4,945
Telecom and media	62	-
Air traffic	11,195	7,942
Transport	8,261	5,389
Others	7,446	1,214
	40,041	**31,535**

Research and development expenditure totals €210,045 thousand in the current year and amounted to €201,683 thousand in the previous year. Of these amounts, the Group capitalized €61,294 thousand and €37,725 thousand, respectively. Therefore, the consolidated income statements for 2018 and 2017 include development expenditure for several projects amounting to €148,751 thousand (€163,958 thousand in 2017) (see note 42).

The balance of Intellectual Property in 2018 and 2017 includes assets acquired from third parties amounting to €58,462 thousand (€46,270 thousand in 2017), chiefly related to:

- The purchase by the Parent Company in 2010 of software maintenance rights totaling €23,170 thousand.
- Intellectual property recognized as a result of the acquisition in 2011 of Politec Tecnología da Informação, S.A for €13,711 thousand.
- The intellectual property recognized 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 €6,888 thousand.
- Industrial Property registered as a result of the acquisition of the Paradigma, S.L. for the amount of €10,000 thousand in 2018. (see note 5).

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

	Thousands of EUR					
	Balance as at 12/31/18	Expenses Incurred Internally		Acquisitions from Third Parties		
		Limited Useful Life	Amortization Rate	Indefinite Useful Life	Limited Useful Life	Amortization Rate
Net Value						
Industrial Property	38,124	-	-	19,949	18,175	5-10%
Computer software	185,816	181,904	10-100%	-	3,912	25%
Development Expenses	81,955	80,611	10-100%	-	1,344	10-25%
Contractual Relations	62,368	-	-	-	62,368	6-10%
Other Intangible Assets	5.231	2	10%	-	5,229	10%
	373,494	**262,517**		**19,949**	**91,028**	

	Thousands of EUR					
	Balance as at 12/31/17	Expenses Incurred Internally		Acquisitions from Third Parties		
		Limited Useful Life	Amortization Rate	Indefinite Useful Life	Limited Useful Life	Amortization Rate
Net Value						
Industrial Property	27,113	-	-	19,949	7,164	10%
Computer software	190,915	181,867	10-100%	-	9,048	25%
Development Expenses	75,486	72,221	10-100%	-	3,265	10-25%
Contractual Relations	55,718	-	-	-	55,718	9-10%
Other Intangible Assets	2,997	117	10%	-	2,880	10%
	352,229	**254,205**		**19,949**	**78,075**	

As at December 31, 2018, the fully amortized intangible assets amounted to €124,521 thousand (€155,025 thousand as at December 31, 2017).

As a result of the disposal in 2018, a profit of €28 thousand (a loss of €13 thousand in 2017) was recorded in the consolidated income statement (see note 32).

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

a. Financial Assets

The Group's financial assets (not including investments in associates), by class and maturity, in 2018 and 2017 are classified as follows:

		Thousands of EUR		
Financial assets: Type / Category	**Note**	**Fair value with changes in other global result**	**Loans and receivables**	**Hedging derivatives**
Investments in non-Group Companies	11	13,493	-	-
Derivatives	11 y 38	-	-	135
Other Receivable Assets	11	-	4,101	-
Other financial assets	11	-	168,150	-
Long-term / Non-current		**13,493**	**172,251**	**135**
Bonds and Deposits	15	-	3,346	-
Derivatives	15 y 38	-	-	2,082
Other financial assets	15 y 16	-	1,003,648	-
Cash and other equivalent liquid assets	17	-	917,825	-
Short-term / Current			1,924,819	2,082
Total		**13,493**	**2,097,071**	**2,217**

		Thousands of EUR		
Financial assets: Type / Category	**Note**	**Fair value with changes in other global result**	**Loans and receivables**	**Hedging derivatives**
Investments in non-Group Companies	11	13,200	-	-
Derivatives	11 y 38	-	-	1,195
Other Receivable Assets	11	-	2,276	-
Other financial assets	11	-	203,967	-
Long-term / Non-current		**13,200**	**206,243**	**1,195**
Bonds and Deposits	15	-	1,889	-
Derivatives	15 y 38	-	-	10,731
Other financial assets	15 y 16	-	1,267,456	-
Cash and other equivalent liquid assets	17	-	669,116	-
Short-term / Current		-	1,968,461	10,731
Total		**13,200**	**2,174,704**	**11,926**

The Group engages mainly in the performance of projects commissioned by customers. The Group recognizes the income and expenses of the contracts in accordance with the provisions of IFRS 15 (see note 2). The decrease in the “other long-term financial assets” item is also due to the application of IFRS 15.

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 16).

b. Financial Liabilities

The Group's financial liabilities, by class and maturity, in 2018 and 2017 are classified as follows:

		12/31/18 Thousand of EUR		
Financial liabilities: Type / Category	**Note**	**Amortized cost**	**Derivatives**	**Fair value with changes in Results**
Amounts owed to credit institutions	20	765,116	-	-
Negotiable Bonds and Other Securities	20	593,533	-	-
Derivatives	21 y 38	-	786	-
Other financial liabilities	21	109,492	-	20,980
Long-term Debts/Non-Current Financial Liabilities		**1,468,141**	**786**	**20,980**
Amounts owed to credit institutions	24	34,429	-	-
Negotiable Bonds and Other Securities	24	7,920	-	-
Derivatives	26	-	20,744	-
Other financial liabilities	25 y 26	1,390,807	-	6,000
Short-Term Debt / Current Financial Liabilities		**1,433,156**	**20,744**	**6,000**
Total		**2,901,297**	**21,530**	**26,980**

		12/31/17 Thousands of EUR		
Financial liabilities: Naturaleza/Categoría	**Note**	**Debits and Payables**	**Derivatives**	**Fair value with changes in Results**
Amounts owed to credit institutions	20	747,745	-	-
Negotiable Bonds and Other Securities	20	268,633	-	-
Derivatives	21	-	882	-
Other financial liabilities	21	103,531	-	26,980
Long-term Debts/Non-Current Financial Liabilities		**1,119,909**	**882**	**26,980**
Amounts owed to credit institutions	24	118,854	-	-
Negotiable Bonds and Other Securities	24	152,098	-	-
Derivatives	26 y 28	-	8,887	-
Other financial liabilities	25 y 26	1,329,785		3,688
Short-Term Debt / Current Financial Liabilities		**1,600,737**	**8,887**	**3,688**
Total		**2,720,646**	**9,769**	**30,668**

The fair value of currency forwards is calculated by the exchange rate of each currency at the end of each accounting period (hierarchy level 2).

The fair value recorded as at December 31, 2018 stems from the Earn-out estimate derived from the acquisition of Paradigma for the amount of €26,980 thousand (€30,668 thousand in 2017).

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

In the case of financial assets and liabilities valued at amortized cost, their book value does not significantly differ from their fair value, except for the convertible bond (see note 20).

The breakdown of Financial Income/loss in the consolidated statements of profit or loss for 2018 and 2017 is as follows:

	Thousands of EUR	
	2018	**2017**
Debt financial expenses payable to credit institutions	10,797	17,934
Other financial expenses	10,682	11,284
Financial liabilities at amortized cost	411	(328)
Interest from debt instruments and bonds	18,606	12,222
Hedging Instrument expenses	-	-
Income/loss from exchange differences	1,865	1,483
Total Financial Expenses	42,361	42,595
Other financial income	7,301	7,463
Total Financial Income	7,301	7,463

10 Investments accounted for using the equity method

The detail of this chapter of the consolidated statements of financial position as at December 31, 2018 and 2017 is as follows:

	Thousands of EUR							
	Balance as at 12/31/17	Perimeter Change	Goodwill	Invesment	Exchange Differences	Dividends	Results	Balance as at 12/31/18
SAES Capital	2,090	-	-	-	-	(103)	260	2,247
Eurofighter Simulation Systems	619	-	-	-	-	-	529	1,148
Euromids	705	-	-	-	-	-	(130)	575
Iniciativas Bioenergéticas	1,202	-	-	-	-	-	(795)	407
I3 Televisión	191	-	-	-	-	-	(665)	(474)
IRB Riesgo Operacional	115	-	-	-	-	-	(51)	64
A4 Essor	35	-	-	-	-	-	-	35
Tower Air Traffic System	501	-	-	-	-	-	-	501
Logistica Marítima de Tuxpan	150	-	-	-	-	-	-	150
Natming	3	-	-	-	-	-	-	3
Indra Isolux México	(13)	-	-		(11)	-	25	1
Visión Inteligente Aplicada	(84)	-	-	-	-	-	-	(84)
EFI Túneles Necaxa	175	-	-	-	-	-	(10)	165
Societat Catalana Per a la Mobilitat	2,377	-	-	-	-	-	(182)	2,195
Green Border OOD	11	-	-	-	-	-	(18)	(7)
Spa Mobeal	34	-	-	-	-	-	(200)	(166)
Global Training Aviation S.L.	3,345	-	-	-	-	-	513	3,858
Total	**11,456**	**-**	**-**	**-**	**(11)**	**(103)**	**(724)**	**10,618**

	Thousands of EUR							
	Balance as at 12/31/16	**Perimeter Change**	**Goodwill**	**Invesment**	**Exchange Differences**	**Dividends**	**Results**	**Balance as at 12/31/17**
SAES Capital	2,060	-	-	-	-	(73)	103	2,090
Eurofighter Simulation Systems	3,253	-	-	-	-	(2,080)	(554)	619
Euromids	514	-	-	-	-	-	191	705
Iniciativas Bioenergéticas	1,490	-	-	-	-	-	(288)	1,202
I3 Televisión	121	-	-	-	-	-	70	191
IRB Riesgo Operacional	183	-	-	-	-	-	(68)	115
A4 Essor	30	2	-	-	-	-	3	35
Tower Air Traffic System	501	-	-	-	-	-	-	501
Logistica Marítima de Tuxpan	150	-	-	-	-	-	-	150
Natming	3	-	-	-	-	-	-	3
Indra Isolux México	(18)	-	-	-	1	-	4	(13)
Visión Inteligente Aplicada	(87)	-	-	-	2	-	1	(84)
EFI Túneles Necaxa	64	-	-	-	(6)	-	117	175
Societat Catalana Per a la Mobilitat	1,617	(148)	-	731	-	-	177	2,377
Green Border OOD	2	-	-	-	-	-	9	11
Spa Mobeal	26	-	-	23	-	-	(15)	34
Global Training Aviation S.L.	-	-	1,642	1,935	-	-	(232)	3,345
Total	**9,909**	**(146)**	**1,642**	**2,689**	**(3)**	**(2,153)**	**(482)**	**11,456**

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

There were no significant movements in relation to the investments in associates during the year ended December 31, 2018.

The changes in relation to the investments in associates during the year ended December 31, 2017 were as follows:

- During 2017, the Parent Company paid an additional €731 thousand of the share capital of Societat Catalana per a la Mobilitat, S.A.
- On May 8, 2017, the Parent Company freely transferred 1 class B share of Societat Catalana per a la Mobilitat, S.A., SOC with a par value of €50 thousand per share to Ferrocarriles de la Generalitat de Catalunya.
- On May 23, 2017, the Parent Company transferred 2 class B shares of Societat Catalana per a la Mobilitat, S.A., SOC with a par value of €49 thousand per share to Transports de Barcelona, SA

The effect on the income statement of the two stock transfer operations of Societat Catalana was a loss of €148 thousand. Both operations were envisaged within the original contract of incorporation of this company.

- On July 19, 2017, the Parent Company purchased 33% of Global Training Aviation S.L. for an amount of €3,577 thousand.
- On October 24, 2017, the Parent Company paid an additional €23 thousand of the Share Capital of the Algerian company Spa Mobeal.
- On December 5, 2017, the Parent Company acquired 210 shares with a par value of €2 thousand of A4 Essor, taking its ownership interest to 23.1%.

11 Non-Current Financial Assets

The movements of non-current Financial Assets during the years ended December 31, 2018 and 2017 were as follows:

	Thousands of EUR						
	Balance as at 12/31/17	IFRS 15 (*)	Exchange Differences	Addition	Disposal	Transfers	Saldo al 12/31/18
Net book value:							
Other Permanent Interests In Non-Group Companies	13,200	-	3	608	(472)	153	13,493
Long-term loans	2,276	-	(14)	1,922	(115)	32	4,101
Long-term securities and deposits	15,315	-	(1,060)	4,038	(3,575)	658	15,376
Cash flow hedges	1,195	0	(42)	230	(1,248)	-	135
Other non-current financial assets	188,652	(75,417)	(1,733)	27,968	(8,795)	22,099	152,774
Total	**220,638**	**(75,417)**	**(2,846)**	**34,766**	**(14,205)**	**22,942**	**185,879**

*(see note 2)

	Thousands of EUR						
	Balance as at 12/31/16	Perimeter	Exchange Differences conversión	Addition	Disposal	Transfers	Balance as at 12/31/17
Net book value:							
Other Permanent Interests In Non-Group Companies	16,268	4	-	-	(3,072)	-	13,200
Long-term loans	2,246	83	(29)	30	(54)	-	2,276
Long-term securities and deposits	18,819	888	(1,939)	4,848	(7,301)	-	15,315
Cash flow hedges	-	-	-	1,206	(11)	-	1,195
Other non-current financial assets	137,697	-	(4,399)	45,513	(1,355)	11,196	188,652
Total	**175,030**	**975**	**(6,367)**	**51,597**	**(11,793)**	**11,196**	**220,638**

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

The detail of this heading is as follows:

		Thousands of EUR					
	Percentage of ownership	Balance at 12/31/17	Business Combinations	Addition	Disposal	Transfers	Balance at 12/31/18
Net book value:							
Safelayer Secure Communications, S.A	15%	324	-	-	(476)	152	-
Grupo de Navegación por Satélite, Sistemas y Servicios, S.L.	13.45%	135	-	-	-	-	135
Hisdesat Servicios Estratégicos	7%	7,052	-	-	-	-	7,052
Neotec	4.76%	5,071	-	-	-	-	5,071
Noster Finance, S.L.	7.19%	-	-	600	-	-	600
Business Services for Operational Support	10%	611	-	-	-	-	611
Others	-	7	4	9	(5)	8	23
Total		**13,200**	**4**	**609**	**(481)**	**160**	**13,493**

		Thousands of EUR					
	Percentage of ownership	Balance at 12/31/16	Business Combinations	Addition	Disposal	Transfers	Balance at 12/31/17
Net book value:							
Safelayer Secure Communications, S.A	15%	324	-	-	-	-	324
Grupo de Navegación por Satélite, Sistemas y Servicios, S.L.	13.45%	135	-	-	-	-	135
Hisdesat Servicios Estratégicos	7%	7,052	-	-	-	-	7,052
Neotec	4.76%	5,071	-	-	-	-	5,071
Medina Capital Fund GP	4.77%	3,057	-	-	(3,057)	-	-
Business Services for Operational Support	10%	611	-	-	-	-	611
Others		18	4	-	(15)	-	7
Total		**16,268**	**4**	**-**	**(3.072)**	**-**	**13,200**

In 2018 the main movements related to financial investments in equity instruments of companies outside the group were:

- On October 31, 2018, Indra Soluciones Tecnología de la Información, S.L.U. acquired 7.19% of the capital of Noster Finance, S.L. for the amount of €600 thousand.
- On November 6, 2018, Indra Soluciones Tecnología de la Información, S.L.U. sold the investment in Safelayer Secure Communications, S.A. for the amount of €890 thousand, generating a capital gain of €568 thousand in the year.

In 2017 the main operation related to financial investments in equity instruments of companies outside the group was:

- On May 1, 2017, the Parent Company received €6,056 thousand (US$6,619 thousand) as a return on its investment in the Medina Capital Fund GP, LLC. The effect on the income statement was a profit of €2,999 thousand (see note 33). As at December 31, 2017, the fund only maintains an investment portfolio, the divestment of which may result in a new profit distribution to shareholders. At this moment in time, Indra has no commitment or obligation to contribute further investment in the future. The Company received €405 thousand during the year for the same item.

b. Long-term guarantees and deposits

This heading 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-a-vis employment and commercial claims.

The additions in 2018 chiefly include €871 thousand (€702 thousand in 2017) corresponding to the formalizations of security guarantees and deposits in relation to leased properties resulting from the transfer of activities to other work centers. The de-recognitions for this item in 2018 amounted to €771 thousand (€655 thousand in 2017).

The additions in 2018 also include €2,516 thousand (€4,146 thousand in 2017) in relation to the deposits realized as a guarantee of employment claims of the subsidiary Indra Brasil Soluções e Serviços Tecnológicos, S.A. The de-recognitions for this item amounted to €2,092 thousand in 2018 (€6,646 thousand in 2017).

c. Other non-current financial assets

In 2018 the main transactions relating to other non-current financial assets were as follows:

- In 2018 this heading recorded the amount of €71,965 thousand (€53,302 thousand in 2017) in relation to loans of external partners of the Parent Company resulting from the proportional consolidation of different temporary business associations (TBAs) pertaining to Ministry of Defense programs. These programs receive financing from the Spanish Ministry of Industry, Energy and Tourism amounting to €100,132 thousand (€89,373 thousand in 2017) (see note 20). The amounts are expected to be invoiced in 2020 and 2021, once all the works have been completed. At that time, Defense will reimburse the aforementioned financing and the TBAs will derecognize the related liabilities. All of these amounts have been discounted at the market interest rate.

- In addition, in 2018 this heading recorded the amount of €7,876 thousand corresponding to the subsidiary Indra Brasil Soluçoes e Serviçios Teçnologicos S/A cas a result of the use of the respective tax assets in its operation. These assets originate in the application to join the TRP (Tax Regularization Plan) program carried out in 2017. This program has allowed the payment of tax debts by means of the compensation of Negative Tax Bases which were not capitalized in said company until 2017 (see note 36). The pending amount lies in current assets and amounts to €6,091 thousand.

As at December 31, 2018, the Group recognized accounts receivable for billable production amounting to €74,737 thousand (€121,974 thousand) in 2017 in relation to projects performed by the Group whose invoicing will foreseeably take over one year.

12 Long-term contractual assets

This heading includes the long-term work in progress amounting to €52,789 thousand. This amount corresponds to the Group's rights to a consideration in exchange for goods and services that the entity has transferred to its customers when said right is conditioned by compliance with a series of obligations in an estimated period of over 12 months.

13 Assets and liabilities held for sale

The detail of the main changes in non-current assets classified as held for sale in 2018 is as follows:

	2018 Thousands of EUR			Thousands of EUR
Financial Investment	**Investment**	**Impairment**	**Net Amount**	**Pasivos 2017**
Buildings	13,333	-	13,333	-
Other Financial Investments	8,325	(7,579)	746	(2)
Total Net Value	**21,658**	**(7,579)**	**14,079**	**(2)**

	2018 Thousands of EUR			Thousands of EUR
Loans	**Investment**	**Impairment**	**Net Amount**	**Pasivos 2017**
Loans	1,112	(1,079)	33	-
Total Net Value	**1,112**	**(1,079)**	**33**	**-**
Non-current assets and liabilities classified as held for sale	**22,770**	**(8,658)**	**14,112**	**(2)**

The detail of the main changes in non-current assets classified as held for sale in 2018 is as follows:

- The Parent Company and Indra Business Consulting, S.L.U. have reclassified the investment in their subsidiary Politec Argentina, S.A. for the amount of €450 thousand and €18 thousand respectively, due to the fact that it is currently being liquidated.
- Indra Soluciones Tecnologías de la Información, S.L.U. has reclassified the investment in its subsidiary Tecnocom Paraguay, S.A. amounting to €616 thousand, due to the fact that it is currently being liquidated.
- Indra Brasil Soluções e Serviços, Ltda. has sold land and buildings in Brazil for the amount of €9,250 thousand.

There were no other significant movements in this heading for 2018.

	2017 Thousands of EUR			Thousands of EUR
Financial Investment	**Investment**	**Impairment**	**Net Amount**	**Pasivos 2017**
Buildings	21,356	(651)	20,705	-
Other Financial Investments	13,279	(7,129)	6,150	(2)
Total Net Value	**34,635**	**(7,780)**	**26,855**	**(2)**

	2017 Thousands of EUR			Thousands of EUR
Loans	**Investment**	**Impairment**	**Net Amount**	**Pasivos 2017**
Loans	1,115	(1,079)	36	-
Total Net Value	**1,115**	**(1,079)**	**36**	**-**
Non-current assets and liabilities classified as held for sale	**35,750**	**(8,859)**	**26,891**	**(2)**

All of the foregoing assets and liabilities will foreseeably be sold or settled in 2019.

14 Inventories and Short-term contractual assets.

The detail of Inventories at December 31, 2018 and 2017 was as follows:

	Thousands of EUR	
	2018	**2017**
Goods	223	259
Raw Materials	27,858	20,582
Work in progress and short-term contractual assets	285,499	70,293
Subtotal	**313,580**	**91,134**
Impairment	(1,930)	(1,826)
Total Net Value	**311,649**	**59,308**

The items included under "Inventories - Work in Progress" correspond to the cost of materials used, direct labor costs and other services acquired for projects. In addition, the items included in "Short-term contractual assets" are costs for work in progress whose performance obligations are pending compliance (see note 2). The increase with respect to the previous year was due to the application of IFRS 15.

The change in the provisions of inventories is as follows:

	Balance as at 12/31/17	Perimeter changes	Allocations	Cancelation	Balance as at 12/31/18
Provision for Impairment	**(1,826)**	**-**	**(180)**	**76**	**(1,930)**

	Balance as at 12/31/16	Perimeter changes	Allocations	Cancelation	Balance as at 12/31/17
Provision for Impairment	**(159)**	**(1,036)**	**(808)**	**177**	**(1,826)**

15 Other current short-term assets and derivatives

The detail of other assets at December 31, 2018 and 2017 was as follows:

	Thousands of EUR	
	2018	**2017**
Other Receivables	9,024	5,998
Advances and Credits to Personnel	11,752	9,425
Public Authorities (note 36)	37,426	47,407
Accrual/deferral Adjustments	12,367	12,036
Short-term Deposits	2,169	442
Short-Term Bonds	1,177	1,447
Temporary Financial Investments	1,425	1,394
Derivatives (note 37 and 38)	2,082	10,731
Total Net Value	**77,422**	**88,880**

16 Trade and other receivables

The detail of customers and Other Receivables at December 31, 2018 and 2017 was as follows:

	Thousands of EUR	
	2018	**2017**
Customers for sales and provision of services	717,610	707,636
Accounts Receivable for Billable Production	319,252	634,091
Prepayments to Suppliers	14,797	17,025
Other Debtors	10,101	16,552
Total	**1,061,760**	**1,375,304**
Impairment customers	(66,532)	(42,490)
Impairment other debtors	(956)	(1,091)
Impairment - Debtors Billable Production	(13,440)	(83,695)
Total Net Value	**980,832**	**1,248,028**

The effect of IFRS 9 against reserves for the amount of €39,701 thousand is recorded in the movement of the year relating to customer impairment. (see note 2).

Likewise, within the movement of the year relating to the item of accounts receivable for billable production, €215,523 thousand were reclassified as a result of the recorded effect of IFRS 15 (see note 2).

At the end of 2018 and 2017, receivables under non-recourse factoring arrangements amounted to €187,346 thousand and €187,088 thousand, respectively.

The changes in the impairments for both years were as follows:

	Thousands of EUR						
	Balance as at 12/31/17	Perimeter changes	Allocations	Applications	Exchange differences	Reversion	Balance as at 12/31/18
Impairment	127,276	-	33,086	(51,743)	(833)	(26,858)	80,928

	Thousands of EUR						
	Balance as at 12/31/16	Perimeter change	Allocations	Applications	Exchange differences	Reversion	Balance as at 12/31/17
Impairment	125,199	7,877	24,035	(20,941)	(3,617)	(5,277)	127,276

The provisions recognized in 2018 amounted to €33,086 thousand (€24,035 thousand in 2017). Most of them were related 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 the Parent Company's projects.

The transfer of risks an rewards was analysed to conclude on whether these amounts could effectively be derecognized. 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 derecognized in this connection correspond to billings issued for the provision of services and for the projects carried out by the Group.

As at 31 December, 2018 and 2017, the Group had past-due receivables amounting to €410,816 thousand and €414,403 thousand respectively (see note 37b). The Group considers that these amounts will be received within twelve months.

17 Cash and other equivalent liquid assets

The detail of Cash and other equivalent liquid assets is as follows:

	Thousands of EUR	
	2018	2017
Deposits and short-term fixed-rate securities	118,775	34,231
Other Temporary Financial Investments	19,100	25,754
Subtotal	**137,875**	**59,985**
Cash	779,950	639,131
Total	**917,825**	**699,116**

“Deposits and short-term fixed-rate securities” include interest-earning amounts placed in demand deposits and short-term deposits in various currencies, which earned interest at an average rate of 0.31% in 2018 (0.85% in 2017).

This heading also includes €556 thousand (€1,467 thousand in the previous year) in relation to the liquidity contract with GVC Gaesco Valores Beka, S.V.S.A. (see note 18).

As at December 31, 2018 and 2017, the cash balance was fully available for use in the Group’s business operations.

18 Equity

Share capital

As at December 31, 2018, the share capital amounted to €35,330,880.40, comprising 176,654,402 fully subscribed and paid ordinary shares with a par value of €0.20, represented by book entries.

The share capital has been fully subscribed and paid.

In 2017 two capital increases were formalized, both within the context of the Public Offer of Acquisition formulated by Indra on Tecnocom, in order to meet the payment of the part of the consideration for the offer consisting of Indra shares.

The first capital increase corresponded to the purchase of 97.21% of the shares of Tecnocom to which the initial Offer was addressed, and was carried out on April 21, 2017, the date on which the corresponding public deed was signed, by virtue of which 12,173,056 shares of €0.20 par value were issued, with an issue premium of €9.6461 per share. The total nominal value of the capital increase amounted, therefore, to €2,434,611.20, while the total issue premium amounted to €117,422,515,48.

The second capital increase corresponded to the mandatory sale (squeeze out) of the remaining capital of Tecnocom and took place on May 18, 2017, by virtue of which 348,807 shares of €0.20 par value were issued, with an issue premium of €9.6461 per share. The total face value of this capital increase therefore amounted to €69,761.40, while the total issue premium amounted to €3,364,627.20.

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 the year-end was €8.235 per share (2017: €11.41 per share). The average market price in the last quarter of 2018 was €8.80 per share (2017: €12.16 per share).

The Company knows the composition of its shareholding by the information they directly disclose or make public in application of the current legislation on significant shareholdings (which requires disclosure, in general, of the operations for the acquisition or sale of shares and financial instruments that confer upon their holder voting rights that exceed 3% of the capital), and by the information provided by Iberclear collected by the Company on the occasion of the holding of its shareholders’ general meetings.

In accordance with the above, going by the information known to the Parent Company, the significant shareholders with a share of more than 3% are:

	12/31/18	12/31/17
Sociedad Estatal de Participaciones Indus triales (SEPI)	18.713%	18.713%
Corporación Financiera Alba	10.522%	10.522%
Fidelity Management & Research LLC (1)	9.358%	9.358%
T.Rowe Price Associates	4.900%	5.070%
Norges Bank (2)	4.130%	4.055%
Allianz Global Investors Gmbh (3)	-	3.416%
Schroders PLC	3.201%	3.201%

(1) Both in 2018 and in 2017, of 9.358% of the indicated share capital, 8.567% corresponded to voting rights attributed to the shares, while 0.791% corresponded to voting rights by means of financial instruments.

(2) Of 4.13% of the indicated share capital, 3.022% corresponded to voting rights attributed to the shares, while 1.109% corresponded to voting rights conferred by means of financial instruments. In 2017, of 4.055% of the indicated share capital, 2.973% corresponded to voting rights attributed to the shares, while 1.082% corresponded to voting rights conferred by means of financial instruments.

(3) Of 3.416% of the share capital indicated in year 2017, 3.018% corresponded to voting rights attributed to the shares, while 0.399% corresponded to voting rights by means of financial instruments.

The direct or indirect ownership interests held by each of the directors in a personal capacity at December 31, 2018 were as follows:

		Number of Shares			% s/ share capital
Directors	**Class**	**Direct**	**Indirect**	**Total**	
Fernando Abril-Martorell	Executive	345,925	-	345,925	0.196
Alberto Terol Esteban	Independent	40,863	-	40,863	0.023
Juan Carlos Aparicio Pérez (1)	Proprietary	18,882	-	18,882	0.011
Enrique de Leyva	Independent	14,947	-	14,947	0.008
Silvia Iranzo Gutiérrez	Independent	3,994	-	3,994	0.002
Luis Lada Díaz	Independent	43,343	-	43,343	0.025
Ignacio Martín San Vicente	Independent	1,123	-	1,123	0.001
Santos Martínez-Conde Gutiérrez-Barquín (2)	Proprietary	30,133	-	30,133	0.017
Ignacio Mataix Entero	Executive	1,847	-	1,847	0.001
Adolfo Menéndez Menéndez (1)	Proprietary	20,600	-	20,600	0.012
María Rotondo Urcola	Independent	4,584	-	4,584	0.003
Cristina Ruiz Ortega	Executive	45,118	-	45,118	0.026
Ignacio Santillana del Barrio	Independent	35,886	-	35,886	0.020
Total		**607,245**	**0**	**607,245**	**0.345**

(1) 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 Sunday, December 31, 2017 were as follows:

		Number of Shares			% s/ Share Capital
Directors	**Class**	**Direct**	**Indirect**	**Total**	
Fernando Abril-Martorell	Executive	66,006	-	66,006	0.037
Daniel García-Pita	Independent	69,089	12,600	81,689	0.046
Juan Carlos Aparicio Pérez (1)	Proprietary	15,280	-	15,280	0.009
Enrique de Leyva	Independent	10,619		10,619	0.006
Silvia Iranzo Gutiérrez	Independent	853	-	853	0.001
Luis Lada Díaz	Independent	39,417	-	39,417	0.022
Juan March de la Lastra (2)	Proprietary	33,716	-	33,716	0.019
Santos Martínez-Conde Gutiérrez-Barquín (2)	Proprietary	24,148	-	24,148	0.014
Adolfo Menéndez Menéndez (1)	Proprietary	16,756	-	16,756	0.009
María Rotondo Urcola	Independent	959	-	959	0.001
Cristina Ruiz Ortega	Executive	11,945	-	11,945	0.007
Ignacio Santillana del Barrio	Independent	30,954	-	30,954	0.018
Alberto Terol Esteban	Independent	36,634	-	36,634	0.021
Total		**356,376**	**12,600**	**368,976**	**0.210**

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

(2) For the shareholder Corporación Financiera Alba.

At December 31, 2018, the members of the Board of Directors held 52,252,134 shares, i.e. 29.58% of the total. At Sunday, December 31, 2017, the members of the Board of Directors held 52,013,865 shares, i.e. 29.44% of the total.

On Thursday, June 28, 2018 and Thursday, June 29, 2017, the Parent Company held its Annual General Meeting, which approved the distribution of the Parent Company's results for 2017 and 2016, 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.

Share Premium

The share premium resulting from the capital increases in 2001, 2003, 2007 and 2017 has the same restrictions, and may be used for the same purposes, as the voluntary reserves of the Parent Company, including its conversion into share capital.

In 2017, this has been increased by an amount of €120,787 thousand to meet part of the consideration for the takeover bid (OPA) for Tecnocom shares.

Similarly, an amount of €27,012 thousand was recorded under this line item corresponding to the fair value of the 12,521,863 shares of the capital increase referred to above, the market price per share being 12.065.

After all of the above, the total share premium amounted to €523,754 thousand.

The share premium and voluntary reserves are restricted for the amount of the asset revaluation provided for in Law 9/1983, of July 13, which at December 31, 2018 amounted to €8,963 thousand (Sunday, December 31, 2017: €9,122 thousand), for the research and development expenditure balances of the Parent Company not yet amortized amounting to €75,135 thousand at December 31, 2018 (December 31, 2017: €105,434 thousand) and for any prior years' losses that might exist.

Reserves

The detail of Other Reserves is as follows:

	Thousands of EUR	
	2018	**2017**
Reserve for Merger	1,846	1,846
Other Changes in the Equity	(3,399)	(2,601)
Total	**(1,553)**	**(755)**

Other equity instruments:

	Thousands of EUR	
	2018	**2017**
Issuance of convertible bonds	-	16,999
Delivery of shares	3,446	11,696
Total	**3,446**	**28,695**

This heading includes, as a result of the bond issue performed by the Parent Company in October 2013 (see note 20), the change in equity arising from the difference between the proceeds obtained and the fair value of the related financial liability amounting to €16,999 thousand, including the embedded derivative arising from the clause providing for early redemption of the bonds amounting to €1,125 thousand. October 2018 saw the amortization of the 2013 bond, as a result of which the Company transferred the amount of €16,999 thousand to voluntary reserves.

The remuneration policy established in 2014 provides for medium-term deferred remuneration payments based on the delivery of shares of the Parent Company, which will accrue from July 2014 until the end of 2017. Charged against these plans in 2018, 718,658 shares (33,036 shares in 2017) valued at the price on the day of delivery, at €8,348 thousand (€408 thousand in the previous year) have been delivered.

The amount of €3,446 thousand outstanding at December 31, 2018 (€11,696 thousand in the previous year) corresponded to the full provision for Medium Term Remuneration to be paid in 2021 to the members of Management by means of Company shares, whose number is established upon the basis of the average trading price during the thirty stock exchange sessions prior to the accrual date.

Reserves 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 EUR	
	2018	**2017**
Cash flow hedging of exchange insurance contract	(13,955)	2,573
Cash flow hedging of interest rates	-	1,243
Total	**(13,955)**	**3,816**

Treasury Shares

Making use of the powers conferred on it by the Shareholders' General Meeting, at December 31, 2018 the Parent Company directly held a total of 428,489 shares amounting to €3,663 thousand (a total of 813,376 shares amounting to €9,432 thousand on Sunday, December 31, 2017).

The detail of the balance of Treasury Shares and of the changes therein in 2018 and 2017 is as follows:

	Thousands of EUR			
	Balance as at 12/31/17	**Addition**	**Disposal**	**Balance as at 12/31/18**
To be used for: Ordinary and extarordinary Activities	9,432	103,119	(108,888)	3,663

	Thousands of EUR			
	Balance as at 12/31/16	**Addition**	**Disposal**	**Balance as at 12/31/17**
To be used for: Ordinary and extarordinary Activities	3,422	142,055	(136,045)	9,432

The changes in shares in 2018 and 2017 were as follows:

	Number of shares							
	% cap. s/capital	12/31/17	Addition	% Annual volume	Disposal	% Annual volume	12/31/18	% cap. s/capital
To be used for:								
- Ordinary Activities	0.12	217,181	9,676,994	5.92	(9,578,717)	5.44	315,458	0.18
- Extraordinary Transactions	0.34	596,195	250,000	0.15	(733,164)	0.42	113,031	0.06
	0.46	**813,376**	**9,926,994**	**6.07**	**(10,311,881)**	**5.86**	**428,489**	**0.24**

(*) Incluye saldo remanente de 11.623 acciones de la antigua cuenta de autocartera para transacciones ordinarias.

	Number of shares							
	% cap. s/capital	12/31/16	Addition	% Annual volume	Disposal	% Annual volume	12/31/17	% cap. s/capital
To be used for:								
- Ordinary Activities	0.12	204,277	11,127,889	6.41	(11,114,985)	6.24	217,181	0.12
- Extraordinary Transactions	0.08	129,231	500,000	0.28	(33,036)	0.19	596,195	0.34
	0.20	**333,508**	**11,627,889**	**6.69**	**(11,148,021)**	**6.43**	**813,376**	**0.46**

The ordinary transactions above relate to the contract that the Parent Company entered into with BEKA FINANCE, SV, S.A. (now GVC Gaesco Valores Beka, S.V.S.) for the purpose of facilitating the liquidity in its share price.

The extraordinary transactions were carried out within the framework of the Share Repurchase program in effect until June 28, 2018, the date of Indra's Ordinary General Meeting in accordance with what was announced in the Significant Event for the commencement of the Program dated March 29, 2016 (registration number 236736) and the one sent on January 21, 2019 (registration number 274055).

The purpose of this Repurchase Program has been to enable the Company to comply with its obligations to deliver shares derived from the current remuneration system during the period in question.

In 2018, to this end, 718,658 shares (33,036 shares in 2017) valued at the price on the day of delivery at €8,348 thousand (€408 thousand in the previous year) have been delivered.

Retained Profit/(Loss)

The breakdown of Retained Gains/(Losses) is as follows:

	Thousands of EUR	
	2018	**2017**
Legal Reserve	7,066	6,955
Reserve in Companies Accounted for using the global consolidation me	(127,329)	(127,706)
Fusion Reserve	15,212	15,212
Reserve in Companies accounted for by the equity method	(1,032)	1,662
Voluntary Reserves	620,021	602,398
Restricted Reserves	(440,379)	(502,655)
Profit/loss for the period attributed to the dominant company	119,760	126,905
Total	**193,319**	**122,771**

The effect of the application of IFRS 9 and IFRS 15 for the amount of €63,180 thousand in reserve decreases was recorded within the year's movement.

a. Legal Reserve

In accordance with the Law on Companies with Share Capital, the Dominant Company is obliged to allocate 10% of each year's profits to the constitution of a reserve fund until it reaches at least 20% of the share capital. This reserve is not distributable to shareholders and if it is used to offset losses, if there are no other reserves available for this purpose, it must be replaced with future rewards. Under certain conditions, it may be allocated to increase the social share capital.

On December 31, 2018 and 2017, the company provided this reserve with the minimum limit set in the Revised Text of the Law on Companies with Share Capital.

b. Reserves in Fully Consolidated Companies

The detail by Companies of the consolidation reserves as at December 31, 2018 and December 2017.

	Thousands of EUR	
	2018	2017
Grupo BPO (anteriormente Grupo BMB)	8,598	1,883
Indra Emac, S.A.U	(476)	(568)
Indra Sistemas de Seguridad, S.A.U	3,668	2,805
Indra SI, S.A	6,536	(825)
Indra Sistemas Chile, S.A	(6,944)	(10,037)
Indra Sistemas Portugal, S.A	747	(1,223)
Grupo Advanced Technology, S.L	(7,983)	(7,944)
Inmize Capital, S.L	(250)	(240)
Inmize Sistemas, S.L	2,407	2,353
Indra Beijing Information Technology Systems Ltd. (China)	2,215	2,167
Indra Company Brasil Tecnología LTDA (Brasil)	(2,272)	(32,568)
Indra Software Labs, S.L.U	-	24,031
Indra Sistemas México, S.A. de C.V	60	6,049
Indra Sistemas Comunicaciones Seguras, S.L.U	1,947	1,635
Indra Maroc S.A.R.L.U	265	534
Indra Sistemas Polska Sp.z.o.o	(821)	(724)
Indra Australia Pty Limited	3,133	1,139
Indra BPO México S.A. de C.V	7,199	6,583
Indra Colombia LTDA	7,602	4,542
Azertia Tecnologías de la Información Argentina, S.A	(185)	(76)
Indra USA Inc.	(18,550)	(19,817)
Prointec S.A.U	(12,801)	(13,033)
Indra Czech Republic S.R.O.	8,151	7,755
Indra Slovakia, A.S.	267	(191)
Soluziona Guatemala, S.A.	338	339
Indra LTDA (Kenya)	3,326	2,587
Indra Software Labs México S.A. de C.V	(8,750)	(8,935)
Soluciones y Servicios Indracompany Uruguay, S.A.	122	(202)
Indra Sisteme S.R.L. (Moldavia)	(341)	(289)
Indra Panamá, S.A.	(874)	1,157
Indra Philippines INC	9,019	7,353
Electrica Soluziona S.A. (Rumania)	669	698
Computación Ceicom, S.A.	4,274	4,277
Indra Company Perú SAC	157	186
Indra Perú, S.A	(9,091)	(9,506)
AC-B air Traffic Control & Business Systems GmbH (Alemania)	1,840	1,571
Indra Sistemas India Private Limited	(3,598)	(3,224)
Avitech GmbH (Alemania)	1,241	(354)

	Thousands of EUR	
	2018	2017
Indra Technology Solutions Malasya Sdn Bhd	(834)	(949)
Indra Bahrain Consultancy SPC	(979)	345
PT Indra Indonesia	(7,093)	(6,142)
Indra Italia S.P.A (Italia)	16,313	12,462
Indra Brasil Soluçoes e Serviços Tecnologicos SA	(161,904)	(140,108)
Indra Navia A.S (Noruega)	13,302	25,426
Indra Turquia	(2,871)	(2,119)
Indra Kazakhstan Engineering LLP	435	686
Politec Argentina, S.A	(722)	(638)
Teknatrans Consultores, S.L.U	(36)	(212)
Indra Technology South Africa PTY LTD	(2,276)	(2,037)
Indra Tecnología Brasil LTDA	(2,876)	(3,019)
Europraxis ALG Consulting Maroc, S.A (Marruecos)	150	(55)
Indra Arabia Company LTD (Arabia)	16,998	18,578
Indra Slovensko S.R.O.	(2)	(1)
Indra Puerto Rico INC.	108	197
Indra L.L.C	(292)	(223)
Indra Corporate Services, S.L.U	901	215
Indra Corporate Services Mexico S.A de C.V.	(88)	-
Metrocall S.A.	2,718	-
Indra Advanced Technology	39	-
Indra Soluciones Tecnologias de la Información, S.L.U	835	-
Total	**(127,329)**	**(127,706)**

c. Reserves in companies accounted for using the equity method

The list of Companies with consolidated reserves as of December 31, 2018 and 2017 is as follows:

	Thousands of EUR	
	2018	**2017**
Saes Capital	750	721
Eurofighter Simulation System	552	3,185
Euromids	694	503
Iniciativas Bioenergéticas, S.L.	(3,234)	(2,945)
I3 TV	191	121
IRB Riesgo Operacional	115	183
A4 Essor SAS	14	11
Indra Isolux México SA de CV	(32)	(5)
Visión Inteligente Aplicada S.A de C.V	(16)	(57)
EFI Túneles Necaxa SA de CV	119	69
Societat Catalana per a la Mobilitat, S.A.	57	(120)
Green Border OOD	5	(4)
SPA Mobeal	(15)	-
Global Training Aviation, S.L.	(232)	-
Total	**(1,032)**	**1,662**

d. Voluntary reserves and merger reserves

These reserves are freely available except for the amount of the balance sheet update of Law 9/1983 of July 13, which amounts as at December 31, 2018 to €8,963 thousand and as at December 31, 2017 to €9,122 thousand, and for the balances pending amortization of the research and development expenses of the Parent Company for the amount of €75,135 thousand as at December 31, 2018 (€105,434 thousand as at December 31, 2017), and, as appropriate, due to the negative results in previous years.

e. Profit/loss for the period attributed to the dominant company

The list of the profit/loss of the Consolidated Companies in 2018 and 2017 can be seen in the attached Appendix I.

Diferencias de conversión

	Thousands of EUR	
	2018	**2017**
Brazilian Real	(17,690)	(16,206)
Argentine peso	(14,479)	(11,472)
Norwegian Krone	(13,334)	(12,788)
Colombian Peso	(9,806)	(10,094)
Mexican peso	(9,524)	(10,062)
Rial Omani	(3,675)	(2,108)
Chilean Peso	(3,156)	(1,507)
Turkish Lira	(2,594)	(730)
Dominican Peso	(2,531)	(2,051)
Romanian Leu	(2,016)	371
Other Currencies	(1,047)	(6,115)
Total	**(79,852)**	**(72,762)**

Non-controlling interests

The composition of the balance as at December 31, 2018 and 2017 was as follows:

	Thousands of EUR							
	12/31/18				12/31/17			
	Non-Group Companies Capital	Non-Group Companies Reserv.	Non-Group Companies Results.	Total	Non-Group Companies Capital	Non-Group Companies Reserv.	Non-Group Companies Results.	Total
Inmize Capital	32	498	15	545	32	494	4	530
Inmize Sistemas	750	3,157	74	3,981	750	3,131	26	3,907
Elektrica Soluziona	15	757	90	862	15	739	109	863
Indra Filipinas	264	9,095	1,618	10,977	264	7,285	1,865	9,414
Indra Radar Technology	-	-	-	-	-	-	-	-
Indra Kazakhstan	600	(2,011)	(227)	(1,638)	600	(1,913)	(243)	(1,556)
Indra Malasya	282	(282)	-	-	282	(282)	-	-
Normeka	-	849	116	965	-	744	101	845
Prointec Panama	-	(30)	-	(30)	-	(31)	-	(31)
Indra Technology South Africa	-	-	-	-	-	(765)	(118)	(883)
Metrocall, S.A.	1,306	1,993	569	3,868	1,306	1,603	390	3,299
Tecnocom Procesadora de Medios de Pago S.A.	282	535	107	924	282	502	36	820
Inertelco S.A.	70	230	107	407	70	231	(1)	300
Total	**3,601**	**14,791**	**2,469**	**20,861**	**3,601**	**11,738**	**2,169**	**17,508**

Information on the assets, liabilities and consolidated results for the years 2018 and 2017, of the most significant non-controlling interests assigned to the Parent Company, are listed in Appendix V.

The main transactions with non-dependent shares in 2018 were as follows:

- On April 26, 2018 the Parent Company acquired an additional 30% of Indra Technology South Africa, PTY LTD for the amount of US$20 thousand. As a result of this acquisition, the Parent Company held 100% of the shares of that Company.

The main transactions with non-dependent shares in 2017 were as follows:

- On April 25, 2017, the Parent Company acquired an additional 30% of Indra Technology Solutions Malaysia Sdn. Bhd. amounting to €0 thousand. As a result of this acquisition, the Parent Company held 100% of the shares of that Company.

- The change in the percentage of shares corresponding to the non-controlling interests in the subsidiaries Metrocall, S.A., Tecnocom Procesadora de Medios de Pago, S.A. and Inertelco, S.A in 2017 fiscal year arose from the acquisition of Tecnocom by the Parent Company.

- On April 18, 2017, the Group acquired 97.21% of the shares of the Tecnocom Group (note 5), resulting in non-controlling interests amounting to €2,183 thousand, valued as the proportional part of the net assets belonging to minority interests the date of taking control.

- On May 24, 2017, by means of the procedure known as “squeeze out”, 100% of Tecnocom’s shares were obtained. The cost of this operation was €8,607 thousand, registering a negative impact on reserves amounting to €6,424 thousand.

19 (Loss)/Earnings per Share

As of December 31, 2018 and 2017, the calculation of available weighted average shares and diluted shares was as follows:

	Weighted average number of common shares at 12/31/18	Ordinary shares at 12/31/18	Weighted average number of common shares at 12/31/17	Ordinary shares at 12/31/17
Total Issued Shares	176,654,402	176,654,402	172,613,787	176,654,402
Treasury shares	(457,647)	(428,489)	(603,063)	(813,376)
Total Outstanding Shares	**176,196,755**	**176,225,913**	**172,010,724**	**175,841,026**

	Weighted average number of common shares at 12/31/18	Weighted average number of common shares at 12/31/17
Total Issued Shares	176,654,402	172,613,787
Treasury shares and financial instruments related to shares	25,533,918	27,602,459
Total Outstanding Shares	**202,188,320**	**200,216,246**

The dilutive factors for the calculation of €25,533,918 (€27,602,459 in 2017) include the effect of the convertible bonds issued in 2013 and 2016 (see note 20).

The calculation of Basic Earnings per share (rounded to four digits) for the 2018 and 2017 fiscal years is as follows:

	2018	2017
Income/loss attributed to the Parent Company in thousands of EUR	119.760	126.905
Weighted average number of outstanding common shares	176.196.755	172.010.724
Basic earnings /(loss) per common share in EUR	**0,6797**	**0,7378**

The calculation of the diluted earnings per share (rounded to four digits) for the 2018 and 2017 fiscal years is as follows:

	2018	2017
Income/loss attributed to the Parent Company in thousands of Euro (*)	126,316	134,575
Weighted average number of outstanding common shares	202,188,320	200,216,246
Diluted earnings (loss) per common share in EUR	**0.6247**	**0.6721**

(*) Result for the period without including the expense accrued by the convertible bond, net of tax effect.

The calculation of earnings per ordinary share (rounded to four digits) for the 2018 and 2017 fiscal years is as follows:

	2018	2017
Income/loss attributed to the Parent Company in thousands of EUR	119,760	126,905
Shares Issued	176,654,402	176,654,402
(Loss) / Profit per ordinary share, in Euros	**0.6779**	**0.7184**

20 Financial Liabilities from the Issuance of Obligations and Other Negotiable Values and Debts with Non-Current Credit Institutions

a. Financial liabilities from the issuance of negotiable obligations and securities

The Consolidated Statement of Financial Position includes:

Issuance of non-convertible bonds in April 2018:

On April 19, 2018 an issue of senior bonds in the unsecured euromarket was formalized for the amount of €300,000 thousand. The bonds are listed in the Euro MTF market of the Luxembourg stock exchange.

The terms and conditions of the bonds are as follows:

- The amount of the bond issue was €300,000 thousand at face value (€293,916 thousand including the discount and issuance costs), due on April 19, 2024.
- The bonds earn a fixed interest of 3% nominal annual.
- There were no interest payments during the year.
- The effective interest rate of the bond is 3.38%, including the discount and issuance costs.
- The issuance relies on the personal guarantee of the Parent Company's equity and is not guaranteed by third parties.

- The fair value of the bond at year-end 2018, in accordance with its listing on the Frankfurt stock exchange, was €297,594 thousand.
- The interests expected to be generated for the rest of life of bonds, is as follows:

Years	Thousands of EUR
2019	9,943
2020	9,975
2021	10,008
2022	10,042
2023	10,077
2024	3,461
	53,506

Issuance of non-convertible bonds in January 2018:

On January 26, 2018 a non-convertible bond issue was formalized with the Bankia entity for the amount of €30,000 thousand (€90 thousand of issuance costs), with a nominal unit value of €100 thousand.

According to the contract that governs this issue, the issuer cannot avoid the cash outflow. In conclusion, the Management of the Parent Company has considered the accounting treatment of the instrument as a financial liability in its entirety.

The terms and conditions of the bonds are as follows:

- The issue amount of the bonds was €30,000 thousand at face value, due on Sunday, February 1, 2026.
- The bonds earn a fixed interest of 2.90% nominal annual.
- There were no interest payments during the year.
- The effective interest rate of the bond is 2.94%.
- The issuance relies on the personal guarantee of the Parent Company's equity and is not guaranteed by third parties.
- The fair value of the bond at year-end 2018, in accordance with its listing on the Frankfurt stock exchange, was €29,761 thousand.
- The interests expected to be generated for the rest of life of bonds, is as follows:

Years	Thousands of EUR
2019	880
2020	880
2021	880
2022	881
2023	881
2024	881
2025	882
2026	154
	6,319

Issuance of non-convertible bonds 2016:

The amount of €25,000 thousand (€25,000 thousand in 2017) is the financial liability derived from the issuance made in December 2016 by the Parent Company of non-convertible bonds admitted to trading in the unregulated market known as Freiverkehr of the Frankfurt Stock Exchange.

According to the contract that governs this issue, the issuer cannot avoid the cash outflow. In conclusion, the Management of the Parent Company has considered the accounting treatment of the instrument as a financial liability in its entirety.

The terms and conditions of the bonds are as follows:

- The issue amount of the bonds was €25,000 thousand at face value, due on December 23, 2026.
- The bonds earn a fixed interest of 3.5% nominal annual. The amount paid in the current and previous year for this item is €875 thousand.
- The effective interest rate of the bond is 3.496%.
- The issuance relies on the personal guarantee of the Parent Company's equity and is not guaranteed by third parties.
- The fair value of the bond at year-end 2017, in accordance with its listing on the Frankfurt stock exchange, was €24,031 thousand (€29,647 thousand in 2017).
- The interests expected to be generated for the rest of life of bonds, is as follows:

Years	Thousands of EUR
2019	874
2020	875
2021	874
2022	875
2023	874
2024	875
2025	874
2026	864
	6,985

Issuance of convertible bonds 2016

The amount of €244,707 thousand (€243,633 thousand in 2017) corresponds to the financial liability derived from the issuance of October 7, 2016 by the Parent Company of convertible and/or exchangeable bonds for shares admitted to trading on the unregulated market known as Freiverkehr of the Frankfurt Stock Exchange.

The contract that governs this issuance includes a clause whereby there is an option for the bond holder that enables them to redeem this bond in full in cash in advance. In this way, if the holder exercises this option, the issuer cannot avoid the cash outflow. In conclusion, the Management of the Parent Company has considered the accounting treatment of the instrument as a financial liability in its entirety.

The terms and conditions of the bonds are as follows:

- The amount of the bond issue was €250,000 thousand face value, with a maturity date of 7 years (October 7, 2023).

- The issuance costs were €7,751 thousand (€3,000 thousand in commissions and €4,751 thousand for the repurchase bonus of the 2013 convertible bond).

- The bonds earn a fixed interest of 1.25% nominal annual payable for expired semesters, that is, on April 7 and October 7 of each year, with the first payment date on April 7, 2017. The amount paid in both years for this item is €3,125 thousand.

- The effective interest rate of the bond is 1.729%. The difference between the effective accounting interest and the interest accrued in cash in favor of the investors is due to the accrual of the initial issuance expenses. Note that in the case of the 2016 convertible bond, the accounting of the option of converting investors into shares does not have an impact on the effective interest rate because the option to repurchase by the bondholders in year 5 can only be satisfied by the Parent Company in cash.

- The conversion price of the bonds is initially fixed, at €14.629 per share.

- The shares underlying the bonds initially represented around 10.4% of the Parent Company's social share capital before the issue. At the close of 2018, the shares underlying the outstanding the bonds in circulation accounted for 9.7% (9.7% in the previous year) of the capital stock of the Parent Company.

- The holders of the bonds can exercise their conversion right from the closing date of the transaction, on October 7, 2016 until September 28, 2023, the seventh business day prior to their expiration.

- The Parent Company may amortize in cash in full (not in part) the issue of bonds for an amount equivalent to the initial amount plus the interest accrued and not paid pending at the time of amortization in two situations:

    1. At any time from the date on which 4 years and 21 days have passed since October 7, 2016 if the par value of the bonds during a given period exceeds €130 thousand of their unit face value.

    2. At any time, if 15% or less of the face value of the bonds initially issued remains in circulation.

- The holders of the bonds have the option of requiring the issuer to amortize them on October 7, 2021 (year 5) at their face value plus interest accrued and not collected at that date.

- The issuance relies on the personal guarantee of the Parent Company's equity and is not guaranteed by third parties.

- The fair value of the bond at year-end 2018, in accordance with its listing on the Frankfurt stock exchange, was €243,550 thousand (€268,840 thousand in 2017).

- The interest (including issuance costs) expected to be generated for the rest of life of bonds is as follows:

Years	Thousands of EUR
2019	4,217
2020	4,236
2021	4,256
2022	4,275
2023	3,412
	20,396

The amount in the Consolidated Statement of Cash Flows due to the increase in the issuance of bonds in 2018 totaled €323,916 thousand. And the return and amortization of bonds in 2018 totaled €161,511 thousand (€6,713 thousand in 2017).

b) Non-current debts payable to credit institutions

Breakdown by maturity as of December 31, 2018 of other long term financial borrowings is as follows:

	Thousands of EUR			
Years	**Debts from finance leases**	**Credit Institutions**	**R&D Loans**	**Total**
2020	432	25,491	16,293	42,216
2021	4	495,403	15,398	510,805
2022	-	97,844	14,334	112,178
Siguientes	-	62,339	34,578	99,917
Total as at 31.12.18	**436**	**681,077**	**83,603**	**765,116**

The total balance of R&D loans as at December 31, amounting to €83,603 thousand (€97,055 thousand in 2017) corresponded to the part with long-term maturity of loans received from official bodies for the development of research programs.

The accrued interest pending maturity in 2018 and 2017 totaled €1,486 thousand and €1,581 thousand respectively.

The amount in the Consolidated Statement of Cash Flows due to the increase in debt with credit institutions in the Parent Company in 2018 was €119,244 thousand. (€171,900 thousand in 2017). And the repayment and amortization of debt with credit institutions in 2018 was €110,983 thousand (€57,131 thousand in 2017).

The interests, from Debt with credit institutions, expected to be generated, is as follows:

Years	Thousands of EUR
2019	9,130
2020	8,823
2021	6,614
2022	1,478
2023	812
2024	628
2025	414
2026	147
	28,046

The detail by maturity as of December 31, 2017 of other long term financial borrowings is as follows

	Thousands of EUR			
Year	Debts from finance leases	Credit Institutions	R & D Loans	Total
2019	584	169,066	17,792	187,442
2020	-	173,558	16,911	190,469
2021	-	221,482	15,294	236,776
Next	-	86,000	47,058	133.058
Total as at 31.12.17	**584**	**650,106**	**97,055**	**747.745**

21 Other Non-Current Financial Liabilities

Other non-current financial liabilities breaks down as follows:

	Thousands of EUR	
	2018	2017
Guarantees and Deposits Received	115	101
Suppliers of non-current assets	20,980	28,803
Hedging derivatives	786	882
Other long-term debt	109,377	101,607
Total	**131,258**	**131,393**

Under the heading of Fixed Assets Suppliers as at December 31, 2018 the Parent Company recorded an amount of €20,980 thousand (€26,980 thousand in 2017) corresponding to the “earn-out agreement”, which entails the obligation to pay additional future compensation to the consideration already paid in cash, in the event that Paradigma Digital, S.L. achieves certain objectives stipulated in the purchase agreement in the future (see note 5 and note 26). The movement in the year corresponds to the short-term transfer for the amount of €6,000 thousand.

The Other long-term debt heading chiefly includes €100,132 thousand (€89,373 thousand in 2017) corresponding to financing from the Ministry of Industry, Energy and Tourism for the development of Defense programs for various TBAs (see note 11c). In addition, this heading includes the amount of €786 thousand (€882 thousand in 2017) corresponding to the differences between the insured value and the realizable value on the date of the drawing up of these Consolidated Annual Accounts for the items covered by a hedge contract of the Parent Company.

22 Government Grants

The details and the changes of this chapter during the 2018 and 2017 fiscal years are as follows:

	Balance as at 12/31/17	Perimeter changes	Addition	Tranfers	Application to income / loss	Balance as at 12/31/18
Subvenciones	5,105	-	8,750	(4,538)	(4,825)	4,492

	Balance as at 12/31/16	Perimeter changes	Addition	Tranfers	Application to income / loss	Balance as at 12/31/17
Subvenciones	2,743	262	7,199	693	(5,792)	5,105

The subsidies were granted by various public bodies as aid mainly for development projects (see note 8).

23 Provisions for Risks and Expenses

The following is a list of the provisions, along with their corresponding temporary difference and expected maturity date:

	Thousands of EUR										
	Balance at 12/31/17								Balance at 12/31/18		
Item	**Balance**	**Temporary difference**	**Variation perimeter**	**Exchange differences**	**Allocations**	**Reversion**	**Payments**	**Transfers**	**Balance**	**Temporary difference**	**Date due Extinguishm**
Other Provisions	-	-	-	-	3,179	-	-	8.567	11,746	11,746	2020-2021
Compensations	1,204	-	-	13	489	(185)	(58)	(307)	1,156	-	
Project guarantees	25,158	25,158	-	-	-	-	-	(15,088)	10,070	10,070	2020-2021
Subtotal of Provisions	**26,362**	**25,158**	**-**	**13**	**3,668**	**(185)**	**(58)**	**(6,828)**	**22,972**	**21,816**	
Provision for Taxes	13,592	-	-	(126)		(738)	(1)	(8,786)	3,941	-	2020-2021
HR Claims	27,075	8,781	-	(1,946)	7,806	(7,939)	(3,931)	217	21,282	2,891	2020-2021
Contingencies	3,211	42	122	(276)	13,510	(233)	(12)	1,121	17,444	39	2020-2021
Subtotal lawsuits in progress	**43,878**	**8,823**	**122**	**(2,348)**	**21,316**	**(8,910)**	**(3,944)**	**(7,448)**	**42,667**	**2,930**	
Total provisions	**70,240**	**33,981**	**122**	**(2,334)**	**24,984**	**(9,095)**	**(4,002)**	**(14,276)**	**65,639**	**24,746**	

	Thousands of EUR										
	Balance at 12/31/16								Balance at 12/31/17		
Item	**Balance**	**Temporary difference**	**Variation perimeter**	**Exchange differences**	**Allocations**	**Reversion**	**Payments**	**Transfers**	**Balance**	**Temporary difference**	**Date Due Extinguish-ment**
Compensations	412	-	3	(25)	645	(247)	(17)	433	1,204	-	
Project guarantees	17,800	17,800	3,463	-	3,895	-	-	-	25,158	25,158	2018-2020
Subtotal of Provisions	**18,212**	**17,800**	**3,466**	**(25)**	**4,540**	**(247)**	**(17)**	**433**	**26,362**	**25,158**	
Provision for Taxes	7,244	-	8,979	(269)	412	(2,774)	-	-	13,592	-	
HR Claims	69,429	43,861	(14)	(2,877)	10,831	(6,997)	(1,939)	(41,358)	27,075	8,781	2018-2020
Contingencies	4,337	1,183	316	(462)	199	(1,099)	(32)	(48)	3,211	42	2018-2020
Subtotal lawsuits in progress	**81,010**	**45,044**	**9,281**	**(3,608)**	**11,442**	**(10,870)**	**(1,971)**	**(41,406)**	**43,878**	**8,823**	
Total provisions	**99,222**	**62,844**	**12,747**	**(3,633)**	**15,982**	**(11,117)**	**(1,988)**	**(40,973)**	**70,240**	**33,981**	

The Other Provisions concept includes provisioned amounts for contingencies regarded as possible within the process of acquiring the companies of the Tecnocom and Paradigma group.

The provisions for project guarantees include the estimated costs for carrying out repair work on them or reviewing them. Most of these provisions correspond to projects carried out in the geographical area of Asia, Middle East & Africa.

As at December 31, 2018 the Group had litigation in progress, in which it was a defendant and whose probability of occurrence was estimated as probable, amounting to €46,317 thousand, fully provisioned;
€42,667 thousand are registered under this heading of long-term provisions and €3,650 thousand are provisioned in the line of other current liabilities, (see note 26). In the previous year the amount provisioned for these items totaled €43,878 thousand.

The HR claims section for the amount of €21,715 thousand also includes the different claims of former suppliers of the Brazilian subsidiary companies, amounting to €12,780 thousand (€14,006 thousand in 2017), of a nature equivalent to self-employed which, once the contracts for the provision of services for which they were contracted ended, made claims against the company (or there is a risk of them doing so), calling into question their nature as autonomous suppliers and claiming compensation as if they had an employment relationship.

The section on Contingencies in 2018 includes different judicial procedures that are not expected to be completed by December 31, 2018. The main contingency that makes up the provision at the end of 2018 corresponds to the sanction imposed by the National Commission on Markets and Competition (“CNMC”) on the Parent Company in File S/DC/05/65/15 “Tenders for Computer Applications” dated July 26, 2018 (€13,500 thousand). Said sanction has been appealed at the contentious-administrative headquarters by the Parent Company.

In addition, the litigation whose probability of occurrence is estimated as possible amounts to €154,885 thousand (€143,615 thousand in 2017), the most significant being the following:

- **Contentious-Administrative Procedure requested by the Comptroller General of the State of Ecuador against the Parent Company**

  Litigation arising from the Contract for the “Implementation of a Judicial Information System for the Council of the Judiciary of Ecuador”, currently valued at €15,164 thousand, awarded to Indra Sistemas, S.A.

  Although the Contract was executed correctly, and properly collected and received by the customer, and that the system is operational, in August 2013, the Comptroller General of the State (“CGE”) determined through an administrative act, that there was culpable civil responsibility in solidarity with the Parent Company, together with the contract administrators by the Judicial Council, for breach of its purpose, claiming the full refund of the price paid.

  After exhausting the administrative procedure, the contentious-administrative lawsuit filed by the Parent Company requesting the nullity of said resolution was admitted in October 2015. The procedure has been concluded with a partial judgment, which has been subsequently appealed by the Parent Company and by the CGE in cassation before the National Court of Justice of Ecuador. In March 2018, the CNJ agreed to suspend the effects of the judgment appealed without the need for a bond.

  In parallel, the Parent Company has officially notified the Republic of Ecuador of the intention to submit this matter to arbitration under the Investment Protection Treaty for breach of its essential obligations.

  In addition, there is a second procedure whereby, in February 2016, the Judicial Council filed a claim against the Parent Company claiming compensation for damages currently valued at €3,712 thousand. This procedure is in a probationary phase.

- **Sanctioning file initiated by the National Commission of Markets and Competition (CNMC) against the Parent Company**

  In May 2017, the CNMC filed for disciplinary action for collusive practices against 26 Spanish companies, including the Parent Company, in the area of electrification and electromechanical systems for rail transport.

  In December 2017, the CNMC extended the file to a total of 15 individuals linked to these companies, among whom is a former director of the Parent Company. In August 2018, the CNMC issued a proposal for a Resolution classifying the infringement of the rules for the Defense of Competition as very serious, holding all the investigated companies (including INDRA) accountable except for one. As regards INDRA, the CNMC proposes the imposition of a penalty of €1,436 thousand and also envisages the possibility of applying a ban on procurement with the Public Administration envisaged in the Law on Public Sector Contracts. The Parent Company submitted its allegations and the file is pending resolution.

  Additionally, in December 2017, the CNMC sent the Parent Company a request for information regarding the signaling, security, control and railroad systems business, which was duly answered within the period granted for that purpose. In September 2018 the CNMC agreed to initiate disciplinary proceedings against 8 companies and 4 managers, not including the Parent Company or any director related to it.

- **Sanctioning file initiated by the National Commission of Markets and Competition (CNMC) against the Parent Company**

  In February 2019 the CNMC initiated disciplinary proceedings for collusive practices against 25 companies, including the Parent Company and 8 individuals linked to these companies (none related to the Parent Company). The file focuses on the consulting services market. The CNMC recently sent the Parent Company a request for information in relation to said consulting services market, whose reply was sent to the CNMC.

- **Arbitration related to the consortium-related expenses arising from the project for the High-Speed Rail Line between Mecca and Medina in Saudi Arabia**

  In April 2018 Ingeniería y Economía del Transporte, S.A. ("INECO"), Entidad Pública Empresarial Administrador de Infraestructuras Ferroviarias ("ADIF") and Entidad Pública Empresarial Renfe Operadora ("RENFE") submitted a request for arbitration to the Spanish Court of Arbitration against Indra Sistemas, S.A. and the other members of the Consorcio Español del Ave Mecca-Medina ("CEAVMM") in relation to a dispute arising from the consortium-related nature or otherwise of certain expenses, amounting to €12,000 thousand. Indra Sistemas, S.A. and five other Spanish partners of the consortium (with the exception of Obrascón Huarte Laín, S.A. ("OHL")) jointly submitted their claims and filed a counterclaim for €13,500 thousand. The arbitration is pending the appointment of the arbitrator.

In turn, as at December 31, 2018, the Group had litigation in progress, in which it was a defendant, for the amount of €188,403 thousand (€154,754 thousand in 2017) whose probability of occurrence is estimated to be remote, with the most significant procedures being the following:

- **Claim before the Special Tax Jurisdiction (CARF) interposed by the Brazilian Social Security Institute (INSS)**

  In June 2011 the INSS filed a claim currently valued at €62,484 thousand resulting from the incorrect settlement of the social security contributions of the personnel outsourced by Politec from 2006 to 2008. This litigation originated prior to the acquisition of Politec by the Parent Company.

  The Court considered the Special Appeal filed by Indra Brasil Soluçoes e Serviços Tecnológicos Ltda. gainst the latest decision of the CARF (administrative tribunal), which annulled the effects of the judgment favorable to Indra Brazil in the second instance for alleged defects of nullity in the proceedings. This judgment is final and entails the end of the litigation.

- **Claims for damages caused to the Administration (Brazilian Public Ministry -INPI-)**

  A civil damages claim procedure initiated in April 2004 currently valued at €27,414 thousand initiated in the stage prior to the acquisition of Politec (now Indra Brasil Soluçoes e Serviços Tecnológicos Ltda.) for alleged irregularities in administrative outsourcing. The Administration directly contracted the company IEL/DF, who subsequently subcontracted Politec to provide automation services. Joint and several liability was attributed to IEL/DF and Politec. The Public Prosecutor's Office has not been able to accredit overpricing in the amount of the services and the action has been declared inadmissible in the first instance. The Public Ministry has appealed the second instance, which is pending resolution.

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

  In February 2016, the Plantalto consortium, in which Indra Brasil Soluçoes e Serviços Tecnológicos Ltda. has a 70% ownership interest, filed a lawsuit against BB urging the termination of the contract for reasons not attributable to the contractor. BB made a counterclaim concerning the contractual breach of Indra Brasil Soluçoes e Serviços Tecnologicos, Ltda, requesting damages currently valued at €26,943 thousand.

  In May 2017, there was a ruling in favor of Indra Brasil Soluçoes e Serviços Tecnologicos, Ltda in the first instance, which was appealed by BB. The Court dismissed BB's appeal, confirming the judgment passed at first instance. BB filed another appeal against this last decision, which is pending resolution.

- **Administrative procedure initiated by Caixa Economica Federal (CEF) against Indra Brasil Soluçoes**

  In September 2017 the administrative procedure initiated by CEF ended, concluding with the full responsibility of Indra Brasil Soluçoes e Serviços Tecnológicos Ltda. in the massive fraud incident committed in May 2015 with the bank's credit cards and a claim currently valued at €22,787 thousand for damages suffered by CEF in said incident.

  Indra Brasil Soluçoes e Serviços Tecnologicos, Ltda has filed a lawsuit against that judgment, being the procedure currently at trial. It has also obtained a judicial injunction preventing CEF from offsetting said claim with any amount due to Indra Brasil Soluçoes e Serviços Tecnologicos, Ltda for the execution of other contracts in progress.

- **Criminal procedure derived from the Tax Inspection initiated in Spain by the Tax Agency**

  In December 2015 the Tax Agency initiated a fiscal inspection corresponding to 2011 to 2014 at Indra Sistemas and some of the group's subsidiaries. The inspection ended in February 2018 with the Parent Company signing a certificate in agreement and a certificate of contested assessment. In addition, the inspection notified Indra of a proposed liquidation linked to an offence for a total amount of €466 thousand (which included a €429 thousand fee, interest and other items).

  In April 2018 the Parent Company proceeded to pay said amount in full. After the appropriate allegations before the Tax Agency, in October 2018 the provincial prosecutor's office of Madrid filed a complaint against the Company.

  At the date on which the Accounts were drawn up, this procedure was pending a ruling.

In addition to what is indicated in this section, the Group has the tax procedures outlined in note 23.

24 Financial Liabilities from the Issuance of Obligations and Other Negotiable Values and Debts with Non-Current Credit Institutions

The detail of this chapter of Consolidated balance sheet as of December 31, 2018 and 2017 is as follows:

	Thousands of EUR	
Corriente	**2018**	**2017**
Obligations and Bonds (note 20)	7,920	152,098
Credits	17,593	96,019
Interest Debts	1,486	1,581
Financial Leases (note 7)	311	2,005
Debts for concerted research plans	15,039	19,249
Total debts payable to credit institutions	**34,429**	**118,854**
Total	**42,349**	**270,952**

The **Obligations and securities** heading includes:

- The amount of the short-term maturity of the issuances made by the Parent Company in relation to the convertible bond of December 2016 for the amount of €521 thousand (€521 thousand in 2017) (which accrue a nominal interest of 1.25% payable half-yearly in arrears, in other words, on April 7 and October 7 each year, the first date of payment being April 7, 2017).

- The amount of the short-term maturity of the issuances made by the Parent Company in relation to the non-convertible bond of December 2016 for the amount of €15 thousand (€15 thousand in 2017) (which accrue a fixed annual interest rate of 3.5%).

- Likewise, the amount of the short-term maturity of the issuances made by the Parent Company in relation to the non-convertible bond of January 2018 for the amount of €805 thousand, which accrue a fixed annual interest rate of 2.9%.

- Likewise, the amount of the short-term maturity of the issuances made by the Parent Company in relation to the non-convertible bond of April 2018 for the amount of €6,578 thousand, which accrue a fixed annual nominal interest of 3%.

In the previous fiscal year, an amount of €151,562 thousand corresponded to the financial liability derived from the issuance made in October 2013 by the Parent Company of convertible and/or exchangeable bonds for shares admitted to trading on the unregulated market known as Freiverkehr of the Frankfurt Stock Exchange. The company amortized the bond in 2018.

The Credits heading includes the amounts of the short-term credit lines arranged, as well as the amounts of long-term bank financing with short-term maturity. The variation of €78,426 thousand between the 2018 and 2017 figures is chiefly due to the refinancing of the long-term BBVA loan for the amount of €74,810 thousand.

The total balance of debts for arranged research and development plans, amounting to €15,039 thousand (€19,249 thousand in 2017), corresponds to the part with the short-term maturity of loans received from official bodies for the development of research programs.

Information on the amount available and the amount used of credit lines is as follows:

	Thousands of EUR	
Years	**2018**	**2017**
Amount available	187,298	233,312
Amount drawn	2,302	2,438
Total credit lines agreed	**189,600**	**235,750**

25 Trade and other payables

The following is a list of Trade and other payables as of December 31, 2018 and 2017:

	Thousands of EUR	
Years	**2018**	**2017**
Debts from purchases or rendering of services	655,893	653,123
Customer Advances	665,648	621,842
Total	**1,321.541**	**1,274,965**

The second final provision of Law 31/2014, modifies the Capital Companies Law for the improvement of corporate governance, it modifies the third additional provision of Law 15/2010, which establishes measures to combat defaulting in commercial operations, requiring that all mercantile companies expressly include in their annual accounts the average payment terms to suppliers. Likewise, the ICAC is enabled to set out the rules and methodology of the calculation method.

This resolution is mandatory for all Spanish mercantile companies that prepare Consolidated Financial Statements, but only with respect to companies located in Spain, which are fully or partially consolidated.

Based on this, through the resolution of January 29, 2016, the ICAC sets out the methodology for calculating the average payment to suppliers for the year 2015 and subsequent years.

Calculation of the average payment terms to suppliers is determined by applying the following formula, and is in accordance with the ICAC resolution of January 29, 2016:

$$\textbf{Average Period Payments to Suppliers} = \frac{\text{Ratio of operations paid * amount of payments made + ratio of operations pending payment * total amount of outstanding payments}}{\text{Total amount of payments made + Total amount of pending payments}}$$

Information on the Spanish companies for 2018 and 2017 are as follows:

	2018	**2017**
	Days	**Days**
Average Period - Payments to Suppliers	58	64
Ratio of Paid Transactions	59	66
Ratio of transactions pending payment	52	52

	Amount Thousands of EUR	**Amount Thousands of EUR**
Total pagos realizados	1.045.472	1.013.342
Total pagos pendientes	255.833	187.242

26 Other Current Liabilities

The following is a list of other liabilities as of December 31, 2018 and 2017:

	Thousands of EUR	
	2018	**2017**
Public Authorities (Note 36)	128,111	136,046
Remunerations pending payment	100,701	88,156
Guarantees and Deposits Received	580	61
Provisions for trade transactions	90,248	120,182
Accrual/deferral Adjustments	10,356	9,491
Suppliers of non-current assets	16,709	10,212
Other Debts	47,622	38,744
Total	**394,327**	**402,892**

The heading of Fixed Asset Suppliers as at December 31, 2018 includes the estimated amount pending payment for the acquisition of G-Nubila Technology totaling €3,350 thousand (€3,336 thousand in 2017).

In addition, under the “Fixed asset suppliers” heading, the Parent Company has an amount of €6,000 thousand (€3,688 thousand in 2017) corresponding to the “earn-out agreement”, entailing the obligation to pay future compensation in addition to the cash consideration already paid, in the event that the company Paradigma Digital, S.L. in the future reaches specific objectives stipulated in the purchase agreement (see note 5 and note 21). This amount has been transferred from the long-term this year and the balance that existed at the end of the year of 2017 has been canceled against Goodwill.

The breakdown of the current provisions is as follows:

	Thousands of EUR							
	Balance at 12/31/17	**Exchange differences**	**Variation perimeter**	**Allocations**	**Reversion**	**Payments**	**Transfers**	**Balance at 12/31/18**
Provisions guarantees and contracts for consideration	53,197	12	-	1,823	(26,915)	(839)	15,367	42,645
Other provisions	21,923	125	-	61	(8,172)	(20)	-	13.917
Provisions other personnel expenses	4,939	22	-	1,045	(450)	(417)	424	5,563
Reserve Social Security	29	-	-	-	-	-	-	29
Provisions for restructuring	40,094	-	-	-	(12,000)	-	-	28,094
Total	**120,182**	**159**	**-**	**2,929**	**(47,537)**	**(1,276)**	**15,791**	**90,248**

	Thousands of EUR							
	Balance at 12/31/16	Exchange differences	Variation perimeter	Allocations	Reversion	Payments	Transfers	Balance at 12/31/17
Provisions guarantees and contracts for consideration	64,862	(1,335)	7,312	4,487	(20,248)	(1,881)	-	53,197
Other provisions	32,562	(3,951)	-	3,500	(10,188)	-	-	21,923
Provisions other personnel expenses	5,064	(14)	-	9,820	(18)	(5,100)	(4,813)	4,939
Reserve Social Security	29	-	-	-	-	-	-	29
Provisions for restructuring	2,242	-	-	-	-	(2,242)	(40,094)	40,094
Total	**104,759**	**(5,300)**	**7,312**	**17,807**	**(30,454)**	**(9,223)**	**35,281**	**120,182**

The provisions of guarantees and “onerous contracts” include the estimated costs for carrying out repair or revision work of these items. Within this heading, an amount of €25,778 thousand (€33,577 thousand) corresponds to the Parent Company.

The provision for “HR Claims” for the amount of €40,094 thousand that the Parent Company allocated during 2015 as a result of the initiation of an employment regulation file, which was announced to the workers in August 2015 and ended in December 2016 (due date 2018), was reclassified to the short term in 2017 (see note 23). This provision involved the obligation to make a contribution to the Treasury by legal mandate to contribute to the payment of the pension funds of those employees affected by the restructuring plan over 50 years.

In 2018, the group applied €12,000 thousand of this provision based on the analysis carried out by an independent expert.

27 Information by segment

The following tables present information related to the Group's business segments, based on the financial statements of the different companies that comprise it. The review and decision-making regarding this information is carried out by the General Management.

Below is the information regarding the 2018 and 2017 segments:

	2018 (Thousands of EUR)							
Segment information at Monday, December 31, 2018	**T&D**	**%**	**TI**	**%**	**Corporate not distribuible**	**Eliminations**	**Total**	**%**
Total Sales	1,187,505		1,916,230		-	-	3,103,735	100%
Sales - inter-segments	-		-		-	-	-	-
External Sales	**1,187,505**		**1,916,230**		**-**	**-**	**3,103,735**	**100%**
Contribution Margin	230,288	**19.4%**	263,641	**13.8%**	-	-	**493,929**	**15.9%**
Other Income and Expenses	(73,665)		(220,924)		-	-	(294,589)	(9.5%)
Operating Result (EBIT)	**156,623**	**13.2%**	**42,717**	**2.2%**	**-**	**-**	**199,340**	**6.4%**
Financial Income/loss	-		-		(34,727)	-	(34,728)	(1.1%)
Income/loss from Associated companies	195		(919)		-	-	(724)	(0.0%)
Corporate tax	(28,491)		(19,766)		6,598		(41,659)	(1.3%)
Segment income/loss	**128,327**	**10.8%**	**22,032**	**1.1%**	**(28,129)**	**-**	**122,229**	**3.9%**
Other information								
Investment	34,980		51,285		-	-	86,265	
Amortization	35,686		58,013		-	-	93,699	
Balance								
Assets of segments	1,576,213		1,536,606		917,823	-	4,030,642	
Non-current assets in associated company	11,118		(500)		-	-	10,618	
Total assets consolidated							**4,041,260**	
Liabilities								
Segment Liabilities	1,352,565		630,873		1,400,996	-	3,384,434	
Total consolidated liabilities							**3,384,434**	

	2018 (Thousands of EUR)				
Information by geographic areas at Sunday, December 31, 2018:	**Spain**	**America**	**Europe**	**Asia, Middle East & Africa**	**Total**
External Sales	1,556,148	609,306	503,840	434,441	3,103,735
Investment	77,448	4,839	2,231	1,747	86,265
Assets used	2,797,424	586,643	281,197	375,996	4,041,260

	2017 (Thousands of EUR)							
Segment information at Sunday, December 31, 2017	**T&D**	**%**	**IT**	**%**	**Corporate no distribuible**	**Eliminations**	**Total**	**%**
Total Sales	1,182,729		1,828,330		-	-	3,011,059	100%
Sales - inter-segments	-		-		-	-	-	-
External Sales	**1,182,729**		**1,828,330**		**-**	**-**	**3,011,059**	**100%**
Contribution Margin	**223,644**	**18.9%**	**258,500**	**14.1%**	**-**	**-**	**482,144**	**16.0%**
Other Income and Expenses	(86,149)		(200,366)		-		(286,515)	9.5%
Operating Result (EBIT)	**137,495**	**11.6%**	**58,134**	**3.2%**	**-**	**-**	**195,629**	**6.5%**
Financial Income/loss	(372)		573		(32,516)	-	(32,316)	1.1%
Income/loss from Associated companies	(601)		119		-	-	(482)	0,0%
Corporate tax	(30,315)		(13,118)		9,676	-	(33,757)	(1.1%)
Segment income/loss	**106,207**	**9.0%**	**45,708**	**2.5%**	**(22,840)**	**-**	**129,074**	**4,3%**
Other information								
Investment	24,576		27,043		-	-	51,619	
Amortization	24.108		46,517		-	-	70,625	
Balance								
Assets								
Assets of segments	1,297,263		1,858,753		699,116	-	3,855,132	
Non-current assets in associated company	11,027		429		-	-	11,456	
Total assets consolidated							**3,866,588**	
Liabilities								
Segment Liabilities	1,098,665		849,176		1,287,330	-	3,235,171	
Total consolidated liabilities							**3,235,171**	

	2017 (Thousands of EUR)				
Information by geographic areas at Sunday, December 31, 2017:	**Spain**	**America**	**Europe**	**Asia, Middle East & Africa**	**Total**
External Sales	1,386,702	655,508	491,610	477,239	3,011,059
Investment	46,349	2,464	1,383	1,423	51,619
Assets used	2,888,057	510,778	224,219	243,534	3,866,588

There is no concentration of customers representing over 10% of the ordinary revenue figure.

28 Other Sources of Income

In 2018 this heading of the Consolidated Income Statement chiefly includes subsidies amounting to €11,781 thousand (€11,454 thousand in 2017) and other income from miscellaneous services for €12,264 thousand (€8,846 thousand in 2017).

29 Consumption and Other Supplies

The constitution of expenses by Consumption and other supplies incurred across the Group during the periods finishing on December 31, 2018 and 2017, is as follows:

	Thousands of EUR	
	2018	**2017**
Outsourcings and Consumption of Materials	763,573	806,878
Changes in Inventories	(12,407)	(3,694)
Total	**751,166**	**803,184**

30 Personnel Expenses

The detail of personnel expenses incurred during the periods finishing on December 31, 2018 and 2017, is as follows

	Thousands of EUR	
	2018	**2017**
Wages, Salaries and Similar	1,217,979	1,124,176
Compensations	36,338	33,912
Social Security and other Social security charges	352,560	327,938
Total	**1,606,877**	**1,486,026**

The increase in expenses with respect to 2017 is chiefly due to the incorporation of the Tecnocom group. In 2017 it was integrated only from the purchase date of April 18.

In August 2015, the Parent Company's management sent a file to its workers on employment regulations, which expired in December 2016 (required in 2018). The Company held a short-term provision of €40,094 thousand as of December 2017. In 2018 the group reversed €12,000 thousand of this provision based on the analysis carried out by an independent expert.

The average number of Group employees in 2018 and 2017 divided into categories can be seen below:

	Number of persons					
	2018			2017		
	Men	Women	Total	Men	Women	Total
Senior Management	15	2	17	13	3	16
Executives	425	84	509	418	80	498
Middle Management	2,803	929	3,732	2,720	879	3,599
Technical	21,440	10,570	32,010	19,473	10,074	29,547
Support	2,335	1,733	4,068	1,899	1,998	3,897
Other Categories	775	461	1,236	1,769	678	2,447
Total	**27,793**	**13,779**	**41,572**	**26,292**	**13,712**	**40,004**

The distribution by gender and category at the end of periods 2018 and 2017 can be seen as follows:

	Number of persons					
	2018			2017		
	Men	Women	Total	Men	Women	Total
Senior Management	15	2	17	11	2	13
Executives	404	78	482	397	78	475
Middle Management	2,778	907	3,685	2,637	858	3,495
Technical	22,658	10,888	33,546	19,923	10,207	30,130
Support	2,826	2,191	5,017	1,934	1,629	3,563
Other Categories	611	349	960	1,711	633	2,344
Total	**29,292**	**14,415**	**43,707**	**26,613**	**13,407**	**40,020**

The Average Number of employees with greater or equal disability of 33%, during the periods 2018 and 2017, of the Spanish companies of the Group, broken down by categories, is as follows:

	Number of persons					
	2018			2017		
	Men	Women	Total	Men	Women	Total
Executives	-	1	1	1	1	2
Middle Management	17	2	19	18	2	20
Technical	140	80	220	131	64	195
Support	24	16	40	18	14	32
Other Categories		2	3	8	6	14
Total	**182**	**101**	**283**	**176**	**87**	**263**

Additionally, the Parent Company complies with the General Law on the Rights of Persons with Disabilities and their Social Inclusion, through alternative measures such as the purchase of special employment centers and donations that promote labor integration of people with disabilities.

31 Other Operating Costs

The composition of this item on December 31, 2018 and 2017 is as follows:

	Thousands of EUR	
	2018	2017
Leases and usage fees	162,266	134,374
Repair and Maintenance	39,675	25,581
Professional Services	122,674	115,884
Transportand Freight	11,429	14,300
Insurance	6,813	5,621
Bank Charges	9,259	9,138
Donations, expenses in fairs , advertising and representation	15,548	13,210
Supplies	14,264	12,820
Trip and other expenses	163,032	157,237
Taxes	43,873	32,850
Other Operating Costs	396	549
Variations of provisions for commercial operations	(27,951)	204
Total	**561,279**	**521,768**

The increase in expenses with respect to 2017 is chiefly due to the incorporation of the Tecnocom group. In 2017 it was integrated only from the purchase date of April 18.

Likewise, the provision of €13,500 thousand corresponding to the sanction of the CNMC is included in the Taxes (see note 23) item.

The decrease in the item of Variations of provisions for commercial operations is chiefly due to the net variation of provisions.

32 Losses due to Deterioration and Other Income from Property, plant and equipment

The composition of this item on December 31, 2018 and 2017 is as follows:

	Thousands of EUR	
	2018	**2017**
Write-off/Impairmentof the G oodwill (note 8)	-	(894)
Impairmentloss and R esultof Others Intangible As sets (note 9)	28	(13)
Impairmentloss and R esultof Property, plant and equipment(note 7)	(351)	(215)
Impairmentloss and R esultof Non-currentas sets held for s ale (note 13)	1,377	17
Results of Other non-currentass ets financial (note 12.c)	(49)	-
Total	**1,005**	**(1,105)**

33 Other Financial Income/loss

The composition of this item on December 31, 2018 and 2017 is as follows:

	Thousands of EUR	
	2018	**2017**
Profit from financial assets	908	3,028
Losses and impairmentof financial assets (Note 12 c)	(576)	(212)
	332	**2,816**

34 Foreign Currency Transactions

The main transactions conducted in non-Euro currencies during the periods 2018 and 2017 are detailed below:

	Thousands of EUR	
	2018	2017
Sales	983,329	1,066,902
Procurement	565,728	613,372

35 Warranties and Guarantees

As of December 31, 2018, the Group had presented guarantees to third parties, issued by various banking and insurance entities, for a total amount of €1,011,681 thousand. The purpose of most of these guarantees was to guarantee the faithful compliance of the contracts in execution, or their guarantee periods and, to a lesser extent, for the bids submitted. According to their amount, the guarantees were mainly issued in Spain, Latin America, the Middle East and the Rest of Europe. The amount for this item corresponding to December 31, 2017 totaled €955,462 thousand.

The Group does not expect a significant liability to arise as a result of the aforementioned guarantees.

Third party guarantees have been received in 2018 amounting to €11,978 thousand (€6,499 thousand in 2017) to guarantee compliance with obligations in the execution of projects. These guarantees are materialized in bank guarantees of different maturities, enforceable by Indra in the event of a breach of the obligations guaranteed by third parties.

36 Tax Position

The Parent Company is taxed under the Group of Companies regime, forming part, as the parent company, of Group no. 26/01 made up of it and, as subsidiaries, Indra Sistemas de Seguridad, Inmize Capital, Indra Business Consulting, Indra BPO, Indra Emac, Indra Sistemas de Comunicaciones Seguras, Indra BPO Servicios, Prointec, Indra Advanced Technology, Indra Corporate Services, Indra BPO Hipotecario. In 2018 Indra Soluciones T.I, Indra Soluciones TI Holding and Indra Producción Software (incorporated in this fiscal year), Paradigma Digital and Inertelco were included and Indra Software LabsIndra Soluciones TI, Indra Soluciones were eliminated, due to the total spin-off on behalf of Indra Soluciones T.I. and Indra Producción Software.

As of December 31, 2018 and 2017, in accordance with IAS 12, the Group has presented net by jurisdiction the deferred tax assets and deferred tax liabilities for the net amounts of €87,594 thousand and €66,974 thousand, respectively.

Deferred tax assets

The details of the evolution of Deferred Tax Assets is as follows:

	Thousands of EUR							
	Balance at 12/31/17	Perimeter change	Rate changes	Foreign exchange difference	Generated	Reversals	Other changes	Balance at 12/31/18
Deferred Tax Assets	232,731	(18)	433	(1,225)	47,288	(43,662)	12,432	247,979

	Thousands of EUR							
	Balance a 12/31/16	Perimeter change	Rate changes	Foreign exchange difference	Generated	Reversals	Other changes	Balance at 12/31/17
Deferred Tax Assets	230,788	23,946	(1,766)	(2,061)	55,287	(68,677)	(4,786)	232,731

The recovery of deferred tax asset balances depends on obtaining sufficient tax benefits in the future. The Directors of the Parent Company consider that the future profit forecasts of the different companies of the Indra Group, cover extensively those necessary to recover these assets.

A detail of this item of Consolidated balance sheet as of December 31, 2018 and 2017, is as follows:

	Thousands of EUR	
	2018	2017
Recognition and application of provisions	37,857	55,524
Retirement of goodwill	11,765	8,905
Excess of retirement of non-current assets	12,750	17,019
Negative taxes basis and deductions	128,730	123,539
Effect new IFRS (see note 2)	13,976	-
Permanent establishments with losses	14,510	8,939
Others	28,391	18,805
Deferred Tax Assets	**247,979**	**232,731**

The only deferred tax assets of the Spanish companies, whose reversal period is estimated to be more than one year, amounted to €165,755 thousand as at December 31, 2018 (€150,005 thousand as at December 31, 2017).

Current tax assets

Breakdown of the tax asset on companies as of December 31, 2018 and 2017 is as follows:

	Thousands of EUR	
	2018	2017
Amountrefundable from corporate tax. Previous periods	16,993	18,713
Amount to give back from the period's corporate tax	17,563	37,252
Total	**34,556**	**55,965**

In 2018 the Parent Company received the payments corresponding to the definitive settlement of the corporate tax of the consolidated group 26/01 for 2017 and 2016 for the amounts totaling €13,155 thousand and €15,988 thousand, respectively.

Deferred Tax Liabilities

The Parent Company has not recorded the deferred tax liability associated with undistributed profits of subsidiaries, in which the control position exercised over these companies allows for management of the timing of reversing the temporary differences, and it is estimated that these are unlikely to be reversed in the near future.

The details of the evolution of Deferred Tax Liabilities during the periods 2018 and 2017, is as follows:

	Thousands of EUR							
	Balance at 12/31/17	Perimeter change	Rate changes	Foreign exchange differences	Generated	Reversals	Other changes	Balance at 12/31/18
Deferred Tax Liabilities	87,782	226	13	(1,820)	62	(9,603)	13,622	90,282

	Thousands of EUR							
	Balance at 12/31/16	Perimeter change	Rate changes	Foreign exchange differences	Generated	Reversals	Other changes	Balance at 12/31/17
Deferred Tax Liabilities	64,776	16,951	9	(1,045)	6,127	(8,271)	9,235	87,782

A detail of this item of Consolidated balance sheet as of December 31, 2018 and 2017, is as follows:

	Thousands of EUR	
Item	**2018**	**2017**
Finance Lease Transactions	648	667
Nonexem ptcapital gains	2,283	2,283
Portfolio provisions	9,532	15,329
Retirem entofgoodwill	52,207	49,119
Others	25,612	20,384
Deferred tax liabilities	**90,282**	**87,782**

The "Others" heading referred to in the table above chiefly includes the tax effect of the assets identified in the price assignment process of the Tecnocom Group amounting to €15,000 thousand (see note 5).

It is not estimated that a significant amount of deferred tax liabilities will be reversed in under one year.

Current tax liabilities

The details of Tax Liabilities on companies as of December 31, 2018 and 2017, is as follows:

	Thousands of EUR	
	2018	**2017**
Corporate tax previous periods	1,245	356
From corporate tax of the period	12,582	9,992
Corporate taxabroad	8,058	5,693
Total	**21,885**	**16,041**

Expenditure on corporation taxes

Due to the different treatment that the fiscal legislation allows for certain operations, the accounting result differs from the fiscal tax base. The following details include a reconciliation between the accounting result and the fiscal result of the Companies that make up the Group, as well as the calculation of the corporate tax expense as of December 31, 2018 and 2017:

	Thousands of EUR	
Conceptos	**2018**	**2017**
A.- Pre-tax accounting result for the year	**163,888**	**162,831**
Adjustm ents to accounting income/loss:		
- Provisions /revers als of non-deductible portfolio		
- Other positive differences	72,420	81,948
- Other negative differences	(66,081)	(58,115)
Total Adjustments to income/loss accountant	**6,338**	**23,833**
B.- Adjusted Accounting Result	**170,226**	**186,664**
Temporary differences:		
- Positives for the Tax Year	154,095	232,163
- Positive previous financial years	3.341	39,635
- Depreciation of the tax year	(70,654)	(42,671)
- Negative from previous periods	(91,511)	(177,706)
Total Temporary Differences	**(4,729)**	**51,421**
C.- Taxable Income	**165,498**	**238,085**
D.- Tax Losses to be offset	-	-
E.- Adjusted Tax Base	**165,498**	**238,085**
Fee to pay	**42,519**	**60,713**
Deductions :		
- International Double Taxation	(3,291)	(8,398)
- For investments in R&D&I and other	(5,689)	(9,056)
F.- Credit for Losses to Compensate	**(1,618)**	**(3,829)**
G.- Foreign Regional Taxation	**632**	**1,139**
H.- Total contributions payable	**32,553**	**40,569**
Payment Withholdings on Account	24,641	23,995
Total payable / (collect)	**7,912**	**16,574**
I.- Deferred tax asset for the year	(35,364)	(55,382)
J .- Recovery of differed Tax Assets	41,173	47,756
K.- Deferred tax liabilities for the period	318	5,488
L.- Recovery of the deferred taxliabilities	(5,669)	(26,969)
Corporate Tax accrued (H+I+J +K+L)	**33,012**	**11,462**
Corporate tax abroad	**9,013**	**5,187**
Corporate tax from previous periods	**(2,294)**	**1,167**
Corporate tax for different taxes	**(116)**	**(1,668)**
Capitalized Deductions	**2,044**	**17,609**
M.- Corporate tax for the Year	**41,659**	**33,757**
Income/loss for the period: (After Tax)	**122,229**	**129,074**

The table below presents the reconciliation between the statutory rate of income tax and the effective rate of the group:

	2018	
	Thousands of EUR	**%**
Consolidated Income/Loss Before Tax	**163,888**	
Tax calculated at the national applicable tax rate in Spain	40,972	25.00%
Effect of permanent differences	1,585	0.97%
Effect of deductions	(8,980)	(5.48)%
Effect other tax adjustments. Business Previous Years	(2,294)	(1.40)%
Credit from loss carryforwards	(1,618)	(0.99)%
Capitalized deductions effect	2,044	1.25%
Corporate tax on Foreign Businesses	9,645	5.89%
Effect of different tax rates	306	0.19%
	41,659	**25.42%**

	2017	
	Thousands of EUR	**%**
Resultado consolidado (antes de Impuestos)	**162,831**	
Impuesto calculado al tipo fiscal aplicado en España	40,708	25.00%
Efecto de las diferencias permanentes	5,958	3.66%
Efecto de las deducciones.	(17,454)	(10.72)%
Efecto otros ajustes Imp. Sdes. ejercicios anteriores	1,167	0.72%
Efecto Crédito por pérdidas a compensar	(3,829)	(2.35)%
Efecto deducciones activadas	17,609	10.81%
Impuesto sobre Sociedades extranjero	6,326	3.89%
Efecto diferentes tipos impositivos	(16,728)	(10.27)%
	33,757	**20.73%**

The deductions for investments, formation and export activities, pending capitalization as of December 31, 2018 and 2017 are as follows:

Thousands of EUR			
Deduction for investments and others			
Years	2018	Years	2017
2013 and earlier	11,306	2013 and earlier	9,445
2014	44	2014	62
2015	11	2015	15
2016	10	2016	225
2017	51	2017	-
Total 2018	**11,422**	**Total 2017**	**9,747**

As of December 31, 2018, the Group does not maintain any significant reinvestment commitment, the same as in 2017.

The periods in which the reversal of deductions for investments, training and export activities to be capitalized as in December 31 are expected are as follows:

Years	Thousands of EUR
2026 and earlier	5,348
Next	6,074
Total	**11.422**

The details of the negative tax bases pending compensation that are not activated, because the Group estimates that its recovery is not expected to occur within a period of less than 10 years, as of December 31, 2018 and 2017 are the following:

Thousands of EUR			
Negative Tax Bases to be offset			
Years	2018	Years	2017
2014 and earlier	211,462	2013 and earlier	243,912
2015	184,391	2014	64,604
2016	89,567	2015	207,753
2017	6,468	2016	70,680
2018	2,066	2017	11,902
Total 2018	**493,954**	**Total 2017**	**598,851**

The breakdown of the negative tax bases to be compensated for 2018 which are not capitalized, are as follows:

Years	Thousands of EUR
2019	1,563
2020	3,945
2021	3,919
2022	3,336
2023	4,064
2024	617
Later 2024	47,381
no limit	429,129

In accordance with current legislation, taxes cannot be considered definitively settled until the statements presented have been inspected by the tax authorities, or the statute of limitations period has expired according to the legislation in force in each of the countries in which the Group operates.

On December 21, 2015, the Parent Company received a diligence to initiate inspection proceedings corresponding to the following taxes and fiscal years:

Item	Time Periods
Corporate tax	2011 to 2014
Value Added Tax	2012 to 2014
Tax withholdings on account. Non-Resident Tax	2012 to 2014
Annual Statement on Transactions	2011 to 2014

Likewise, on March 29, 2016, the notification of the start of inspection actions on the subsidiaries of Indra Software Labs and Indra BPO Servicios was received, for the same fiscal years and taxes as the Parent Company, indicated above.

As a result of these inspection actions, on February 26, 2018, the inspection records corresponding to Indra Sistemas and its subsidiaries, Indra Software Labs and Indra BPO Servicios, were signed.

As a result of these certificates, the Group has recorded in the current year the expense corresponding to the items signed in agreement amounting to €8,920 thousand, relating to Corporation Tax and Value Added Tax. These amounts include a fee, as well as the penalties and interest calculated based on the Group's best estimate. Likewise, the effect of this expense after the application of negative tax bases and deductions to be offset, implies a balance to be paid with the administration, which has been recorded within the section entitled creditor public administrations.

In 2018 the Company proceeded to sign and settle the final certificates of agreement, the definitive payment for all the items amounting to €4,642 thousand, recording the difference with respect to what was already recorded as a lesser expense for Corporate Tax.

In 2018, within the same inspection procedure, a settlement proposal linked to the offense was notified for a total amount of €466 thousand (which included a fee of €429 thousand, interest and other items), an amount that was already recorded as an expense in 2017. Said amount was settled in 2018 (see note 23).

At the date on which the Accounts were drawn up, this procedure was pending a ruling.

In addition, a certificate of contested assessment was signed during the fiscal year, including items regularized by the inspection. The impact on expenditure, quantified by the Company, amounts to approximately to €18,561 thousand, which, following the application of negative tax bases and deductions to be offset, entails a potential contingent liability for payment amounting to €9,004 thousand (including fee and interests). The Group has not provisioned any amount in the understanding, together with the opinion of its tax advisors, that the risk of loss is not probable.

The final settlement agreements derived from the certificates of contested assessment signed regarding the Value Added Tax and Corporation Tax were appealed before the Central Economic-Administrative Tribunal by means of the lodging of two economic-administrative claims. Said claims are, at the date of the formulation of these annual accounts, pending Resolution. The settlements are suspended and guaranteed by bank guarantee.

Derived from the certificates of contested assessment, two disciplinary agreements were initiated for a total amount of €12,625 thousand. At the date of formulation of these annual accounts, said disciplinary agreements are being appealed before the Central Economic-Administrative Court and are pending Resolution. The settlements are automatically suspended and do not need to be guaranteed. These amounts have not been recorded as an expense, as the risk of loss is not probable.

On July 8, 2009 the Parent Company received a notification for the initiation of inspection proceedings corresponding to the Deduction for International Dual Taxation of Corporation Tax from 2004 to 2007. On December 9, 2010 a certificate of contested assessment was signed that contains a proposal for settlement of the Corporate Tax, 2004 to 2007, from which an amount of €4,493 thousand (€3,806 thousand of principal and €687 thousand of interest) is derived. In January 2011, the Company submitted its arguments against this certificate requesting the annulment thereof. The Company proceeded to endow a provision in 2010 amounting to €3,806 thousand under the Provision for Risks and Expenses of the liabilities of the balance sheet (see note 23). As a result of this inspection activity, an amicable procedure was initiated by the Spanish and German tax administrations. At the date of the formulation of these annual accounts said amicable procedure is pending resolution.

At the date of the formulation of these annual accounts an agreement for the initiation of inspection activities was received from the companies Tecnocom Telecomunicaciones y Energía, S.A. and Tecnocom España Solutions, S.L. in a notification addressed to the Group Company Indra Soluciones Tecnologías de la Información, S.L., as the absorbent company of both entities.

The inspection refers to the following concepts and periods:

Item	Time Periods
Corporate tax	2014 to 2017
Value Added Tax	2015 to 2017
Tax withholding on account. Work/Professional	2015 to 2017

The directors of the Company do not expect any additional contingent liabilities that may have a significant equity impact arising from said inspection action to be derived.

The amounts shown in note 23, which the Group considers as possible and therefore not provisioned, include the following tax-related proceedings:

- **Tax-related proceedings against Indra Brasil Soluçoes e Serviços Tecnologicas Ltda related to the Service Tax (ISSQN) - Sao Paulo**

  Since 2012 the company Indra Brasil Soluçoes e Serviços Tecnologias Ltda has been involved in a lawsuit with Sao Paulo City Hall regarding the Tax on Services (ISS) for 2007. The debt demanded was entered in 2014, retaining the lawsuit by legal channels. The original amount of the offense finding totaled €3,807 thousand, whose value as at December 31, 2018 totaled €14,920 thousand. The judicial appeal filed is pending resolution.

- **Tax-related proceedings against Indra Brasil Soluçoes e Serviços Tecnologicas Ltda related to the IRRF**

  In 2010 the company Indra Brasil Soluçoes e Serviços Tecnologicas Ltda received a settlement from the Brazilian tax authority, whose main value totaled €13,720 thousand related to the Income Tax of the Legal Person, the Social Contribution on the Liquid Profit and Income Tax Withheld at Source.

  The amounts required by the IRPJ and CSLL concepts, which globally totaled €3,591 thousand, have either been settled or are in the process of being settled by means of the fractioning of the debt.

  With regard to the concept of the IRRF, Indra Brasil Soluçoes e Serviços Tecnologicas Ltda appealed against the settlement via administrative procedure, having obtained an adverse resolution. Said administrative resolution will be appealed in court. The updated value of the litigation amounts to €16,733 thousand.

  In addition, the group has tax litigation in several geographical areas for an approximate amount of €7,000 thousand, whose probability is regarded as possible or remote.

  In 2017, the subsidiary Indra Brasil Soluçoes e Serviços Tecnológicos S.A. applied to join the PRT (Tax Regularization Plan) program. This program allows for the payment of tax debts by offsetting them against Negative Tax Bases (not capitalized in said company). The detail of the balances with the PRT as at December 31, 2018 and 2017 is as follows:

	Thousands of EUR		Thousands of EUR	
	2018		2017	
	Balance	ofit and Loss Account	Balance	ofit and Loss Account
Non-current assets	-	-	13,967	-
Current Assets	6,091	-	5,700	-
Other Non-Current Liabilities	-	-	789	-
Other Current Liabilities	1,261	-	543	-
Corporate tax	-	-	-	21,087
Financial Income / loss	-	647	-	973

Debtor and credit balances with Public Administrations

Debit balance with Public Administrations are as follows:

	Thousands of EUR	
	2018	**2017**
Amounts owed by the Treasury:		
Value Added Tax	28,117	31,973
Other Taxes	6,125	10,925
Subtotal	**34,242**	**42,898**
Receivables from other public agencies from Grants granted	770	478
Social Security Debtor	2,413	4,031
Total (note 15)	**37,425**	**47,407**

The breakdown of the balances with Public Administrations is as follows:

	Thousands of EUR	
	2018	**2017**
Amounts owed by the Treasury:		
From Value-Added Tax	56,310	60,993
Individuals' Income Tax Withholdings	28,104	26,982
Other Taxes	9,275	17,201
Subtotal	**93,688**	**105,176**
Payables to Government Treasury for Grants to be refunded	2	2
Social Security Creditor	34,420	30,868
Total (note 26)	**128,111**	**136,046**

37 Financial Risk Management Policies and Coverages

Financial risk factors

The Group's activities are exposed to various financial risks: market risk (including exchange rate risk, interest rate risk), credit risk and liquidity risk. The Risk Management model tries to minimize the potential adverse effects on the Group's financial profitability.

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

For more adequate management of the risks mentioned above, the Group maintains, in all significant aspects, an effective internal control system over financial information.

a. Market Risk

i. Currency Risk

The company operates internationally and, therefore, is exposed to exchange rate risks on foreign currency transactions. The exchange rate risk arises from future commercial transactions and recognized assets and liabilities that are denominated in a currency, which is not the functional currency of each of the companies.

In order to mitigate the impact of exchange differences in foreign currency on projects carried out by the Group in currencies other than those of the country where the operation originates, hedge transactions are formalized with financial entities (mainly contracts for the purchase or sale of forward currency). Indra analyses the risk of the exchange rate at the time of signing of each project and contracts the appropriate hedges (mainly exchange rate insurance) so that future benefits cannot be significantly affected by fluctuations that occur in the exchange rate with respect to the respective functional currencies of each subsidiary.

In other words, the Group's exchange risk management policy, in general terms, is to cover 100% of the net exposure for transactions other than the functional currency of each of the companies. No hedging instruments are used in transactions of non-significant amount, when there is no active hedging market, in the case of some non-convertible currencies, and when there are other mechanisms to compensate for currency fluctuations by the customer or supplier.

On the other hand, the profits generated in those subsidiaries where income and expenses are denominated in a functional currency other than the Euro, may suffer upward or downward variations at the time of consolidation in the Group's accounts, denominated in €. The significant geographical diversification of the group partially mitigates this risk. However, variations in currencies, mainly from Latin American countries, given that it is the geography with the greatest relative weight in the Group's non- Euro activity, can have a significant impact on the Group's results.

Annex III details the Group's exposure to the exchange rate risk as of December 31, 2018 and 2017. This Appendix reflects the book value in thousands of euros of the financial instruments or classes of financial instruments of the Group denominated in foreign currency.

To compare the gross exposure hedged with hedging instruments, based on the group's policies, the amounts of the foreign subsidiaries in their own currency are eliminated.

The sensitivity analysis of changes in the exchange rates of +/- 5% for the main functional currencies (other than the €) in which the entity has exposure in its foreign subsidiaries is as follows:

Change in Equity 2018	
+5%	**Thousands of EUR**
Saudi Riyal	1,003
Mexican Peso	1,166
Brazilian Real	2,421

Change in Equity 2017	
+5%	**Thousands of EUR**
Saudi Riyal	945
Mexican Peso	1,162
Brazilian Real	1,831

Variation in profit or loss 2018	
+5%	**Thousands of EUR**
Saudi Riyal	(66)
Mexican Peso	240
Brazilian Real	(153)

Variation in profit or loss 2017	
+5%	**Thousands of EUR**
Saudi Riyal	(41)
Mexican Peso	17
Brazilian Real	(618)

ii. Interest rate risk

The interest rate risk arises from the exposure to the curve movements of bank financing types in the short, medium and long term. The Group contemplates the possibility of contracting financial instruments to manage said risks when the environment situation so advises. Likewise, the Parent Company has outstanding issues of bonds with a fixed interest rate (convertible bonds of 2013 and 2016 and non- convertible bonds of 2016 and 2018) that eliminate this risk in a significant amount of their long-term debt (see notes 20 and 24).

The following table shows the sensitivity of the consolidated results of the Group, expressed in millions of euros, to changes in the interest rate:

	2018 Fiscal Year		2017 Fiscal Year	
	Interest Rate Variation		Interest Rate Variation	
	+0,5%	-0.5%	+0.5%	-0.5%
Effect on the result before tax	(1.32)	0.56	(0.89)	0.89

b. Credit risk

The credit risk is the possibility of economic loss resulting from the breach of the obligations assumed by the counterparties of a contract.

The company has applied a model based on the expected loss, in accordance with the provisions of IFRS 9 (see note 2). Under this model, the Group will account for the expected loss, as well as changes in it at each presentation date, to reflect the changes in credit risk from the date of initial recognition. The Group does not have significant concentrations of credit risk since no individual customer exceeds 10% of the ordinary income.

There is a formal procedure established by the company that excludes the institutional debt, that corresponding to withholdings for guarantees, that in which the third party is a customer and supplier and there is a sufficient amount for its compensation, that in which there is a debt recognition document and a customer's commitment to pay the debt for billing customer advances, and when there is evidence of a negotiation process that is expected to be resolved with imminent resolution.

Indra is exposed to credit risk inasmuch as the customer does not respond to its obligations. The Group has a portfolio of customers with very good credit quality. Due to the morphology of its business, Indra maintains commercial relationships mainly with large business groups, governments and public and private- public entities that are less exposed to the risk of default. However, and fundamentally in international sales, mechanisms such as irrevocable letters of credit and insurance policy covers are used to ensure collection. The Group's exposure to credit risk is chiefly attributable to the heading of debtors and accounts receivable, the amounts of which are reflected in the reduced balance sheet for the corresponding provisions for insolvencies (See note 16). The Group Management estimates that the credit risk resulting from the accounts receivable is adequately covered by the existing provision of bad debts.

The attached tables reflect the seniority analysis of the heading of commercial debtors and receivables, counted from the date of the payment obligation, as of December 31, 2018 and 2017, but which are not impaired.

	2018 (Thousands of EUR)				
	Less than 3 months	More than 3 months and less than 6	More than 6 months and less than 1 year	More than 1 year	Total
Trade and other receivables	283,956	40,129	34,302	52.339	410,816
Total assets	283,956	40,129	34,302	52,339	410,816

	2017 (Thousands of EUR)				
	Less than 3 months	More than 3 months and less than 6	More than 6 months and less than 1 year	More than 1 year	Total
Trade and other receivables	240,112	45,385	33,880	95,026	414,403
Total assets	240,112	45,385	33,880	95,026	414,403

c. Liquidity risk

Liquidity risk is the one that can generate difficulties to comply with the obligations associated with financial liabilities that are settled through the delivery of cash or another financial asset. The goals of liquidity risk management are to guarantee a level of liquidity, by minimizing the opportunity cost, and to maintain a structure of financial debt based on maturities and financing sources. In the short term, liquidity risk is mitigated by maintaining an adequate level of unconditionally available resources, including cash and short-term deposits, available lines of credit and a portfolio of highly liquid assets.

The Indra Group maintains a liquidity policy consisting of the contracting of long-term credit facilities committed to banking entities and temporary financial investments for an amount sufficient to support the anticipated needs and for a period that is dependent on the market situation and expectations for debt and capital. The envisaged needs mentioned above include maturities of net financial debt. For more details regarding the characteristics and conditions of financial debt and financial derivatives, see Notes 20 and 24. The Group makes treasury forecasts in order to ensure that sufficient cash is available to meet operating needs, maintaining sufficient levels of availability in its non-arranged loans.

As of December 31, 2018 and 2017 the maturity of the Indra Group's debt is as follows:

	2018 (Thousands of EUR)					
	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial liabilities with creditinstitutions	1,707	1,165	31,246	764,414	266	798,798
Financial liabilities for debentures and bonds	-	-	7,920	-	593,533	601,453
Financial liabilities from finance leases	12	148	151	436	-	747
Trade and other payables	240,110	307,584	357,129	-	-	904,823
Other financial liabilities	2,321	3,310	6,909	136,006	-	148,546
Total	244,150	**312,207**	**403,355**	**900,856**	**593,799**	**2,454,367**
Derivative financial instruments	-	304	20,440	-	-	20,744
Total	**244,150**	**312,511**	**423,795**	**900,856**	**593,799**	**2,475,111**

	2017 (Thousands of EUR)					
	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial liabilities with creditinstitutions	4,439	2,977	109,433	650,068	97,093	864,010
Financial liabilities for debentures and bonds	-	-	152,098	24,768	243,865	420,731
Financial liabilities from finance leases	112	793	1,100	584	-	2,589
Trade and other payables	157,053	134,817	617,826	-	-	909,696
Other financial liabilities	2,834	7,164	-	128,908	2,760	141,666
Total	**164,438**	**145,751**	**880,457**	**804,328**	**343,718**	**2,338,692**
Derivative financial instruments	15	55	8,817	-	-	8,887
Total	**164,453**	**145,806**	**889,274**	**804,328**	**343,718**	**2,347,579**

Additionally, the Group is exposed to another series of risks that are listed and detailed in the management report attached to these Consolidated Financial Statements.

38 Acquired Commitments and Other Contingent Liabilities

Foreign currency commitments

As a hedge of its open positions as of December 31, 2018 in foreign currency (see note 4w), the Group has entered into forward foreign exchange purchase/sale contracts.

As of December 31, 2018 the notional amount contracted in their corresponding currencies was as follows:

	Amount in Foreign Currency			
Type of Currency	Short Term		Long Term	
	Buy	Sale	Buy	Sale
UAE Dirham	-	6,914,722	-	-
Australian Dollar	2,351,352	14,841,445	590,100	427,144
Brazilian Real	2,793,099	281,048	-	-
Canadian Dollar	1,598,436	1,147,592	-	-
Swiss Franc	59,288	-	-	-
Chilean Peso	650,405,330	2,536,152,934	-	-
Chinese Yuan	2,402,539	-	-	-
Colombian peso	345,291,914	20,592,070,878	-	1,542,815,100
EUR	3,798,758	23,955,457	-	4,327,285
Pound sterling	17,964,245	9,833,276	7,432,617	1,835,470
Hong Kong Dollar	-	4,999,500	-	-
Indian Rupee	-	1,159,414,923	-	43,058,642
Kuwaiti Dinar	-	1,300,637	-	-
Mexican Peso	5,909,708	123,346,670	-	30,126,373
Malaysia Ringgit	-	45,365,861	-	-
Norwegian Krone	70,739,747	-	3,745,937	-
Peruvian Sol	199,867	6,666,831	-	-
Philippine Peso	83,424,973	22,946,355	-	-
Polish Zloty	-	1,325,856	-	-
Romanian Leu	2,873,598	-	-	-
Saudi Riyal	-	349,865,537	-	5,292,188
Singapore Dollar	-	991,928	-	4,756,827
Turkish Lira	1,175,500	9,336,112	705,300	-
US Dollar	27,604,102	202,383,232	1,145,592	18,672,697

As of 31 December, 2017 the notional amount contracted in their corresponding currencies was as follows:

	Amount in Foreign Currency			
Type of Currency	Short Term		Long Term	
	Buy	Sale	Buy	Sale
Australian Dollar	384,689	17,453,794	-	14,590
Brazilian Real	3,081,466	602,756	-	-
Canadian Dollar	1,662,752	-	-	1,011,548
Swiss Franc	429,946	-	-	-
Chilean Peso	483,333,333	2,121,557,312	-	183,269,375
Chinese Yuan	3,901,376	-	-	-
Colombian peso	-	2,700,661,900	-	-
EUR	185,258	529,560	-	31,933
Pound sterling	10,054,802	10,499,569	9,320,356	2,963,287
Indian Rupee	-	20,923,359	-	-
Kuwaiti Dinar	-	436,247	-	864,390
Mexican Peso	59,795,640	79,931,682	-	408,421
Malaysia Ringgit	-	65,093,201	-	-
Norwegian Krone	25,164,858	-	1,015,607	-
Peruvian Sol	203,264	4,061,333	-	-
Philippine Peso	64,112,289	39,417,870	-	-
Polish Zloty	-	875,856	-	-
Romanian Leu	3,083,598	-	-	-
Saudi Riyal	-	423,865,537	-	-
Singapore Dollar	-	117,216	-	-
Turkish Lira	-	9,336,112	-	-
US Dollar	31,017,946	221,808,609	516,283	27,231,283
Bahraini Dinar	-	3,848	-	-
South Africa Rand	-	14,262,792	-	-

As of December 31, 2018 and 2017, the valuation of exchange rate hedges is as follows:

	Thousands of E UR							
	2018				2017			
	Short term		Long term		Short term		Long term	
Exchange rate hedging	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Cash flow hedges	8,909	20,744	135	786	18,401	8,887	2,675	998
Fair Value hedging (Swap)	(6,827)	-	-	-	(7,670)	-	(1,480)	(116)
Total (note 10)	**2,082**	**20,744**	**135**	**786**	**10,731**	**8,887**	**1,195**	**882**

The information on cash flow hedges of the exchange rate is as follows:

- The amount reclassified from equity to the Consolidated Income Statement was €707 thousand of expenses (€625 thousand of income in 2017).
- The costs of reconduction (recognized ineffectiveness) amounted to €5,878 thousand in 2018 (€4,821 thousand in the previous year).
- The amount recorded in the Consolidated Income Statement attributable to the hedging instrument was a profit of €470 thousand in 2018 and a profit of €670 thousand in 2017 (same profit amount - loss for the hedged item).

The detail of the fair value of the above-mentioned contracts valid as of December 31, 2018 and 2017 was as follows:

	Thousands of EUR	
Hedging of foreign exchange risk on financial assets	Export	Import
Short term	795,865	199,018
Long term	1,082,014	23,747
Total 12/31/2018	**904,079**	**222,765**

	Thousands of EUR	
Hedging of foreign exchange risk on financial assets	Export	Import
Short term	357,716	95,450
Long term	28,527	20,618
Total 12/31/2017	**386,243**	**116,068**

At present the Company has not contracted any financial swaps on interest rates. The Company intends to use these swaps to manage its exposure to fluctuations in interest rates, chiefly in its variable-rate long- term bank loans (see note 24).

39 Operating leases

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

A description of the most relevant leases is as follows:

Lessor	Registered office	Date contract signed	Contract completion	Revision	% Revision	Bonds (thousands EUR)
Merlín Properties Socimi, S.A.	Avenida de Bruselas, 35 (Alcobendas)	1/1/2002	6/30/2024	Julio	I.G.P.C.	1,082
Ayuntamiento de Alcobendas	Anabel Segura, 7 (Alcobendas)	6/1/2012	6/30/2021	Enero	I.G.P.C.	221
Gratan, S.L.	Tanger, 120 (Barcelona)	7/1/2006	3/31/2027	Julio	I.G.P.C.	212
Grupo Castellvi	Tanger 98-108, Edificio Interface (Barcelona)	7/1/2008	3/31/2027	Julio	I.G.P.C.	371

The amount of the shares of the main operating leases of buildings recognized as expenses is as follows:

Owner	City	Contract End Date	Year 2018 expenses	Year 2017 expenses
Merlín Properties Socimi, S.A.	*Alcobendas (Madrid)*	*6/30/2024*	*6,723*	*5,974*
Grupo Castellvi	Barcelona	3/31/2027	3,725	2,452
PP II SPE empreendimientos inmobiliar	São Paulo (Brasil)	6/30/2024	1,990	2,065
Fidalser, S.L.	Madrid (Miguel Yuste)	12/31/2025	1,469	933
Gratan, S.L.	Barcelona	3/31/2027	1,342	1,304
Ayuntamiento de Alcobendas / Sogepima	Alcobendas (Madrid)	6/30/2021	1,139	1,132

The amount of the shares of operating leases of buildings recognized as expenses in the Profit and Loss account is as follows:

	Thousands of EUR	
	2018	**2017**
Lease Payments	49,859	51,693
	49,859	**51,693**

As of January 1, 2019, as a result of the entry into force of IFRS 16, the group estimates that part of these amounts (between €30,000 thousand and €40,000 thousand) will be reclassified in the amortization items and Financial Income/loss within the consolidated results account of the following year (see note 2):

At the end of 2018 and 2017, the Group contracted the following minimum lease installments, in accordance with current contracts in force

	Thousands of EUR (Nominal Amount)	
Operating leases Minimum installments	**2018**	**2017**
Less than 1 year	34,497	23,746
Between one and five years	110,335	71,737
More than five years	33,906	34,747
	178,738	**130,230**

40 Remuneration for the Board of Directors and Senior Management

1. Remuneration of board members

1.1 Remuneration for membership of the administrative bodies

The remuneration for the members of the Board of Directors in their capacity as such, consists of a fixed quota that accrues on the basis of their membership of the different administrative bodies and is fully paid in cash.

It has been determined by following the best practices and recommendations in this matter, included in the Remuneration Policy approved by the Shareholders' General Meeting on Thursday, June 28, 2018. The annual amounts in force during 2018, 2019 and 2020 are as follows: €80 thousand for membership of the Board; €40 thousand for belonging to the Audit and Compliance Committee; €24 thousand for membership of the Appointments, Remuneration and Corporate Governance Committee; and €24 thousand for membership of the Executive Committee. The presidents of each body receive 1.5 times the amounts indicated. Depending on the composition of each body, the average annual remuneration is approximately €126 thousand per director.

The individualized disclosure of the total compensation accrued by each of the directors of the Parent Company during the years 2018 and 2017, due to their membership in the administrative bodies, is indicated in the following tables:

Remuneration of Director (EUR) 2018					
	Fixed assignment				
Director	Board	Executive committee	Auditand compliance comittee	Appointment, remuneration and corporate governance committee	Total
F. Abril-Martorell	120,000	36,000			156,000
A. Terol	80,000	24,000		36,000	140,000
D. García-Pita (1)	40,000	12,000		12,000	64,000
J.C. Aparicio	80,000		40,000		120,000
E. de Leyva	80,000	24,000	40,000		144,000
S. Iranzo	80,000			24,000	104,000
L. Lada (5)	80,000	14,000	40,000		134,000
J. March (2)	6,667	2,000			8,667
S. Martínez-Conde (5)	80,000	14,000	40,000	24,000	158,000
I. Martín (3)	40,000			12,000	52,000
I. Mataix (4)	73,333				73,333
A. Menéndez	80,000	24,000		24,000	128,000
M. Rotondo	80,000		40,000		120,000
C. Ruiz	80,000				80,000
I. Santillana	80,000	24,000	60,000		164,000
Total	**1,080,000**	**174,000**	**260,000**	**132,000**	**1,646,000**
Average compensation per director (*13 directors*)					**126,615**

(1) Board Member until June 2018

(2) Board Member until January 2018

(3) Board Member since July 2018. Member of the CNRGC since July 2018

(4) Board Member since February 2018

(5) member of the Executive Committee since June

Remuneration of Director (EUR) 2017					
	Fixed assignment				
Director	Board	Executive Committee	Appointment, remuneration and corporate governance committee	Appointment, remuneration and corporate governance committee	Total
F. Abril-Martorell	120,000	36,000			156,000
I. Aguilera (1)	40,000			12,000	52,000
J. de Andrés	80,000	24,000			104,000
J. C. Aparicio	80,000		40,000		120,000
D.García-Pita (2)	80,000	24,000		31,000	135,000
S. Iranzo (3)(4)	40,000			10,000	50,000
L. Lada	80,000		40,000		120,000
E. de Leyva	80,000	24,000	40,000		144,000
J. March	80,000	24,000			104,000
S. Martínez-Conde	80,000		40,000	24,000	144,000
A. Menéndez	80,000	24,000		24,000	128,000
M. Rotondo (5)	40,000		16,667		56,667
I. Santillana	80,000	24,000	60,000		164,000
R. Sugrañes (1)	40,000			12,000	52,000
A. Terol (6)	80,000	24,000	23,333	15,000	142,333
Total	**1,080,000**	**204 ,000**	**260,000**	**128,000**	**1,672,000**
Average compensation per director (*13 directors*)					**128,615**

(1) Director and member of the CNRGC until June;

(2) President of the CNRGC until July;

(3) Director since July;

(4) Member of the CNRGC since August (5 months);

(5) Member of the Audit Committee since August (5 months);

(6) Member of the Audit and Compliance Committee until July (7 months) and President of the CNRGC since August

During fiscal years 2018 and 2017, no options were granted for shares of the Parent Company in favor of the members of the Board of Directors, nor did the latter exercise any option over the Parent Company's shares during those years. At the end of the 2018 and 2017 financial years, the members of the Board of Directors did not hold any option on shares of the Parent Company.

Due to their membership of the Board of Directors, the directors did not receive any additional benefit or remuneration during 2018, nor did they receive any additional remuneration during 2017, nor did the Parent Company or any other company of their consolidated Group contract any obligation with them in the matter of pensions or grant loans or advances in their favor due to said membership.

Notwithstanding the fact that, as indicated, the remuneration of the directors due to their membership in the administrative bodies is fully paid in cash, all the directors allocate a relevant part of said remuneration (currently amounting to 50% of their net remuneration) to the purchase of Indra shares, having made public their commitment to maintain ownership until the end of the term. This decision of the directors was brought to the attention of the National Securities Market Commission by a Relevant Event statement, dated July 28, 2011, and has been executed since then.

1.2 Remuneration of executive directors for their management functions

Regardless of the remuneration indicated in section 1.1 above, executive directors earn additional remuneration by virtue of their contractual relationship with the Parent Company for the performance of their executive functions. This remuneration incorporates the same criteria and items as the remuneration corresponding to the remaining senior executives of the Parent Company, which for the sake of clarity is explained together with theirs in section 2 below.

2. Remuneration of senior managers

2.1. Features and components of the remuneration system

The remuneration of the members of Company Senior Management, composed of the executive directors and the members of the Management Committee, is individually determined for each member by the Board of Directors at the proposal of Appointments, Remuneration and Corporate Government Committee.

It has been the practice of the Parent Company since 2002 to establish the remuneration framework for senior managers for three-year periods.

On the proposal of the Appointments, Remuneration and Corporate Governance Committee and the Board of Directors, the 2018 Shareholders' General Meeting approved a new remuneration scheme for the executive directors and other Senior Management to adapt it to international standards and the recommendations of the Good Governance Code of Traded Companies. The Board approved the Remuneration Policy that included said modifications and established the remuneration framework for the years 2018, 2019 and 2020, which includes the following components:

i. Fixed remuneration (FR), collected in cash and remaining unchanged for a period of three years, except in exceptional cases that justify it. It represents between 25% and 59% of the total annual remuneration.

ii. Annual Variable Remuneration (AVR), depending on the assessment of the degree of compliance with objectives, represents between 21% and 41% of the total annual remuneration for 100% fulfillment of objectives. 70% is received in cash and the remaining 30% is deferred for three years by third parties and is fully paid in Parent Company shares, whose number is set - according to the average quotation price in the previous thirty calendar days - on the accrual date of RVA.

    In order to determine how well each senior executive has performed, the company's global objectives and individual, quantitative and qualitative objectives related to each senior executive's respective area of responsibility will be taken into account, with the corresponding metrics and compliance scales for each category of objective.

iii. Medium Term Retribution (MTR), is structured in a cycle of three years and represents between 20% and 40% (1) of the total annual remuneration for 100% fulfillment of objectives. It is perceived entirely in shares in the Parent Company. To this end, the Board carried out an initial allocation of a number of shares (based on the Target RMP and the share price in the 60 Stock Exchange sessions prior to the Shareholders' General Meeting in 2018), from which a percentage between 0% and 133% would be delivered at the end of the period, determined based on compliance with the objectives set for the period ("Performance Share Plan"). These objectives are of a strategic and mid-term nature, including the relative TSR ("Total shareholder return") in comparison with the Ibex 35, excluding its financial entities.

    The current RMP was established for the three-year period (2018-2020) and the completion thereof will be accrued.

iv. Compensation in kind, consisting of life insurance, health insurance and the use of a vehicle.

The annual consideration of each of the above remuneration items - for 100% compliance with RVA and RMP - is as follows:

	Chairman and executive	Senior executives (1)
Fixed Remuneration (RF)	25%	33%-59%
Variable Remuneration (RVA)	35%	21%-41%
Medium-Term Remuneration (RMP)	40%	20%-35%

(1) Except in the case of senior executives, whose remuneration scheme does not include the RMP.

Additionally, during the 2018 and 2017 fiscal years, the four senior executives and a senior manager were beneficiaries of the **Long-Term Savings and Early Retirement Plan** (PPALP), which is outsourced to an insurance company in the form of life insurance in the case of survival. The Parent Company carries out a defined annual contribution for each beneficiary, who is entitled to receive the accumulated balance in the PPALP upon reaching 62 years of age or before this if it causes a loss in the Parent Company for reasons not attributable to it. Thus, in the event of termination for breach of contractual obligations, voluntary resignation from the Parent Company or death before the age of 62, the senior executive does not receive the PPALP. The annual contributions are determined as a percentage of the total annual remuneration of the senior executive and are in a range between 6.72% and 17% of the same.

In section C of the Annual Remuneration Report, each of these remuneration items is explained in detail, including, in the case of variable remuneration, information on the objectives set for executive directors as well as on the procedure and methodology for measuring their remuneration fulfillment.

2.2. Remuneration amounts

During 2018, the composition of the Senior Management (members of the Management Committee) was as follows:

Fernando Abril-Martorell Chairman and CEO

Chairman and CEO

Cristina Ruiz

Executive Director General Manager IT

Ignacio Mataix[1]

Executive Director General Manager T&D

Luis Abril

Energy, Industry, Consumption and Business Management Solutions

Berta Barrero

Transport

José Cabello

America and Human Resources

Manuel Escalante

Defense and Security

Luis Figueroa

Delivery and Production of services

Rafael Gallego

Air Traffic. European Programs

Gonzalo Gavín

International and Indra Navia Air Traffic

Carlos González

Legal Matters

David Heredero Olayo

Technology and Product Management

Javier Lázaro

Economy and Finance

Antonio Mora

Control of Management, Operations and Processes

Borja Ochoa

Financial Services

Luis Permuy

ASOMAF

(1) Since February 2018

The disclosure of the remuneration corresponding to the executive directors is as follows:

((Thousands of EUR))	Fernando Abril-Martorell President		Javier de Andrés Chief Executive Office (until December 2017)		Javier Monzón President (until January 2015)		Cristina Ruiz Executive Director General Manager IT		Ignacio Mataix Executive Director General Manager [(4)]	
	2018	**2017**	**2018**	**2017[(2)]**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Fixed Remuneration (RF)	775	775	-	535	-	-	550	-	481	-
Variable Remuneration	705	880	-	371	-	-	690	-	690	-
Medium Term Remuneration (RMP)	-	5,573	-	2,263	-	-	-	-	-	-
Remuneration in Kind	26	26	-	42	-	-	10	-	20	-
Sum	**1,506**	**7,254**	**-**	**3,211**	**-**	**-**	**1,250**	**-**	**1,191**	**-**
Long term savings	-	-	1,650[(1)]	608[(1)]	-	250[(1)]	-	-	-	-
Retirement Plan	465	-	-	5,011[(3)]	-	-	148	-	318	-
Total	**1,971**	**7,254**	**1,650**	**8,830**	**-**	**250**	**1,398**	**-**	**1,509**	**-**

(1) Compensation accrued in 2018 corresponding to the non-compete agreement signed with the Company. The amount indicated in 2017 includes the Amount received by the previous CEO on the occasion of the termination of his contractual relationship with the Company (€608 thousand) in respect of: (i) contractual term of notice and vacations not enjoyed. It also includes the Compensation accrued in 2017 corresponding to the non-compete agreement signed by the Company and both Mr. De Andrés and Mr. Monzón.

(2) 11 months and 21 days

(3) Amount received on the occasion of the termination of their contractual relationship with the Company, by way of settlement of the PPALP. This amount was paid by the insurance company with which the Company has outsourced the aforementioned Plan

(4) 10,5 months

The MPR corresponding to the period (2018-2020) is accrued at the end of this period and therefore no amount is included in 2018 for this item. The MPR corresponding to the previous period (2015-2017) was accrued following the end of 2017. As indicated, the MPR is fully received in the Parent Company's shares, with 478,759 shares corresponding to the Chief Executive Officer and 194,423 shares to the managing director based on the degree of their objectives fulfillment after the valuation carried out by the Board of Directors' Appointments, Remuneration and Corporate Governance Committee report. The amount reflected in the above table was determined based on the quoted price of the Indra share (€11.64) on the effective delivery date of the aforementioned shares, which took place on March 8, 2018.

The previous amounts and numbers of shares are gross and subject, therefore to applicable tax withholdings.

The amounts paid to other senior executives who are not executive directors are as follows:

(Thousands of EUR)	2018[1]	2017
Fixed Remuneration (RF)	3,810	3,790
Variable Remuneration (RVA)	2,934	1,792
Medium-Term Remuneration (RMP)	-	6,037
Remuneration in kind	158	191
Sum	**6,902**	**11,810**
Others	1,194[2]	1,511[3]
Total	**8,096**	**13,321**
Long-term savings and retirement plan	-	380[4]

(1) Data referring to senior executives listed at the beginning of this section 2.2 (excluding executive directors)

(2) Compensations accrued in the period by the former senior managers of the Company Mr. Martín and Mr. Suárez corresponding to the non- compete agreement signed with the Company.

(3) The data corresponds to the amounts received by Mrs. Sarrión and Mr. Martín on the occasion of their work relationship's resolution, in accordance with the provisions of their respective contracts and with the amount paid during the year by Mr. Suárez in concept of the non- concurrence pact foreseen in his contract.

(4) The amount received by the former executive director Mr. Juan Tinao for settlement of the PPALP after the termination of his employment relationship in December 2016. This amount was paid in full by the insurance company with which the Parent Company has outsourced the aforementioned Plan.

As indicated, the MPR corresponding to the period (2018-2020) is accrued at the end of that period, and therefore no amount is included in 2018 for this item. The MPR corresponding to the previous period (2015-2017) was accrued after the end of 2017 and was fully received in shares of the Company, with 518,636 shares corresponding to the group of senior executives according to the degree of compliance with their objectives after the valuation carried out by the Board of Directors following a report from the Appointments, Remuneration and Corporate Governance Committee. The amount reflected in the above table was determined based on the quoted price of the Indra share (€11.64) on the effective delivery date of the aforementioned shares, which took place on March 8, 2018.

The previous amounts and numbers of shares are gross and subject, therefore to applicable tax withholdings.

The current remuneration system does not consider the delivery of shares as an autonomous remuneration item, since no remuneration has been received in 2018 or 2017 for this item by executive directors or senior managers.

During 2018 and 2017, no stock options have been granted in favor of senior executives, nor have they exercised any option over the Parent Company's shares.

The contributions made to the PPALP by the Parent Company on the senior management's behalf have been as follows:

Fernando Abril-Martorell President		Javier de Andrés Previous Chief Executive Officer		Cristina Ruiz Executive Director General Manager II		Ignacio Mataix Executive Director General Manager		Senior management	
2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
465	465	-	343	148	-	318	-	150	225

During 2018 senior executives did not receive any other benefits, compensations or remunerations in addition to those indicated in this Note in 2017 or perceive any in 2018 with neither the Parent Company nor any Group companies having any pension obligations with them nor granting them loans or advances in their favor.

2.3 Contractual Framework of Executive Directors and Senior Managers

The executive directors maintain a relationship of a commercial nature with the Parent Company, articulated through two contracts for the provision of services which regulate the applicable conditions regarding their professional relationship with the Company.

The current Executive Chairman and the executive directors General Directors of IT and T&D respectively have a transitory right to compensation equal to the positive difference between the amount equivalent to one annuity of their total remuneration and the accumulated balance in their favor at that moment in the PPALP.

The contracts of three other senior managers incorporate a temporary indemnification right for an equivalent amount between one and two annuities of their total remuneration, which expires either after a transitional period after their incorporation into the Parent Company or when the compensation that legally corresponds to them exceeds the minimum guaranteed amount.

The contracts of 6 senior managers (including executive directors) establish a 3-month notice period in the event of termination of their professional relationship at the Parent Company's discretion, which, if not respected, must be offset by an amount equivalent to the total annualized payment corresponding to the unfulfilled notice's period

The contracts of the executive directors in 2018 incorporate a post-contractual non-competition agreement for a period of one year from the end of their relationship with the Company, offset by an amount equivalent to 0.75 times their total annualized remuneration.

Likewise, the senior management contract contains a pact by virtue of which the Company may, at the time of the termination of the employment relationship, enforce a non-compete commitment required for a period of two years, corresponding in said case to a compensatory amount 0.5 times their annualized total remuneration for each year of non-competition and the contracts of five other senior managers include a non-compete pact required for a period of one year with a compensatory amount of 0.75 times their fixed remuneration.

3. Other information

In accordance with the provisions of Royal Decree 602/2016, it is reported that the amount paid as a premium for the civil liability insurance of the directors and senior managers by Indra Sistemas S.A. and its subsidiaries during the years 2018 and 2017 amounted to €159 thousand and €107 thousand respectively.

41 Information Communicated by the Members of the Board of Directors in relation to Article 229 of the Spanish Companies Law

Once the information communicated to the Board Secretariat has been reviewed, it appears that the Parent Company's Directors and the persons related thereto have not incurred or are in any situation of conflict of interest that has had to be reported in accordance with the provisions in art. 229 of the Capital Companies Law.

42 R + D + I Activities

An important part of the activities carried out in the Indra Group are, by their nature, R&D&I expenses, which are recorded in the Consolidated Income Statement at the time of their accrual (see note 4.dii).

The total expenditure amount related to projects of this type which were executed throughout 2018, including that of capitalized projects (see note 8), was €210,045 thousand, equivalent to 6.8% of the total Group sales during that year. The expenses for this item incurred by the Parent Company during this same period have accounted for approximately 79% of the total expenses incurred by the Group in terms of R&D&I.

During 2017 the amount of the expenditure related to R&D&I projects amounted to €201,683 thousand, equivalent to 6.7% of the Group's total sales.

43 Information on Environmental Aspects

The lines of business that the Group carries out have not changed qualitatively compared to previous years, and therefore continue to have no significant impact on the environment. For this reason, the Parent Company's directors estimate that there are no significant contingencies related to the protection and improvement of the environment, so it has not been considered necessary to record any provision during the years 2018 and 2017 for the provision of risks and expenses of an environmental nature.

For the same reason, there are still no significant assets associated with the environment's protection and improvement, nor have significant expenses of this nature been incurred during the year. As a result, the Group has not requested or received any subsidy of an environmental nature during the annual periods ending on December 31, 2018 and 2017.

For further information Go to the CSR 2018 report available on the Indra website and the management report attached to this report.

44 Remuneration to the Auditors

In 2016 the firm Deloitte was appointed as the new auditor of the Consolidated Annual Accounts of the Group and the other affiliate companies. The net fees for professional services in the years ending on December 31, 2018 and 2017 are as follows:

	Thousands of EUR	
	2018 Deloitte	2017 Deloitte
For Audit Services and Related Services	2,106	2,106
Other Verification Services	279	132
Total Audit and Related services	**2,385**	**2,148**
Fiscal advice services	92	38
Other Services	13	23
Total Professional Services	**2,490**	**2,209**

The amount indicated in the above table includes all the fees related to the audit, regardless of the time of their billing, and other services for 2018 and 2017.

45 Transactions with Related Parties

The related transactions carried out with significant shareholders and directors do not represent, individually or considered as a whole, a significant amount in relation to the turnover or the balance sheet of the Parent Company as of December 31, 2018 and 2017, all of which have been made during the ordinary course of business with the Parent Company, under market conditions and authorized by the Board of Directors in accordance with the provisions of its Regulations. Notwithstanding the foregoing, it is the Parent Company's policy to publicly report in a transparent and detailed manner about such transactions.

In 2018 and 2017 commercial, financial and service provision/reception transactions were carried out with whoever at the time were significant shareholders (or with companies related to them) represented on the Board.

The disclosure by nature of the transactions with related parties during the years 2018 and 2017 according to their nature is as follows:

	2018 (Thousands of EUR)		
Type of transaction	With Shareholders	With Directors	Total 12/31/2018
Sale of goods and services	11,207	-	11,207
Purchase of goods and services	755	-	755
Expenses for financial services	7	-	7
	11,969	**-**	**11,969**

	2017 (Thousands of EUR)		
Type of transaction	**With Shareholders**	**Con Consejeros**	**Total 12/31/2017**
Sale of goods and services	17,401	-	17,401
Purchase of goods and services	2,201	-	2,201
Expenses for financial services	10	-	10
	19,612	**-**	**19,612**

a. Transactions with Shareholders

All the transactions carried out in 2018 and 2017 correspond to operations performed with SEPI shareholders and Corporación Financiera Alba or with companies of their respective groups.

The item "**Sale of Goods and Services**" corresponds to services rendered by the Indra Group in the scope of its business with the aforementioned shareholders.

The item "**Purchases of Goods and Services**" corresponds to services rendered to the Indra Group necessary for its activity's development.

The concept of "**Expenses for financial services**" includes expenses and interest for the management of guarantees with Corporación Financiera Alba.

In 2017 the Indra Group maintained a line of credit with Banca March with a maximum limit of €1,000 thousand, which was canceled in 2018.

In 2018 and 2017 the Indra Group maintained a guarantee line with Banca March with respective annual maturities of €2,577 thousand and €3,793 thousand, respectively.

Dividends have not been paid to the shareholders represented on the Board of Directors during the 2018 fiscal year.

b. Transactions with Directors

During the 2018 and 2017 fiscal years, no transactions were carried out with Directors or with parties related to them.

The remuneration for the Board of Directors' members is detailed in note 40 of this report.

c. Transaction with Other Related Parties

During the 2018 and 2017 periods no transactions with other related parties have been carried out.

d. Transactions with Senior Management members

During the 2018 and 2017 fiscal years, no transactions were carried out with Senior Management or with parties related to them.

The Senior Management's remuneration is detailed in note 40 of this report.

e. Transactions with Associated Companies

In 2018 and 2017 the transactions carried out by the Parent Company with associated companies were:

	2018 (Thousands of EUR)			
	Debtors	**Creditors**	**Income**	**Expenses**
Associated Companies	19,864	12,133	28,971	1,722
	19,864	**12,133**	**28,971**	**1,722**

	2017 (Thousands of EUR)			
	Debtors	**Creditors**	**Income**	**Expenses**
Associated Companies	3,800	10,893	17,494	1,251
	3,800	**10,893**	**17,494**	**1,251**

Note: With regard to “Debtors” and “Creditors”, the balances corresponding to those items recorded as of December 31 of each year are included.

f. Transactions with Joint Operations

Most of the Group’s “Joint Agreements” are TBAs, classified as “Joint Operations” due to joint and several liability, whose method of integration is proportional.

The assets, liabilities, income and expenses of operations carried out through the joint operations in the form of TBAs for 2018 and 2017 are as follows:

	Thousands of EUR	
	2018	**2017**
Non-current assets	66,543	63,637
Current Assets	59,321	47,427
Non-current liabilities	(101,470)	(89,886)
Current Liabilities	(22,990)	(19,772)
Net Revenue	(71,759)	(63,501)
Subcontracting and other expenses	70,355	62,095

Annex II details the TBAs that the Group has integrated.

46 Material Events Subsequent to the Year's End

In February 2019 the CNMC initiated disciplinary proceedings for collusive practices against 25 companies, among them the Parent Company and 8 physical persons linked to these companies (none related to the Parent Company). These proceedings are outlined in note 23.

In February 2019, the Court considered the Special Appeal filed by Indra Brasil Soluçoes e Serviços Tecnologicos, Ltda against the latest decision of the CARF (administrative tribunal), which annulled the effects of the judgment favorable to Indra Brazil in the second instance for alleged defects of nullity in the proceedings. This judgment is final and entails the end of the litigation (see note 23).

On February 6, 2019 an agreement was signed for the initiation of activities to inspect Tecnocom Telecomunicaciones y Energía, S.A. and Tecnocom España Solutions, S.L., a notification addressed to the Group Company Indra Soluciones Tecnologías de la Información, S.L., as the absorbent company of both entities (see note 36).

Appendix I

Detail of the Companies that constitute the Group as of, December 31, 2018

Company name	Registered office	Lines of business
1.- Parent Company		
Indra Sistemas, S.A.	Avenida de Bruselas, 35 Alcobendas (Madrid)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
2.- Subsidiaries		
Indra Emac, S.A.	Calle Mar Egeo, 4 Pol.Ind.1 San Fernando de Henares (Madrid)	Engineering and maintenance of air defense systems and other related systems.
Indra Sistemas de Seguridad, S.A.	Carrer de Roc Boronat, 133 (Barcelona)	Design, development, integration and maintenance of systems and solutions for surveillance and security control of facilities.
Indra Sistemas de Comunicaciones Seguras, S.L.	Avenida de Bruselas, 35 Alcobendas (Madrid)	Research, engineering, design, manufacturing, development, marketing, installation, maintenance and repair of devices, equipment and systems for the security of data communications, encryption systems, encryption, beacons and command and control centers.
Inmize Capital, S.L.	Avenida de Bruselas, 35 Alcobendas (Madrid)	Management and execution of system engineering activities for defense industry, as well as its commercialization and sale.
Inmize Sistemas, S.L.	Avenida de Bruselas, 35 Alcobendas (Madrid)	Management and execution of system engineering activities for defense industry, as well as its commercialization and sale.
Teknatrans Consultores, S.L.	Portuetxe, 23, (San Sebastián)	Delivery of architectural and engineering technical services.

This appendix must be read together with notes 1 and 5 of the Consolidated Financial Statements of which it is an integral part

Company name	Registered office	Lines of business
Indra SI, S.A.	Buenos Aires (Argentina)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Azertia Tecnologías de la Información Argentina S.A.	Buenos Aires (Argentina)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Computación Ceicom, S.A.	Buenos Aires (Argentina)	Data processing, consulting and technical assistance in systems analysis, development and implementation of computer equipment programs.
Indra Company Brasil Tecnologia, Ltda.	Sao Paulo (Brazil)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra Brasil Soluçoes e Serviços Tecnologicos, Ltda	Sao Paulo (Brazil)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra Tecnología Brasil LTDA	Brasilia (Brazil)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications for air traffic, defense, land, maritime and rail traffic and transportation, and management of electoral processes.
Indra Colombia LTDA.	Bogotá (Colombia)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra Sistemas Chile, S.A.	Santiago de Chile (Chile)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Soluziona Guatemala, S.A.	Guatemala (Guatemala)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra Sistemas México S.A. de C.V.	México City (Mexico)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra BPO México, S.A de C.V	México City (Mexico)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra Software Labs México, S.A de C.V	México City (Mexico)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.

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Company name	Registered office	Lines of business
Indra Panamá, S.A.	Panama City (Panama)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra Company Perú S.A.C.	Lima (Peru)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra Perú, S.A.	Lima (Peru)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Soluciones y Servicios Indra Company Uruguay, S.A.	Montevideo (Uruguay)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra USA Inc.	Philadelphia (USA)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra Italia Spa	Rome (Italy)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra Czech Republic s.r.o.	Prague (Czech Republic)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra Eslovakia, a.s.	Bratislava (Slovakia)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra Slovensko, s.r.o.	Bratislava (Slovakia)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra Sisteme S.R.L.	Chisinau (Moldova)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra Sistemas Polska S.p.z.o.o	Warsaw (Poland)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra Sistemas Portugal, S.A.	Lisbon (Portugal)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.

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Company name	Registered office	Lines of business
Elektrica Soluziona S.A. (Rumania)	Bucharest (Romania)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra Kazakhstan Engineering Llp	Astana (Kazakhstan)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra Turkey Teknolojileri Çözümleri Anonim Sirketi	Istanbul (Turkey)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra Beijing Information Technology Systems Co. Ltd.	Beijing (China)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra Philippines, Inc.	Quezon City (Philippines)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra Technology Solutions Malasya Sdn Bhd	Kuala Lumpur (Malasya)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
PT Indra Indonesia	Jakarta (Indonesia)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra Sistemas India Private Limited	New Dheli (India)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra Bahrain Consultancy SPC	Manama (Bahrain)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra Arabia Company Ltd.	Jeddah (Saudi Arabia)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra Technology Solutions Co, Ltd.	Riyadh (Saudi Arabia)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra L.L.C.	Muscat (Oman)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.

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Company name	Registered office	Lines of business
Indra Maroc S.A.R.L D´Associé Unique	Rabat (Morocco)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra Limited (Kenya)	Nairobi (Kenya)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Soluziona Professional Services (Private) Ltd	Harare (Zimbabwe)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra Technology South Africa Pty Ltd	Johannesburg (South Africa)	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information technologies: IT, electronics and communications.
Indra Australia Pty Ltd	Sydney (Australia)	Design, development, production and maintenance of systems to aid navigation and landing, as well as air traffic control systems.
Indra BPO, S.L.	Avenida de Bruselas, 35 Alcobendas (Madrid)	Management and outsourcing of business processes (BPO), delivery of document management services and mortgage management.
Indra BPO Hipotecario, S.L.U.	Avenida de Bruselas, 35 Alcobendas (Madrid)	The realization of all the measures necessary or appropriate procedures for the settlement and registration, as appropriate, of all kinds of public and private documents in the Public Registries, as well as the realization of any complementary and auxiliary activities deemed necessary for the realization of the company's main activities.
Indra BPO Servicios, S.L.	Avenida de Bruselas, 35 Alcobendas (Madrid)	Management of digitization and data capture.
Indra II Business Process Outsorcing Portugal, unipersonal LTD	Lisbon (Portugal)	Management and outsourcing of business processes (BPO).
OUAKHA Services, Saarl AU (Marruecos)	Tangier (Morocco)	Process management (BPO) of back-office for financial entities.
Indra Business Consulting, S.L.	Calle Tánger, 98 Barcelona	Provision of professional services, delivering in particular business consulting and technology and solutions consulting services.
Europraxis ALG Consulting Maroc, S.A.	Casablanca (Morocco)	Provision of professional services, delivering in particular business consulting and technology and solutions consulting services.

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Company name	Registered office	Lines of business
Indra Consultoría de Negocios Brasil LTDA	Sao Paulo (Brazil)	Provision of professional services, delivering in particular business consulting and technology and solutions consulting services.
Indra Business Consulting ALG Mexico S.A. de C.V.	Mexico City (Mexico)	Provision of professional services, delivering in particular business consulting and technology and solutions consulting services.
Europraxis ALG Consulting Andina, S.A.C. (Perú)	Lima (Peru)	Provision of professional services, delivering in particular business consulting and technology and solutions consulting services.
Europraxis ALG Consulting, Ltd (U.K.)	Slough Berkshire (United Kingdom)	Provision of professional services, delivering in particular business consulting and technology and solutions consulting services.
Prointec, S.A.	Avda. de Burgos 12, Madrid	Provision of engineering and consulting services in the field of the environment, transport, construction, water and industry.
Prointec Engenharia, Ltda.	Sao Paulo (Brazil)	Delivery of engineering and consulting services in the civilian sphere.
Ingeniería de Proyectos e Infraestructuras Mexicana, S.A. de C.V.	Mérida (Mexico)	Delivery of architectural and engineering technical services.
Prointec Panamá, S.A.	Ancon (Panama)	Delivery of engineering and consulting services in the civilian sphere.
Prointec Usa LLc	Sacramento, California, (USA)	R&D Autonomous Air Systems and Advanced Solutions in Unmanned Systems.
Consis Proiect SRL	Bucharest (Romania)	Delivery of civil engineering and consulting services.
Indra Advanced Technology, S.L.	Avenida de Bruselas, 35 Alcobendas (Madrid)	Design, development, production, integration, operation, maintenance, repair and commercialisation of systems, solutions and products.
AC-B air Traffic Control & Business Systems GmbH (Alemania)	Markdorf (Germany)	Design, development, production and maintenance of systems, solutions and services based on the use of information technologies, as well as navigation and landing support systems, and air traffic control systems.

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Company name	Registered office	Lines of business
Avitech AG	Friedrichshafen (Germany)	Design, development, production and maintenance of systems to aid navigation and landing, as well as air traffic control systems.
Avitech S.R.O.	Bratislava (Slovakia)	Design, development, production and maintenance of systems to aid navigation and landing, as well as air traffic control systems.
Indra Navia AS (Park Air, Noruega)	Oslo (Norway)	Design, development, production and maintenance of systems to aid navigation and landing, as well as air traffic control systems.
Normeka, AS	R0mskog (Norway)	Design, development, production and maintenance of systems to aid navigation and landing, as well as air traffic control systems.
Indra Corporate Services, S.L.U.	Madrid (Spain	Delivery of all kinds of administration, management and support services to companies including financial and human resources services, sales and operations support services, general corporate security services, and management of facilities and other assets.
Indra Corporate Services México, S.A de C.V	México D.F (Mexico)	Delivery of professional consultancy and advisory services in the administrative, financial, human resources and accounting areas to corporate, business, industrial, engineering, commercial, banking, securities, financial, credit, and insurance organizations.
Inertelco, S.A.	Madrid (Spain)	Development of telecommunications projects
Metrocall, S.A.	Madrid (Spain)	Implementation and operation of mobile telephony in Madrid's underground transportation network
Tecnocomport-Tecnología e Informática, Unipessoal, Lda	Lisbon (Portugal)	IT and outsourcing services
Tecnocom Perú S.A.C	Lima (Peru)	Installation and commercialization of equipment for telecommunications
Tecnocom, Telefonía y Redes de México, S.A. de C.V	México D.F (Mexico)	Installation and commercialization of equipment for telecommunications
Tecnocom Colombla, S.A.S	Bogotá (Colombia)	Installation and commercialization of equipment for telecommunications
Tecnocom Chile, S.A.	Santiago de Chile (Chile)	Installation and commercialization of equipment for telecommunications
Tecnocom Procesadora de Medios de Pago, S.A.	Santo Domingo (Dominican Rep.)	Credit card processing services

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Company name	Registered office	Lines of business
Tecnocom Procesadora de Chile, S.A	Santiago de Chile (Chile)	Credit card processing services
Paradigma Digital, S.L	Spain	Leading consultant in the Spanish digital transformation market, with a focus on the design of customer experience solutions in digital channels, as well as their development and implementation (DCX, Front-end, Digital Strategy)
North American Transmission & Distribution Group Inc	Atlanta (USA)	Acquire and expand companies whose main purpose is to support the Electrical Distribution Network
ACS América Latina, S.A de C.V	El Salvador	Manufacture of control and operation systems for transport and energy distribution networks. And the manufacture of control and operation systems for transport and energy distribution networks.
Advanced Control Systems, INC	Atlanta (USA)	Manufacture of control and operation systems for transport and energy distribution networks.
Softfobia, S.R.L	Rome (Italy)	Renowned digital agency in Italy with user experience capabilities. Its products cover the value chain from the design to the development and optimization of e-commerce
Unclick,S.R.L	Rome (Italy)	Italian company whose main business is the development, design and marketing of software and digital solutions
Riganera, S.R.L	Rome (Italy)	Italian company whose main business is web communication and marketing tools
Indra Holding Tecnologías de la Información, S.L.U	Avenida de Bruselas, 35 Alcobendas (Madrid)	Acquisition, possession, use, direction, administration, management and disposal of transferable securities of company equity; the incorporation and promotion of companies. Realization of the financial operations for the granting of financing and assumption of the debt of companies within the same group
Indra Soluciones Tecnologías de la información, S.L.U.	Avenida de Bruselas, 35 Alcobendas (Madrid)	Computer programming activities. Computer consulting activities. Computer resource management. Other services related to information technology and computing.
Indra Producción Software S.L.U.	Avenida de Bruselas, 35 Alcobendas (Madrid)	Design, development, production, integration and maintenance of systems, equipment, solutions and products based on the use of information technology. Provision of business consulting and technological services and solutions. Studies, projects, management, technical assistance, technology transfer Marketing of these studies, projects and activities.

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Company name	Registered office	Lines of business
Indra Corporate Services Philippines, INC	Quezon City (Philippines)	Delivery of professional consultancy and advisory services in the administrative, financial, human resources and accounting areas to corporate, business, industrial, engineering, commercial, banking, securities, financial, credit, and insurance organizations.
3.- Associated companies		
I3 Televisión, S.L.	Avda. Isla Graciosa 13, San	Design, development, manufacturing, supply, assembly, repair, maintenance, installation and marketing of products, solutions,
IRB Riesgo Operacional S.L.	Avenida de Bruselas, 35	Design, development, production, integration and maintenance of systems, solutions and services based on the use of information
Saes Capital, S.A.	Paseo de la Castellana 55, Madrid	Through associated companies, design, development, production, integration, maintenance and operation of electronic, computer and
Eurofighter Simulation System GmbH	Munich (Germany)	Development and production of simulators for the EF-2000 aircraft.
Euromids SAS	Paris (France)	Development, manufacture and marketing of tactical communications systems
Green Border OOD	Sofia (Bulgaria)	Design, development, integration and maintenance of systems and solutions for surveillance and security control of facilities.
Tower Air Traffic Services, S.L.	Carretera de Loeches 9, Torrejon	Delivery of aerodrome air traffic services for the management of aircraft traffic in the airspace.
A4 Essor, S.A.S.	Paris (France)	Development of a security program for radiocommunications.
Societat Catalana Per a la Mobilitat, S.A.	Calle Roc Boronat, nº 133, Barcelona	Execution of the T-Mobilitat project for the implementation of a new technological, tariff and management system for the Metropolitan Transport Authority in Barcelona.
Iniciativas Bioenergéticas, S.L.	Gran Vía Juan Carlos I nº9, Logroño (La Rioja)	Study, promotion, development and execution of innovative projects in environmental matters and energy production.
Logística marítima de Tuxpan S.A.P.I. de C.V.	Veracruz (Mexico)	Delivery of engineering and consulting services in the port infrastructure field.
Global Training Aviation	Madrid (Spain)	Consulting, training and coaching services for airlines and initiation and updating courses for pilots.

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Company name	Registered office	Lines of business
Indra Mexico		
Indra Isolux México SA de CV	Mexico DF	Supply, installation and commissioning of equipment for toll management systems and/or traffic control systems.
Visión Inteligente Aplicada S.A de C.V	Mexico DF	Provision of Services
EFI Túneles Necaxa SA de CV	Munich (Germany)	Project analysis, consultancy, and development, construction of public works as well as any kind of civil, hydraulic, electrical, infrastructure and similar works, in commercial and public sectors; acquisition of construction materials and supplies and their transportation and, in general, everything related to construction.

Economical data of companies composing the group as of December 21, 2018

	Ownership interest					
Company name	**Direct**	**Indirect**	**Total**	**Equity**	**Total Operational Income**	**Individual Result After Tax**
INDRA GROUP				**656,826**	**3,121,347**	**119,760**
1.- Parent Company						
Indra Sistemas, S.A.				**789,391**	**966,248**	**34,964**
2.- Subsidiaries						
Indra Emac, S.A.U.	100%	-	100%	3,834	16,192	2,903
Indra Sistemas de Seguridad, S.A.U.	100%	-	100%	2,942	8,954	(368)
Indra Sistemas de Comunicaciones Seguras, S.L.U.	-	100%	100%	8,295	3,007	474
Inmize Capital, S.L.	80%	-	80%	1,520	0	(2)
Inmize Sistemas, S.L.	-	40%	40%	7,971	564	153
Teknatrans Consultores, S.L.U.	100%	-	100%	513	394	35
Grupo Indra Holding TI	**100%**	**-**	**100%**	**1,000,724**	**1,568,506**	**51,931**
Grupo Prointec	**100%**	**-**	**100%**	**2,182**	**42,412**	**(2,023)**
Grupo Indra Advanced Technology, S.L.	**100%**	**-**	**100%**	**48,553**	**21,188**	**721**
Indra Tecnología Brasil LTDA	99.99%	0.01%	100%	1,076	282	(962)
Indra Brasil Soluçoes e Serviços Tecnologicos S/A	95.32%	4.68%	100%	42,332	178,820	6,504
Indra Company Brasil Tecnología LTDA. (Brasil)	99.99%	0.01%	100%	6,804	3,411	(9,987)
Indra Perú, S.A.	100%	-	100%	8,253	32,103	2,320
Indra Company Perú S.A.C.	100%	-	100%	62	1	(79)
Indra Sistemas México, S.A. de C.V.	99.99%	0.01%	100%	10,609	74,370	375
Indra Sistemas Chile, S.A.	100%	-	100%	21,090	37,268	2,151
Azertia Tecnologías de la Información Argentina S.A.	99.94%	0.06%	100%	(6)	18	(41)
Indra SI, S.A.	82.90%	17.10%	100%	3,026	26,259	(706)
Computación Ceicom, S.A.	95.00%	5.00%	100%	541	1	(18)
Indra USA, Inc	100%	-	100%	46,107	12,874	707
Advance control Systems, INC	-	100%	100%	15,590	5,817	(868)

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	Ownership interest					
Company name	Direct	Indirect	Total	Equity	Total Operational Income	Individual Result After Tax
Soluziona Guatemala, S.A.	99.98%	0.02%	100%	200	0	0
Indra Panamá, S.A.	100%	-	100%	1,449	14,960	703
Indra Sistemas Portugal, S.A.	100%	-	100%	9,158	26,648	1,592
Indra Navia A.S. (Noruega)	100%	-	100%	21,141	64,082	8,059
Normeka, A.S.	-	66%	66%	2,849	1,369	341
Indra Turkey	100%	-	100%	37	670	(395)
Electrica Soluziona S.A. (Romania)	50.70%	-	51%	1,748	1,967	183
Indra Maroc S.A.R.L.U.	100%	-	100%	461	1,213	(437)
Indra Bahrain Consultancy SPC	100%	-	100%	(2,545)	806	(1,565)
Indra Technology South Africa, PTY LTD	100%	-	100%	(979)	466	(230)
PT Indra Indonesia	99.99%	0.01%	100%	218	116	(363)
Indra Arabia Company LTD. (Arabia)	95%	5%	100%	18,399	7,549	(696)
Indra Beijing Information Technology Systems Ltd. (China)	100%	-	100%	2,748	2,946	243
Indra Australia Pty Limited	100%	-	100%	5,368	34,584	432
Indra Sistemas India Private Limited	100%	-	100%	1,813	1,830	(347)
Indra Technology Solutions Malasya Sdn. Bhd	100%	-	100%	(414)	344	(443)
Indra Kazakhstan Engineering LLP	51%	-	51%	(3,375)	38	(464)
Indra Philippines INC	50.10%	-	50%	21,956)	32,960	3,404
Indra L.L.C (Oman)	99%	1%	100%	383	3,041	89
Indra Corporate Services, S.L.U.	100%	-	100%	2,565	18,849	775
Indra Corporate Services México S.A de C.V.	-	100%	100%	21	2,363	96
Indra Corporate Services Philippines, INC	-	100%	100%	79	175	(98)
Inertelco, S.A.	87.50%	-	88%	2,402	0	1
Metrocall, S.A.	-	52.50%	53%	9,453	3,901	1,423
3.- Associated companies						
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%	-	-	-

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	Ownership interest					
Company name	**Direct**	**Indirect**	**Total**	**Equity**	**Total Operational Income**	**Individual Result After Tax**
Societat Catalana per a la Mobilitat, S.A.	23.50%	-	24%	-	-	-
Green Border OOD	50%	-	50%	-	-	-
IRB Riesgo Operacional S.L.	33.33%	-	33%	-	-	-
Global Training Aviation, S.L.	35.06%	-	35%	-	-	-
SPA MOBEAL	24.50%	-	25%	-	-	-
Indra Mexico						
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%	-	-	-
Composition Grupo TI Holding				**1,000,724**	**1,568,506**	**51,931**
1.- Parent Company						
Indra Holding Tecnologia de la Información, S.L.U.				899,488	362	(1,091)
2.- Subsidiaries						
Grupo Indra soluciones TI	**100%**	**-**	**100%**	**829,687**	**1,335,688**	**27,456**
Grupo BPO	**100%**	**-**	**100%**	**70,960**	**150,633**	**10,070**
Grupo Business Consulting	**100%**	**-**	**100%**	**15,601**	**75,470**	**2,097**
Paradigma Digital, Sl	100%	-	100%	7,732	32,545	2,440
Grupo Indra Soluciones TI				**829,687**	**1,335,688**	**27,456**
1.- Parent Company						
Indra Soluciones Tecnologia de la Información, S.L.U.				740,996	1,079,451	(30,838)
2.- Subsidiaries						
Tecnocomport- Tecnología e Informatica, Unipessoal, LDA.	100%	-	100%	3,917	15,898	715
Indra Producción de Software, S.L.U.	100%	-	100%	21,329	90,404	4,460
Indra Italia S.P.A. (Italy)	100%	-	100%	29,851	117,124	9,473
Softfobia	-	100%	100%	1,055	223	19
Unclick Srl	-	100%	100%	5	16	(0)
Riganera Srl	-	100%	100%	36	49	(40)
Indra Czech Republic S.R.O.	100%	-	100%	2,645	3,348	642

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Company name	Ownership interest Direct	Indirect	Total	Equity	Total Operational Income	Individual Result After Tax
Indra Sistemas Polska Sp.z.o.o	100%	-	100%	(34)	1,782	(89)
Indra Sisteme S.R.L. (Moldava)	100%	-	100%	412	1,007	253
Indra Slovakia, A.S.	100%	-	100%	1,649	8,507	932
Indra Slovensko S.R.O.	-	100%	100%	2	0	(1)
Indra LTDA. (Kenya)	100%	-	100%	4,874	5,043	287
Tecnocom Peru, S.A.C.	100%	-	100%	7,371	13,853	638
Tecnocom, Telefonia y Redes de Mexico, S.A. de C.V.	100%	-	100%	478	4,561	(292)
Tecnocom Colombia, S.A.	100%	-	100%	(29)	4,283	(374)
Tecnocom Procesadora De Chile, S.A.	99.90%	0.10%	100%	5,657	7,370	1,992
Tecnocom Chile, S.A.	100%	-	100%	3,402	13,345	262
Tecnocom Procesadora de Medios de Pago, S.A.	80%	-	80%	4,756	5,644	536
Indra Colombia LTDA.	100%	-	100%	15,905	49,534	2,893
Soluciones y Servicios Indracompany Uruguay, S.A.	100%	-	100%	760	3,808	15
Indra Software Labs México, S.A. de C.V.	99.99%	0.01%	100%	(1,800)	12,053	314
3.- Associated companies						
I-3 Televisión S.L.	50%	-	50%	-	-	-
Composition of the BPO Group				**70,960**	**150,633**	**10,070**
1.- Parent Company						
Indra BPO S.L.U.				54,986	29,815	5,499
2.- Subsidiaries						
Indra BPO Servicios, S.L.U.	100%	-	100%	51,882	116,758	6,275
Indra II Business Outsourcing Portugal, Unipessoal, Limitada	-	100%	100%	650	614	68
OUAKHA Services, Sarl AU (Morocco)	100%	-	100%	(314)	0	(13)
Indra BPO Hipotecario, S.L.U.	100%	-	100%	3	0	0
Indra BPO México, S.S. de C.V.	99.99%	0.01%	100%	10,912	5,477	990

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Company name	Ownership interest Direct	Indirect	Total	Equity	Total Operational Income	Individual Result After Tax
Composition Business Consulting Group				**15,601**	**75,470**	**2,097**
1.- Parent Company						
Indra Business Consulting, S.L.U.				12,683	62,815	(885)
2.- Subsidiaries						
Europraxis ALG Consulting, Ltd. (United Kingdom)	100%	-	100%	28	0	0
Indra Consultoría de Negociós Brasil LTDA.	99.99%	0.01%	100%	(5,187)	1,924	(14)
Indra Business Consulting ALG Mexico S.A. de C.V.	99.99%	0.01%	100%	4,891	11,329	1,610
Europraxis-ALG Consulting Andina, S.A.C. (Peru)	99.95%	0.50%	100%	301	0	(5)
Europraxis ALG Consulting Maroc, S.A. (Morocco)	65.71%	34.29%	100%	1	0	(24)
Composition of the Prointec Group				**2,182**	**42,412**	**(2,023)**
1.- Parent Company						
Prointec, S.A.U.				11,227	36,836	(1,699)
2.- Subsidiaries						
Consis Proiect SRL (Romania)	100%	-	100%	1,092	1,319	(94)
Ingenieria de Proyectos de Infraestructuras Mexicanas, SA de C.V.	99.99%	0.01%	100%	3,025	2,039	105
Prointec Engenharia, Ltda. (Brazil)	100%	-	100%	338	1,596	198
Prointec Panama, S.A.	75%	-	75%	(118)	0	0
Prointec USA LLC	100%	-	100%	1,394	1,390	203
3.- Associated companies						
Iniciativas Bioenergéticas, S.L.	20%		20%	-	-	-
Logistica Portuaria de Tuxpan , S.A.P.I de C.V.	25%		25%	-	-	-
Composition of the Grupo Indra Advanced Technology SL				**48,553**	**21,188**	**721**
1.- Parent Company						
Indra Advanced Technology, S.L.U.				47,716	0	477

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	Ownership interest					
Company name	Direct	Indirect	Total	Equity	Total Operational Income	Individual Result After Tax
2.- Subsidiaries						
AC-B air Traffic Control & Business Systems GmbH (Germany)	100%	-	100%	2,229	2,501	339
Avitech GmbH (Germany)	100%	-	100%	5,392	18,687	126
Avitech S.R.O. (Slovakia)	-	100%	100%	-	-	-
3. Associated companies						
Natming	25%		25%	-	-	-

Economical data of companies composing the group as of December 31, 2017

	Ownership interest					
Company name	Directa	Indirecta	Total	Equity	Total Operational Income	Individual Result After Tax
1.- Parent Company						
Indra Sistemas				793,232	1,904,280	91,533
2.- Subsidiaries						
Indra Emac, S.A.U.	100%	-	100%	3,143	16,311	2,186
Indra Sistemas de Seguridad, S.A.U.	100%	-	100%	3,310	7,839	633
Indra Sistemas de Comunicaciones Seguras, S.L.U.	-	100%	100%	7,984	2.337	306
Inmize Capital, S.L.	80%	-	80%	1,522	-	(7)
Inmize Sistemas, S.L.	-	50%	50%	7,819	355	53
Indra Software Labs, S.L.U.	100%	-	100%	40,865	166,405	12,577
Teknatrans Consultores, S.L.	100%	-	100%	513	397	34
BPO Group	**100%**	**-**	**100%**	**43,825**	**139,091**	**7,504**
Consultancy Group	**100%**	**-**	**100%**	**10,660**	**64,167**	**3,363**
Prointec Group	**100%**	**-**	**100%**	**2,444**	**40,620**	**(1,518)**
Indra Advanced Technology, S.L. Group	**100%**	**-**	**100%**	**45,649**	**22,370**	**1,289**

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Company name	Ownership interest Direct	Indirect	Total	Equity	Total Operational Income	Individual Result After Tax
Tecnocom Group	**100%**	**-**	**100%**	**127,776**	**258,041**	**(5,387)**
Indra SI, S.A.	82.90%	17.10%	100%	8,381	63,851	7,413
Politec Argentina, S.A.	95.37%	4.63%	100%	(323)	-	(84)
Azertia Tecnologías de la Información Argentina S.A.	99.94%	0.06%	100%	37	102	(181)
Computación Ceicom, S.A.	95.00%	5.00%	100%	1,064	6	(2)
Indra Company Brasil Tecnología LTDA	99.99%	0.01%	100%	(2,624)	1	(159)
Indra Brasil Soluçoes e Serviços Tecnologicos S/A	95,32%	4.68%	100%	42,736	202,883	6,963
Indra Tecnología Brasil LTDA	99.99%	0.01%	100%	2,293	1,815	143
Indra Colombia LTDA.	100%	-	100%	13,676	41,148	2,277
Indra Sistemas Chile S.A.	100%	-	100%	20,366	43,263	2,306
Soluziona Guatemala, S.A.	99.98%	0.02%	100%	201	-	(1)
Indra Sistemas México, S.A. de C.V.	99.99%	0.01%	100%	9,107	83,940	(5,332)
Indra BPO México, S.A. DE C.V.	99.99%	0,01%	100%	9,473	5,190	444
Indra Software Labs México, S.A. de C.V.	99.99%	0.01%	100%	(2,031)	13,137	(218)
Indra Panamá, S.A.	100%	-	100%	602	10.658	(1,869)
Indra Company Perú SAC	100%	-	100%	136	(6)	(84)
Indra Perú, S.A.	100%	-	100%	5,972	28,126	1,248
Soluciones y Servicios Indra Company Uruguay S.A.	100%	-	100%	783	3,746	(245)
Indra Puerto Rico Inc	-	100%	100%	94	-	(89)
Indra USA, Inc	100%	-	100%	3,288	12,256	1,046
Indra Italia Spa (Visiant Galyleo Spa)	100%	-	100%	20,378	80,044	6,613
Indra Czech Republic s.r.o.	100%	-	100%	4,531	3,109	430
Indra Slovakia, a.s.	100%	-	100%	732	4,442	457
Indra Slovensko S.R.O.	-	100%	100%	4	-	(1)
Indra Sisteme S.R.L. (Moldova)	100%	-	100%	296	852	113
Indra Polska Sp.z.o.o	100%	-	100%	59	2,128	(98)
Indra Sistemas Portugal, S.A.	100%	-	100%	7.567	23,628	1,956
Electrica Soluziona S.A. (Romania)	50.70%	-	51%	1,769	2,049	221
Indra Kazakhstan Engineering Llp	51%	-	-	(3,212)	195	(496)
Indra Turquía	100%	-	100%	505	584	(754)

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	Ownership interest					
Company name	**Direct**	**Indirect**	**Total**	**Equity**	**Total Operational Income**	**Individual Result After Tax**
Indra Beijing Information Technology Systems Ltd. (China)	100%	-	100%	2,533	3,152	207
Indra Philippines INC	50.1%	-	50%	18,773	34,983	3,431
Indra Technology Solutions Malasya Sdn Bhd.	100%	-	100%	28	5,979	(160)
PT Indra Indonesia	99.99%	0.01%	100%	526	83	(929)
Indra Sistemas India Private Limited	100%	-	100%	2,232	1,643	(422)
Indra Bahrain Consultancy SPC	100%	-	-	(1,013)	961	(1,324)
Indra Arabia Company LTD. (Arabia)	95%	5%	100%	18,089	36,718	(1,586)
INDRA L.L.C (Omán)	99%	1%	100%	277	2,109	(59)
Indra Maroc S.A.R.L. D`Associè Unique (Marruecos)	100%	-	100%	876	1,357	27
Indra Limited (Kenya)	100%	-	100%	4,373	6,572	927
Soluziona Professional Services (private) Limited (Zimbabwe)	70%	-	70%	-	-	-
Indra Technology South Africa, PTY LTD	70%	-	70%	(824)	1,837	(393)
Indra Australia Pty Limited	100%	-	100%	6,311	40,192	2,043
Indra Technology Solutions Co Ltd (Arabia)	95%	5%	100%	-	-	-
Indra Corporate Services, S.L.U.	100%	-	100%	2,376	15,070	650
Indra Corporate Services México, S.A. de C.V.		100%	100%	(80)	1,851	(87)
Indra Navia A.S (Norway)	100%	-	100%	13,484	58,248	6,020
Paradigma Digital, S.L	100%	-	100%	5,304	-	-
4.- Associated companies						
Saes Capital, S.A.	49%	-	49%	-	-	-
Eurofighter Simulation System GmbH	26%	-	26%	-	-	-
Euromids SAS	25%	-	25%	-	-	-
A4 Essor SAS	23%	-	23%	-	-	-
Tower Air Traffic Services, S.L.	50%	-	50%	-	-	-
Green Border OOD	50%	-	50%	-	-	-
Sociedad Catalana per a la mobilitat	23.5%	-	23.5%	-	-	-
I-3 Televisión S.L.	50%	-	50%	-	-	-
IRB Riesgo Operacional S.L.	33.33%	-	33%	-	-	-

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Company name	Ownership interest: Direct	Indirect	Total	Equity	Total Operational Income	Individual Result After Tax
SPA Mobeal	24,5%	-	25%	-	-	-
Global Training Aviation S.L	35%	-	35%	-	-	-
Composition of the Consultancy Group						
2.- Subsidiaries						
Indra Business Consulting, S.L.U.				33,968	29,833	6,237
OUAKHA Services, Saarl AU (Morocco)	100%	-	100%	(294)	11	(3)
Indra BPO Servicios, S.L.U.	100%	-	100%	49,970	111,075	4,823
Indra II Business Outsourcing Portugal, Unipessoal, Limitada	-	100%	100%	582	1,918	62
Indra BPO Hipotecario, S.L.	100%	-	100%	3	-	7
Composition of the Consultancy Group						
2.- Subsidiaries						
Indra Business Consulting, S.L.U.				11,521	52,792	(155)
Europraxis ALG Consulting, Ltd. (UK)	100%	-	100%	28	-	(4)
Indra Consultoría de Negocios Brasil LTDA	99.99%	0.01%	100%	(5,792)	1,381	(60)
Indra Business Consulting ALG Mexico	99.99%	0.01%	100%	3,325	10,798	2,089
Europraxis-ALG Consulting Andina, S.A.C. (Peru)	-	100%	100%	311	121	112
Europraxis ALG Consulting Maroc, S.A. (Morocco)	65.71%	34.29%	100%	24	-	(30)
Composition of the Prointec Group						
2.- Subsidiaries						
Prointec, S.A.U.				11,202	35,106	(1,224)
Consis Proiect SRL (Romania)	100%	-	100%	1,462	1,486	5
Ingenieria de Proyectos de Infraestructuras Mexicanas, SA de C.V.	100%	-	100%	2,727	2,099	(498)
Prointec Romanía S.R.L. (Romania)	-	100%	100%	(280)	2	(56)
Prointec Engenharia, Ltda.	100%	-	100%	166	1,418	98

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Company name	Ownership interest: Direct	Indirect	Total	Equity	Total Operational Income	Individual Result After Tax
Prointec Panama, S.A.	75%	-	75%	(113)	-	-
Prointec USA LLC	100%	-	100%	1,146	1,423	146
4.- Associated companies						
Logística Portuaria de Tuxpan, S.A.P.I. de C.V.	25%	-	25%	-	-	-
Iniciativas Bioenergéticas, S.L.	20%	-	20%	-	-	-
Composition of the Indra Advanced Technology S.L. Group						
2.- Subsidiaries						
Indra Advanced Technology, S.L.U.				47,239	-	69
AC-B air Traffic Control & Business Systems GmbH (Germany)	100%	-	100%	1,890	1,803	271
Avitech GmbH (Germany)	100%	-	100%	5,266	20,567	949
Avitech S.R.O. (Slovakia)	-	100%	100%	-	-	-
Normeka, A.S	-	66%	66%	2,695	1,623	297
4.- Associated companies						
Natming	-	25%	25%	-	-	-
4.- Associated companies						
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%	-	-	-
Composition of the Tecnocom Group						
2.- Subsidiaries						
Tecnocom Telecomunicaciones y Energía , S.A				47,264	188,749	(33,862)
Tecnocom, Telefonía y Redes S.L. Unipersonal	100%	-	100%	5,154	1,905	40
Gestión Sexta Avenida, S.A Unipersonal	100%	-	100%	3,893	-	83
Tecnocom España Solutions, S.L.U	100%	-	100%	101,099	195,775	8,622
Inertelco, S.A.	88%	-	88%	2,401	-	(4)
Metrocall, S.A	-	53%	53%	7,887	3,950	1,171

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	Ownership interest					
Company name	Direct	Indirect	Total	Equity	Total Operational Income	Individual Result After Tax
Tecnocom Gestión y Servicios, A.I.E.	100%	0%	100%	(1)	69	-
Tecnocomport-Tecnologia e Informática, Unipessoal, Lda	-	100%	100%	3,202	14,409	633
Tecnocom Perú,S.A.C	100%	-	100%	6,703	15,324	26
Tecnocom, Telefonía y Redes de México, S.A. DE C.V	100%	-	100%	718	6,333	(134)
Tecnocom Colombia, S.A.S	100%	-	100%	192	6,213	(2,422)
Tecnocom Chile, S.A.	100%	-	100%	3,380	10,811	707
Tecnocom Procesadora de Medios de Pago, S.A.	80%	-	80%	4,258	6,704	293
Tecnocom USA Inc	100%	-	100%	186	1,838	77
Tecnocom Procesadra de Chile, S.A.	100%	-	100%	3,938	2,134	30
Tecnocom Paraguay, S.A.	100%	-	100%	-	-	-
Euroinsta Brasil, Ltda	100%	-	100%	-	-	-
Euroinsta Tunisie, S.A.R.L.	100%	-	100%	-	-	-
Euroinsta Italia, R.R.L.	100%	-	100%	-	-	-
Euroinsta Marruecos, Sarl	100%	-	100%	-	-	-
Euroinsta El Salvador, S.A.	100%	-	100%	-	-	-
Euroinsta Guatemala, S.A.	100%	-	100%	-	-	-
Euroinsta Puerto Rico, inc	100%	-	100%	-	-	-
Euroinsta Turquía, S.A.	50%	-	50%	-	-	-
Euroinsta Argentina, S.A.	100%	-	100%	-	-	-
Jinan IB-MEI, Ltda	76%	-	76%	-	-	-

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Appendix II

Data of the joint activities operated jointly with third parties as of December 21, 2018

Company name	Direct Ownership interest
From Indra SI	
Indra SI SA-Retesar SA UTE	80.00%
Indra SI SA-DCM Solution SA UTE	90.00%
Deloitte & Co.SRL-Indra SI SA UTE	46.38%
Deloitte & Co.SRL-Indra Mant. Anses UTE	46.38%
From Indra Peru	
CONSORCIO PROCOM	49.00%
CONSORCIO INGORMATICA EL CORTE INGLES	50.00%
CONSORCIO GMD	50.00%
CONSORCIO NSC	90.00%
CONSORCIO MINCETUR	98.00%
CONSORCIO FABRICA DE SOFTWARE	50.00%
CONSORCIO REAPRO	85.00%
CONSORCIO SOLUCIONES DIGITALES	25.00%
CONSORCIOO INDRA PETROLEO	95.00%
CONSORCIO PROCOM AGUA	49.00%
CONSORCIO MINEDU	95.00%
CONSORCIO GESTION INFORMACION	44.00%
From Spanish Group companies	
UTE INDRA-ETRA	55.00%
UTE INDRA - SAINCO	64.00%
ETRALUX SA SICE INDRA (UTE PUCELA)	20.00%
UTE SAIH SUR	35.00%
UTE 2 INDRA - UNITRONICS	50.00%
UTE 3 INDRA - UNITRONICS	85.00%
UTE INDRA - ETRA	51.00%
UTE INDRA SISTEMAS, S.A. - EUROCOPTER ESPAÑA, SA	62.50%

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Company name	Direct Ownership interest
UTE INDRA SISTEMAS, S.A. - TELVENT TRAF.Y TRANS.	50.00%
UTE GISS 11	35.00%
UTE INDRA - NOVASOFT - SADIEL	33.33%
UTE PEREZ MORENO SAU - COMSA SA - INDRA SISTEMAS	10.00%
PEREZ MORENO S.AU. COMSA S.A. INDRA SISTEMAS S.A.	20.00%
UTE CIC-TF	50.00%
UTE AVIONICA	50.00%
UTE CEIDECOM	60.00%
UTE ZONA NORTE	10.00%
UTE ALTA CAPACIDAD	20.00%
UTE INDRA - CESSER	80.00%
UTE LINEA 9 TRAMO I Y II	64.00%
UTE LINEA 9 MANTENIMIENTO TRAMO IV	64.00%
UTE INDRA - ITP (1)	50.00%
UTE INDRA - ITP (2)	50.00%
UTE ACCESOS CGT MADRID	50.00%
UTE MANTENIMIENTO SEMAFORICO TORREJON DE ARDOZ	50.00%
UTE CONTROL ACCESOS DONOSTIA	50.00%
UTE INDRA - SALLEN	70.00%
UTE TELVENT - INDRA - ATOS	33.00%
UTE SISTEMAS METRO MALAGA	50.00%
UTE INDRA-INICIATIVAS AMBIENTALES	50.00%
UTE ACCESOS NOROESTE	30.00%
UTE AVIONICA DE HELICOPTEROS	50.00%
UTE MANTENIMIENTO RONDES 2012	30.00%
UTE INDRA - ALBATROS	60.00%
UTE IECISA - INDRA (ALFIL III)	42.00%
UTE CONTROL MOGAN	33.34%
UTE ACCESOS CGT MADRID II	50.00%
UTE INDRA-TECDOA	50.00%
UTE INDRA-INDRA SIST.SEGURIDAD AM 08/2011	50.00%
UTE SIVE INDRA - AMPER	50.00%
UTE INDRA-EADS CASA	50.00%
UTE INDRA-TELVENT	60.00%
UTE JAÉN	52.12%
UTE SIVE II INDRA-AMPER	50.00%
UTE SEGURIDAD PEAJES	50.00%

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Company name	Direct Ownership interest
UTE INDRA-PUENTES Y CALZADAS INFRAESTRUCTURAS	80.00%
UTE DGT NOROESTE 2014	65.00%
UTE INSTALACIONES MADRID ESTE	7.50%
INDRA SISTEMAS, SA-INDRA SISTEMAS DE SEGURIDAD, SA, U.T.E.	50.00%
UTE TELEBILLETICA	50.00%
UTE ABI CORREDOR NORTE	10.42%
SISTEMAS Y MONTAJES INDUSTRIALES, S.A.-INDRA SISTEMAS, S.A., U.T.E.	40.00%
INDRA SISTEMAS, S.A. - ELEKTRA, S.A., U.T.E.	51.00%
FCC INDUSTRIAL E INFRAESTRUCTURAS ENERGÉTICAS, SAU-	30.00%
UTE DI CUENCA	50.00%
UTE CONTROL POLOPOS	50.00%
UTE TUNELES DE PAJARES	35.15%
INDRA SISTEMAS, S.A. - INDRA SIST. DE SEGURIDAD, U.T.E.	50.00%
UTE INDRA-IECISA M-14-059	75.00%
UTE MANTENIMIENTO LEVANTE	50.00%
UTE INDRA - TELEFÓNICA SOLUCIONES II	50.00%
UTE CETRADA	33.00%
UTE AC-14 ACCESOS A CORUÑA	90.00%
UTE TUNELES ANTEQUERA	33.66%
UTE MANTENIMIENTO RENFE LOTE 1	50.00%
UTE MANTENIMIENTO RENFE LOTE 2	50.00%
UTE ITS MADRID 15	60.00%
UTE VCR 8X8	37.94%
UTE PROTEC 110	66.02%
UTE MTO. RENFE BCN	65.00%
UTE IRST F-110	50.00%
UTE INDRA-ACISA	50.00%
UTE TSOL-INDRA IV SITEL	35.00%
UTE ABI EXTREMADURA - CORREDOR OESTE	15.00%
UTE TUNELES DE GUADARRAMA	33.66%
UTE ZONA NORTE GC	20.00%
UTE tdE-INDRA	50.00%
UTE INDRA-LKS KZ-gunea 019/2016	1.00%
UTE INDRA-DEITEL	55.00%
UTE GESTIO DE TRANSIT RONDES	80.00%
UTE ETRA-INDRA MANTENIMIENTO SAE, EBUS Y VEA	33.00%
UTE GESTIO VIARIA GVA SICE-INDRA	50.00%

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Company name	Direct Ownership interest
UTE DGT ITS NORTE 2017	40.00%
UTE INDRA - ITP	50.00%
UTE DGT ITS SURESTE 2017	60.00%
UTE SOCIEDAD IBERICA DE CONST EL E INDRA SISTEMAS	88.00%
UTE DGT ITS NOROESTE 2017	60.00%
UTE RENFE Y TU	38.00%
UTE INDRA-THALES BMS	50.00%
MANTENIMIENTO DE EQUIPOS DE VENTA Y CONTROL DE ACCESOS RENFE MADRID	75.00%
UTE INTERCOPTERS-INDRA	50.00%
UTE MANTENIMIENTO TELEBILLETICA PAIS VASCO	50.00%
UTE SOCIEDAD IBERICA DE CONSTRUCCUIONES ELECTRICAS, S.A. E INDRA SISTEMAS, S.A.	88.00%
UTE MANTENIMIENTO SISTEMAS METRO MALAGA	30,00%
UTE SISCAP	66.00%
20175305 UTE INDRA - ITP	50.00%
UTE MTTO. TELEBILLETICA RODALIES BCN 2	60.00%
UTE MTTO. TELEBILLETICA RODALIES BCN 3	60.00%
UTE INDRA-LKS-KZ2018	1.00%
UTE SOCIEDAD IBERICA DE CONSTRUCCUIONES ELECTRICAS, S.A. E INDRA SISTEMAS, S.A.	88.00%
UTE INDRA-AERUM 2018	50.00%
UTE MANTENIMIENTO TELEBILLETICA PAIS VASCO 2	50.00%
UTE LINEA 9 REPOSICION EQUIPAMIENTO	64.00%
UTE SITRAPLUS	50.00%
UTE MTTO.TELEBILLETICA BCN IV	60.00%
UTE SOCIEDAD IBERICA DE CONSTRUCCUIONES ELECTRICAS, S.A. E INDRA SISTEMAS, S.A.	88.00%
UTE CGT LEVANTE	50.00%
UTE MTTO.TELEBILLETICA BCN V	60.00%
UTE MTTO.TELEBILLETICA PAIS VASCO 3	50.00%
UTE MTTO.TELEBILLETICA PAIS VASCO 4	50.00%
UTE MAR-2 x	50.00%
UTE INDRA - ITP 201862A4	50.00%
UTE INDRA - ITP 2018/1612	50.00%
UTE PIV2011 (PROINTEC-GMV SISTEMAS-EORIAN SYSTEMS-ETRALUX)	50.58%
UTE INDRA EWS/ STN ATLAS	60.00%
UTE INDRA - ALVENTO	50.00%

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Company name	Direct Ownership interest
UTE INDRA - AGFA	61.00%
UTE AEAT 03/07	26.54%
UTE INDRA-BMB	51.00%
UTE BILBOMATICA, S.A. - INDRA SISTEMAS, S.A.	45.00%
UTE INDRA-COMPAÑÍA VASCA DE INGENIERIA	60.00%
UTE INDRA - NETINEX	50.00%
UTE GISS 7201/10 LOTE 8	35.50%
UTE AEAT 42/10	35.18%
UTE CGSI ASTURIAS LOTE 3	70.00%
UTE CGSI ASTURIAS LOTE 4	60.00%
UTE GISS 7201/10 LOTE 6	34.00%
UTE INDRA AM 26/2011	50.00%
UTE INDRA AM 26/2011	50,00%
UTE ACCENTURE - INDRA	35.00%
UTE INDRA-MNEMO	35.00%
UTE INDRA SISTEMAS, S.A. - SIA, S.p.A.	50.00%
UTE AEAT 10/2011	26.54%
UTE IECISA-INDRA-ZENSANIA-EMTE	37.50%
UTE INDRA-ALTIA (XUNTA DE GALICIA)	50.00%
UTE ACCENTURE, SL-CORITEL-ACCENTURE O.S., SAU-INDRA	25.00%
UTE INDRA-TELEFONICA S.I.C.(SLAE)	50.00%
UTE INDRA - ALTIA (IMSERSO)	59.00%
UTE INDRA-ALTIA (AMTEGA)	50.00%
UTE INDRA-ARANZADI	50.00%
UTE TGSS 7201/13G	49.00%
UTE INDRA SISTEMAS, SA-AVANTIC ESTUDIO DE INGENIEROS, SL, UTE	89.50%
UTE INDRA-OESIA	87.00%
UTE INDRA -TELEFÓNICA HDA	78.38%
UTE INDRA - LKS	65.00%
UTE INDRA - ALFATEC	70.00%
UTE TECNOBIT, S.L.U. - INDRA SISTEMAS, S.A.	41.67%
INDRA SISTEMAS, SA-AYESA ADVANCED TECHNOLOGIES, SA, U.T.E	65.00%
UTE INDRA - TECNOCOM	50.00%
UTE INDRA - TECNOCOM	50.00%
UTE IMD INDRA.TELEF	69.76%
UTE GISS 7201/14G LOTE 1	57.00%

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Company name	Direct Ownership interest
UTE GISS 7201/14G L.2	39.00%
UTE AV 20/2014	35.18%
UTE INDRA-ALTIA-R. CABLE	33.34%
UTE IBERMATICA-INDRA-BILBOMATICA	21.83%
UTE INDRA-MNEMO-SOPRA	66.05%
UTE INDRA-CONNECTIS	73.90%
UTE INDRA-XERIDIA	76.30%
UTE AMTEGA 110/2015 L1	70.92%
UTE SALMANTINA	50.00%
UTE INDRA-COINTEC OSAKIDETZA	83.67%
UTE INDRA SISTEM	64.26%
UTE INDRA-AYESA CIS2	65.00%
UTE INDRA-BABEL Me y SS lote 3	90.00%
UTE INSS 7201/16G LOTE 1	22.00%
UTE INDRA-UNISYS x	22,00%
UTE INDRA-TELEFONICA	50,00%
UTE INDRA-ALTIA	48.67%
UTE MNEMO-INDRA	48.19%
UTE INDRA-SUMAINFO	71.00%
UTE INDRA BPO-INDRA-TELEFONICA	8.49%
UTE AMTEGA 2017/PA/0027	38.12%
UTE AMTEGA 2017/PA/0039	41.50%
UTE TTE COREMAIN	50.00%
UTE AYESA TECNOCOM	50.00%
UTE SOLTEL GETRONICS	50.00%
UTE AYESA TES	50.00%
UTE TECNOCOM SOPRA	50.00%
UTE GLOBAL ROSETTA T	50.00%
UTE SOPRA TES ADDING	40.00%
UTE GESEIN ALTRAN	34.00%
UTE GISS 7201/17G LOTE 2	43.00%
UTE INDRA - AYESA 17-00234	65.00%
UTE INDRA-SOLTEL	80.00%
UTE IB AV 22/2017 LOTE 4	95.00%
UTE IC AV 22/2017 LOTE 2	52.00%
UTE SCI AV 22/2017 LOTE 3	32.00%

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Company name	Direct Ownership interest
UTE INDRA-ALTIA 362/2017	55.00%
UTE INDRA-PLEXUS 362/2017	40.00%
UTE INDRA - GETRONICS	73.90%
UTE INDRA-COINTEC LABSES	86.00%
UTE CIS AV 22/2017 LOTE 1	32.00%
UTE ALFATEC-INDRA	46.00%
UTE INDRA-SATOCAN	70.00%
UTE TECNOCOM -SOPRA	53.00%
UTE E1L4 INDRA - ALFATEC	70.00%
UTE E4L4 INDRA - ALFATEC	50.00%
UTE COREMAIN-INDRA	45.57%
UTE INDRA-LANIT	93.00%
UTE SOPRA - TECNOCOM	40.00%
UTE IBERMATICA-TECNOCOM	45,00%
UTE E1L1 ALFATEC-INDRA	50.00%
UTE LUGO SMART	52.27%
UTE INDRA - XERIDIA	60.10%
UTE MINSAIT-IECISA MINECO	52.61%
TRIBUGEST-PROINTEC III	50.00%
UTE PROINTEC-TYPSA-CEMOSA ALICANTE	34.00%
UTE PROINTEC-MEDIO AMBIENTE Y PATRIMONIO SL (MAP)	50.00%
UTE PROINTEC-PRORAIL	50.00%
PROINTEC-CIVILPORT-ENRIQUE AMIGO (UTE TRAMO 2 TREN DEL SUR)	80.00%
MECSA-ESTUDIO TORRE ELORDUY	70,00%
PROINTEC-ALAUDA	70.00%
UTE PROINTEC-UG 21 (COIN-ALHAURIN)	60.00%
UTE PROINTEC-BLOM	50.00%
PROINTEC - AIRTHINK, S.L. (UTE PLANES DIRECTORES)	80.00%
MECSA-OVE ARUP	50.00%
GEOPRIN-EUROCONSULT ANDALUCIA-EUROCONSULT SA x	50.00%
PROINTEC-AUDITORIAS E INGENIERIAS.A. (MONTAJE VIA)	50.00%
UTE PROINTEC-TALHER-GEOCISA-DRAGADOS	10.00%
UTE PROINTEC-EUSKONTROL	50.00%
UTE CEMOSA-TYPSA-PROINTEC	34.00%
UTE INOCSA-PROSER-PROINTEC	33.34%
UTE EIPSA-PROINTEC-EUSKONTROL (UTE VIADUCTO)	50.00%

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Company name	Direct Ownership interest
UTE PAYMA COTAS S.A.U-PRO	50.00%
UTE CEMOSA-TYPSA-PROINTEC	33.00%
PROINTEC-ESTUDIO 7 VARIANTE BAÑADEROS	50.00%
UTE PROINTEC-ESTUDIO 7 CALDERETA	50.00%
PROINTEC-UG 21 (TOCON-ILLORA)	60.00%
PyG ESTRUCTURAS AMBIENTALES, S.L. – PROINTEC, S.A. (U.T.E. LODOS)	50.00%
PROINTEC, S.A.-INTEMAC, S.A.-PAYMA COTAS, S.A.U., UTE (UTE AEROPUERTO VALENCIA)	33.30%
AGUA Y ESTRUCTURAS, S.A. - PROINTEC (UTE AYEPRO)	50.00%
UTE CEMOSA-TYPSA-PROINTEC	33.00%
UTE PROINTEC-GIUR LP-2	50.00%
PROINTEC - INGENIA SERVICIOS GLOBALES DE INGENIERIA, S.L. (UTE TRAMO 7 PLAYA DEL INGLES)	70.00%
CONSORCIO P & B COLOMBIA	85.00%
UTE INOCSA-PROINTEC (TUNEL O CAÑIZO)	50.00%
UTE PROINTEC-ACCIONA-ASMATU	50.00%
UTE PROINTEC-BPG UTE PTL2016	50.00%
CONSORCIO SANAG	50.00%
UTE PROINTEC-AIRIA AEROPUERTO DE BARCELONA 2012	50.00%
UTE AUDING-CENSA-INTECSA INARSA-PROINTEC (UTE PORT BARCELONA)	33.00%
UTE PROINTEC-VIGUECONS ESTEVEZ	50.00%
CONSORCIO GMQ	40.00%
AMOREBIETA UTE	23.00%
UTE COLECTOR MURCIA	40.00%
UTE CIESA-PROINTEC	50.00%
UTES REDES VIARIAS	51.00%
UTE PROINTEC SAU E2F SL	70.00%
UTE AT METRO	60.00%
UTE ESTACION SANTIAGO	29.00%
APV UTE	50.00%
UTE PROINTEC ATECSUR	60.00%
UTE INCOSA-PROINTEC LOTE 2	50.00%
UTE SANEAMIENTO ALBACETE	50.00%
UTE PM CANARIAS	50.00%

Company name	Direct Ownership interest
UTE PROINTEC-AR2V	50.00%
UTE ALG - CINESI (Plans Mobilitat)	50.00%
UTE ALG - M & A	70.00%
CONSORCIO ALG ANDINA	90.00%
UTE IBC-ROCA	80.00%
UTE INDRA BPO - INDRA BPO SERVICIOS	98.00%
UTE INDRA-LKS KZ-gunea 019/2016	64.00%
UTE INDRA BPO-INDRA-TELEFONICA	78.04%
UTE INDRA-LKS-KZ2018	64.00%
UTE CAYMASA-MAILING	50.00%
UTE AYESA-CAYMASA II	50.00%
UTE INDRA-BPO SERVICIOS	49.00%
UTE INDRA BMB - T.SOLUCIONES	69.42%
UTE INDRA BPO - INDRA BPO SERVICIOS	2.00%
AIE CRISTAL HIPOTECARIO 2009	20.00%
AIE FORMALIZACIÓN ALCALA 265	20.00%
UTE INDRA-INDRA SIST.SEGURIDAD AM 08/2011	50.00%
UTE SEGURIDAD PEAJES	50.00%
INDRA SISTEMAS, SA-INDRA SISTEMAS DE SEGURIDAD, SA, U.T.E.	50.00%
UTE DI CUENCA	50.00%
UTE TUNELES DE PAJARES	17.10%
INDRA SISTEMAS, S.A. - INDRA SIST. DE SEGURIDAD, U.T.E.	50.00%
UTE TUNELES ANTEQUERA	16.34%
UTE INDRA SISTEMAS DE SEGURIDAD - MONTAJES ELÉCTRICOS ELECTRISUR	80.00%
UTE TUNELES DE GUADARRAMA	16.34%

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Data of the joint activities operated jointly with third parties as of December 31, 2018

Company name	Direct Ownership interest
From 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%
From Indra Peru	
CONSORCIO PROCOM	49.00%
CONSORCIO INGORMATICA EL CORTE INGLES	50.00%
CONSORCIO GMD	50.00%
CONSORCIO NSC	90.00%
CONSORCIO MINCETUR	98.00%
CONSORCIO FABRICA DE SOFTWARE	50.00%
CONSORCIO REAPRO	85.00%
CONSORCIO SOLUCIONES DIGITALES	25.00%
CONSORCIOO INDRA PETROLEO	95.00%
CONSORCIO PROCOM AGUA	49.00%
CONSORCIO MINEDU	95.00%
CONSORCIO GESTION INFORMACION	44.00%
From Spanish Group companies	
UTE INDRA-ETRA	55.00%
UTE INDRA - SAINCO	64.00%
ETRALUX SA SICE INDRA (UTE PUCELA)	20.00%
UTE SAIH SUR	35.00%
UTE 2 INDRA - UNITRONICS	50.00%
UTE 3 INDRA - UNITRONICS	85.00%
UTE JOCS DEL MEDITERRANI	49.00%
UTE INDRA - ALVENTO	50.00%
UTE INDRA - ETRA	51.00%

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Company name	Direct Ownership interest
UTE INDRA - AGFA	61.00%
UTE INDRA SISTEMAS, S.A. - EUROCOPTER ESPAÑA, SA	62.50%
UTE INDRA SISTEMAS, S.A. - TELVENT TRAF.Y TRANS.	50.00%
UTE GISS 11	35.00%
UTE INDRA - NOVASOFT - SADIEL	33.33%
UTE AEAT 03/07	26.54%
UTE PEREZ MORENO SAU - COMSA SA - INDRA SISTEMAS	10.00%
UTE EBB-PUBLICACIONES TECNICAS-GEL	50.00%
UTE INDRA - EVERIS - ISOFT - TELVENT INTERACT.	34.00%
PEREZ MORENO S.AU. COMSA S.A. INDRA SISTEMAS S.A.	20.00%
UTE CIC-TF	50.00%
UTE EBB-PUBLICACIONES TECNICAS 086300	20.00%
UTE AVIONICA	50.00%
UTE CEIDECOM	60.00%
UTE ZONA NORTE	10.00%
UTE ALTA CAPACIDAD	20.00%
UTE INDRA - HP	65.00%
UTE INDRA - AVANZIT	50.00%
UTE BILBOMATICA, S.A. - INDRA SISTEMAS, S.A.	45.00%
UTE INDRA-COMPAÑÍA VASCA DE INGENIERIA	60.00%
UTE INDRA - CESSER	80.00%
UTE INDRA - NETINEX	50.00%
UTE TRANSITIA - PABISA - INDRA	22.50%
UTE INDRA - ARTE	80.00%
UTE LINEA 9 TRAMO I Y II	64.00%
UTE LINEA 9 MANTENIMIENTO TRAMO IV	64.00%
UTE AIMEN	40.00%
UTE GISS 7201/10 LOTE 8	35.50%
UTE GISS 7201/10 LOTE 9	49.00%
UTE AEAT 42/10	35.18%
UTE CGSI ASTURIAS LOTE 3	70.00%
UTE CGSI ASTURIAS LOTE 4	60.00%
UTE INDRA - ITP (1)	50.00%
UTE INDRA - ITP (2)	50.00%
UTE GISS 7201/10 LOTE 6	34.00%
UTE ACCESOS CGT MADRID	50.00%

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Company name	Direct Ownership interest
UTE MANTENIMIENTO SEMAFORICO TORREJON DE ARDOZ	50.00%
UTE CONTROL ACCESOS DONOSTIA	50.00%
UTE INDRA - SALLEN	70.00%
UTE INDRA SISTEMAS - ALSTOM - INDRA SISTEMAS DE SEGURIDAD	55.00%
UTE TELVENT - INDRA - ATOS	33.00%
UTE ACCENTURE - INDRA	35.00%
UTE SISTEMAS METRO MALAGA	50.00%
UTE INDRA-MNEMO	35.00%
UTE INDRA-INICIATIVAS AMBIENTALES	50.00%
UTE ACCESOS NOROESTE	30.00%
UTE AVIONICA DE HELICOPTEROS	50.00%
UTE MANTENIMIENTO RONDES 2012	30.00%
UTE INDRA SISTEMAS, S.A. - SIA, S.p.A.	50.00%
UTE AEAT 10/2011	26.54%
UTE INDRA - ALBATROS	60.00%
UTE IECISA - INDRA (ALFIL III)	42.00%
UTE CONTROL MOGAN	33.34%
UTE IECISA-INDRA-ZENSANIA-EMTE	37.50%
UTE IECISA - INDRA (COMUNYCATE)	45.01%
UTE INDRA-TELEFONICA	50.00%
UTE ACCESOS CGT MADRID II	50.00%
UTE INDRA-ALTIA (XUNTA DE GALICIA)	50.00%
UTE INDRA-TECDOA	50.00%
UTE SIVE INDRA - AMPER	50.00%
UTE ACCENTURE, SL-CORITEL-ACCENTURE O.S., SAU-INDRA	25.00%
UTE ETRALUX - INDRA	40.00%
UTE INDRA-TELEFONICA S.I.C.(SLAE)	50.00%
UTE INDRA-EADS CASA	50.00%
UTE INDRA-TELVENT	60.00%
UTE ALTIA - ILUS-INDRA-R. CABLE	25.00%
UTE INDRA-PWC (ADIF)	60.00%
UTE INDRA - ALTIA (IMSERSO)	59.00%
UTE JAÉN	52.12%
UTE INDRA-ALTIA (AMTEGA)	50.00%
UTE INDRA-ARANZADI	50.00%
UTE SIVE II INDRA-AMPER	50.00%

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Company name	Direct Ownership interest
UTE INDRA - ALSTOM	55.00%
UTE TGSS 7201/13G	49.00%
UTE INDRA-PUENTES Y CALZADAS INFRAESTRUCTURAS	80.00%
UTE INDRA SISTEMAS, SA-AVANTIC ESTUDIO DE INGENIEROS, SL, UTE	89.50%
UTE INDRA-OESIA	87.00%
UTE DGT NOROESTE 2014	65.00%
UTE INSTALACIONES MADRID ESTE	7.50%
UTE INDRA -TELEFÓNICA HDA	78.38%
UTE TELEBILLETICA	50.00%
UTE ABI CORREDOR NORTE	10.42%
SISTEMAS Y MONTAJES INDUSTRIALES, S.A.-INDRA SISTEMAS, S.A., U.T.E.	40.00%
UTE INDRA - LKS	65.00%
UTE INDRA - ALFATEC	70.00%
PRICEWATERHOUSECOOPERS ASESORES DE NEGOCIOS, S.L. - INDRA	39.00%
INDRA SISTEMAS, S.A. - ELEKTRA, S.A., U.T.E.	51.00%
FCC INDUSTRIAL E INFRAESTRUCTURAS ENERGÉTICAS, SAU-	30.00%
UTE INDRA SISTEMAS, S.A. - UNISYS, S.L.U.	70.00%
UTE TECNOBIT, S.L.U. - INDRA SISTEMAS, S.A.	41.67%
UTE CONTROL POLOPOS	50.00%
UTE PWC - INDRA (EOI)	70.00%
INDRA SISTEMAS, SA-AYESA ADVANCED TECHNOLOGIES, SA, U.T.E	65.00%
UTE INDRA - TECNOCOM	50.00%
UTE IMD INDRA.TELEF	69.76%
UTE GISS 7201/14G LOTE 1	57.00%
UTE TUNELES DE PAJARES	52.25%
UTE INDRA-IECISA M-14-059	75.00%
UTE INDRA - TES	50.00%
UTE GISS 7201/14G L.2	39.00%
UTE AV 20/2014	35.18%
UTE TES - INDRA	50.00%
UTE MANTENIMIENTO LEVANTE	50.00%
UTE INDRA - TELEFÓNICA SOLUCIONES II	50.00%
UTE INDRA-ALTIA-R. CABLE	33.34%
UTE IBERMATICA-INDRA-BILBOMATICA	21.83%
UTE CETRADA	33.00%
UTE AC-14 ACCESOS A CORUÑA	90.00%

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Company name	Direct Ownership interest
UTE INDRA-FIBRAL	70.00%
UTE TUNELES ANTEQUERA	50.00%
UTE MANTENIMIENTO RENFE LOTE 1	50.00%
UTE MANTENIMIENTO RENFE LOTE 2	50.00%
UTE ITS MADRID 15	60.00%
UTE INDRA-MNEMO-SOPRA	66.05%
UTE INDRA-CONNECTIS	73.90%
UTE VCR 8X8	37.94%
UTE PROTEC 110	66.02%
UTE MTO. RENFE BCN	65.00%
UTE IRST F-110	50.00%
UTE INDRA-ACISA	50.00%
UTE INDRA-XERIDIA	76.30%
UTE AMTEGA 110/2015 L1	70.92%
UTE TSOL-INDRA IV SITEL	35.00%
UTE SALMANTINA	50,00%
UTE ABI EXTREMADURA - CORREDOR OESTE	15,00%
UTE TUNELES DE GUADARRAMA	50.00%
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-DEITEL	55.00%
UTE GESTIO DE TRANSIT RONDES	80.00%
UTE INSS 7201/16G LOTE 1	22.00%
UTE INDRA-UNISYS	70.00%
UTE ETRA-INDRA MANTENIMIENTO SAE, EBUS Y VEA	33.00%
UTE INDRA-TELEFONICA	50.00%
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%

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UTE SOCIEDAD IBERICA DE CONST EL E INDRA SISTEMAS	88.00%
UTE INDRA-SUMAINFO	71.00%
UTE DGT ITS NOROESTE 2017	60.00%
UTE RENFE Y TU	38.00%
UTE INDRA-THALES BMS	50.00%
MANTENIMIENTO DE EQUIPOS DE VENTA Y CONTROL DE ACCESOS RENFE MADRID	75.00%
UTE INTERCOPTERS-INDRA	50.00%
UTE INDRA BPO-INDRA-TELEFONICA	86.53%
UTE MANTENIMIENTO TELEBILLETICA PAIS VASCO	50.00%
UTE SOCIEDAD IBERICA DE CONSTRUCCUIONES ELECTRICAS, S.A. E INDRA SISTEMAS, S.A.	88.00%
UTE MANTENIMIENTO SISTEMAS METRO MALAGA	30.00%
UTE AMTEGA 2017/PA/0027	38.12%
UTE AMTEGA 2017/PA/0039	41.50%
UTE SISCAP	66.00%
20175305 UTE INDRA - ITP	50.00%
UTE GISS 7201/17G LOTE 2	43.00%
UTE INDRA - AYESA 17-00234	65.00%
UTE MTTO. TELEBILLETICA RODALIES BCN 2	60.00%
UTE MTTO. TELEBILLETICA RODALIES BCN 3	60.00%
UTE PIV2011 (PROINTEC-GMV SISTEMAS-EORIAN SYSTEMS-ETRALUX)	50.58%
UTE INDRA EWS/ STN ATLAS	60.00%
TRIBUGEST-PROINTEC III	50.00%
UTE PROINTEC-TYPSA-CEMOSA ALICANTE	34.00%
UTE PROINTEC-MEDIO AMBIENTE Y PATRIMONIO SL (MAP)	50.00%
UTE PROINTEC-EYSER	50.00%
UTE PROINTEC-PYG MARJAL SUR	60.00%
UTE PROINTEC-PRORAIL	50.00%
PROINTEC-CIVILPORT-ENRIQUE AMIGO (UTE TRAMO 2 TREN DEL SUR)	80.00%
MECSA-ESTUDIO TORRE ELORDUY	70.00%
PROINTEC-ALAUDA	70.00%
PROINTEC-INGEPLAN (LINEA 3)	72.50%
UTE PROINTEC-UG 21 (COIN-ALHAURIN)	60.00%
UTE PROINTEC-BLOM	50.00%
PROINTEC - AIRTHINK, S.L. (UTE PLANES DIRECTORES)	80.00%
MECSA-OVE ARUP	50.00%

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Company name	Direct Ownership interest
MECSA-SAN ANDRES	50.00%
GEOPRIN-EUROCONSULT ANDALUCIA-EUROCONSULT SA	50.00%
GEOPRIN-ICYF, S.A.	50.00%
PROINTEC-AUDITORIAS E INGENIERIAS.A. (MONTAJE VIA)	50.00%
PROINTEC-GPY ARQUITECTOS, S.L.U.-CIVILPORT INGENIEROS, S.L.P.-ENRIQUE AMIGÓ, S.L.	15.00%
PROINTEC-T.T.U.	50.00%
PROINTEC-T.T.U. II	50.00%
UTE PROINTEC-TALHER-GEOCISA-DRAGADOS	10.00%
UTE PROINTEC-EUSKONTROL	50.00%
UTE CEMOSA-TYPSA-PROINTEC	34.00%
UTE INOCSA-PROSER-PROINTEC	33.34%
UTE EIPSA-PROINTEC-EUSKONTROL (UTE VIADUCTO)	50.00%
UTE PROINTEC-ESTUDIO 7 GUIADOR	40.00%
UTE PROINTEC-GROMA INGENIERIA	50.00%
UTE PAYMA COTAS S.A.U-PRO	50.00%
UTE CEMOSA-TYPSA-PROINTEC	33.00%
PROINTEC-ESTUDIO 7 VARIANTE BAÑADEROS	50.00%
UTE PROINTEC-ESTUDIO 7 CALDERETA	50.00%
PROINTEC-UG 21 (TOCON-ILLORA)	60.00%
PyG ESTRUCTURAS AMBIENTALES, S.L. – PROINTEC, S.A. (U.T.E. LODOS)	50.00%
PROINTEC, S.A.-INTEMAC, S.A.-PAYMA COTAS, S.A.U., UTE (UTE AEROPUERTO VALENCIA)	33.30%
AGUA Y ESTRUCTURAS, S.A. - PROINTEC (UTE AYEPRO)	50.00%
UTE CEMOSA-TYPSA-PROINTEC	33.00%
UTE PROINTEC-GIUR LP-2	50.00%
UTE AGENCIA EFE (INCOSA-PROINTEC)	50.00%
PROINTEC - INGENIA SERVICIOS GLOBALES DE INGENIERIA, S.L. (UTE TRAMO 7 PLAYA DEL INGLES)	70.00%
CONSORCIO P & B COLOMBIA	85.00%
UTE INOCSA-PROINTEC (TUNEL O CAÑIZO)	50.00%
UTE PROINTEC-ACCIONA-ASMATU	50.00%
UTE PROINTEC-BPG UTE PTL2016	50.00%
CONSORCIO SANAG	50.00%
UTE PROINTEC-AQUAGEST-GRS (CENSO TRIBUTARIO BURGOS)	40.00%
UTE PROINTEC-AIRIA AEROPUERTO DE BARCELONA 2012	50.00%

This appendix must be read together with notes 1, 5 and 45 of the Consolidated Financial Statements of which it is an integral part

Company name	Direct Ownership interest
UTE AUDING-CENSA-INTECSA INARSA-PROINTEC (UTE PORT BARCELONA)	33.00%
UTE PROINTEC-NOLTER INGENIERIA (ABASTECIMIENTO LA RIOJA)	50.00%
UTE PROINTEC-VIGUECONS ESTEVEZ	50.00%
UTE PROINTEC-E3 SOLINTEG (UTE COMITÉ D'OBRES)	60.00%
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%
CONSORCIO GMQ	40.00%
UTE PROINTEC-HIDROVIAL INGENIEROS	50.00%
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%
UTES REDES VIARIAS	51.00%
UTE PROINTEC SAU E2F SL	70.00%
UTE AT METRO	60.00%
UTE ESTACION SANTIAGO	29.00%
APV UTE	50.00%
UTE ALG - CINESI (Plans Mobilitat)	50.00%
UTE ALG - FULCRUM	50.00%
UTE ALG - M & A	70.00%
CONSORCIO ALG ANDINA	90.00%
UTE INDRA-LKS KZ-gunea 019/2016	64.00%
UTE CAYMASA-MAILING	50.00%
UTE SADIEL-CAYMASA	50.00%
UTE AYESA-CAYMASA II	50.00%
UTE INDRA BMB - T.SOLUCIONES	69.42%
AIE CRISTAL HIPOTECARIO 2009	20.00%
AIE FORMALIZACIÓN ALCALA 265	20.00%
UTE INDRA SISTEMAS DE SEGURIDAD - MONTAJES ELÉCTRICOS ELECTRISUR	80.00%

Appendix III

Group's exposure to foreign exchange risk

2018	US Dollar	Pound Sterling	Mexican Peso	Argentine Peso	Chilean Peso	Brazilian Real	Peruvian Sol	Swiss Franc	Canadian Dollar
Other financial assets	229	-	431	434	141	14,505	27	-	-
Total non-current assets	229	-	431	434	141	14,505	27	-	-
Trade receivables and other accounts receivable, NON- GROUP	66,085	947	41,743	7,422	26,556	69,931	20,902	-	463
Other financial assets, NON-GROUP	-	-	54	(46)	467	-	197	-	-
Total current assets	66,085	947	41,797	7,376	27,023	69,931	21,099	-	463
Total assets	66,314	947	42,228	7,810	27,164	84,436	21,126	-	463
Other financial liabilities	-	-	-	-	-	2,501	-	-	-
Trade payables and other accounts payable, NON-GROUP	39,688	33,392	24,533	5,167	6,732	34,531	8,145	211	-
Total current liabilities	39,688	33,392	24,533	5,167	6,732	37,032	8,145	211	-
Total liabilities	39,688	33,392	24,533	5,167	6,732	37,032	8,145	211	-
Gross risk exposure according to balance sheet	**26,626**	**(32,445)**	**17,695**	**2,643**	**20,432**	**47,404**	**12,981**	**(211)**	**463**
Sale hedging	178,722	12,601	6,755	-	3,349	65	1,717	0	468
Purchase hedging	22,028	28,706	260	-	859	648	51	51	1,044
Derivative financial instruments - net hedging	156,693	(16,106)	6,495	-	2,490	(583)	1,666	(51)	(577)

This appendix must be read together with note 37) a) (l) of the Consolidated Financial Statements of which it is an integral part. of the Consolidated Annual Accounts of which it is an integral part

2018	Norwegian Krone	Colombian Peso	Moroccan Dirham	Polish Zloty	Bahraini Dinar	Malaysian Ringgit	Australian Dollar	Other currencies	TOTAL
Other financial assets	12	9	1	-	-	-	-	194	15,983
Total non-current assets	12	9	1	-	-	-	-	194	15,983
Trade receivables and other accounts receivable, NON- GROUP	13,327	26,609	1,078	1,808	29,531	12,364	17,709	43,367	379,842
Other financial assets, NON-GROUP	-	5	-	-	-	41	-	575	1,293
Total current assets	13,327	26,614	1,078	1,808	29,531	12,405	17,709	43,942	381,135
Total assets	13,339	26,623	1,079	1,808	29,531	12,405	17,709	44,136	397,118
Other financial liabilities	-	-	-	-	-	-	-	5	2,506
Trade payables and other accounts payable, NON-GROUP	11,199	13,110	79	30	707	1,438	10,869	35,578	225,409
Total current liabilities	11,199	13,110	79	30	707	1,438	10,869	35,583	227,915
Total liabilities	11,199	13,110	79	30	707	1,438	10,869	35,583	227,915
Gross risk exposure according to balance sheet	**2,140**	**13,513**	**1,000**	**1,778**	**28,824**	**10,967**	**6,840**	**8,553**	**169,203**
Sale hedging	0	6,344	-	311	-	-	9,662	100,803	-
Purchase hedging	7,754	99	-	0	-	-	1,861	87,708	-
Derivative financial instruments - net hedging	(7,754)	6,245	-	311	-	-	7,801	13,095	-

This appendix must be read together with note 37) a) (I) of the Consolidated Financial Statements of which it is an integral part. of the Consolidated Annual Accounts of which it is an integral part

Group’s exposure to foreign exchange risk

2017	US Dollar	Pound Sterling	Mexican Peso	Argentine Peso	Chilean Peso	Brazilian Real	Peruvian Sol	Swiss Franc	Canadian Dollar
Other financial assets	350	-	289	703	218	29,197	31	-	-
Total non-current assets	350	-	289	703	218	29,197	31	-	-
Trade receivables and other accounts receivable, NON- GROUP	32,692	-	12,426	15,382	47,459	67,822	13,833	-	82
Other financial assets, NON-GROUP	405	-	63	(267)	936	0	184	-	-
Total current assets	33,097	-	12,489	15,115	48,395	67,822	14,017		82
Total assets	33,447	-	12,778	15,818	48,613	97,019	14,048	-	82
Other financial liabilities	545	-	112	36	(220)	15	2,108	-	-
Trade payables and other accounts payable, NON-GROUP	18,947	-	26,381	10,104	19,724	38,730	6,662	-	493
Total current liabilities	19,492	-	26,493	10,140	19,504	38,745	8,770	-	493
Total liabilities	19,492	-	26,493	10,140	19,504	38,745	8,770		493
Gross risk exposure according to balance sheet	**13,955**	**-**	**(13,715)**	**(10,140)**	**-**	**58,724**	**14,048**	**-**	**(411)**
Sale hedging	220,343	15,242	3,768	-	3,148	167	1,104	0	691
Purchase hedging	25,413	22,118	2,804	-	660	855	55	387	1,135
Derivative financial instruments - net hedging	194,930	(6,876)	964	-	2,488	(688)	1,049	(387)	(444)

This appendix must be read together with note 37) a) (I) of the Consolidated Financial Statements of which it is an integral part. of the Consolidated Annual Accounts of which it is an integral part

2017	Norwegian Krone	Colombian Peso	Moroccan Dirham	Polish Zloty	Bahraini Dinar	Malaysian Ringgit	Australian Dollar	Other currencies	TOTAL
Other financial assets	-	9	1	-	-	-	-	201	30,999
Total non-current assets	-	9	1	-			-	201	30,999
Trade receivables and other accounts receivable, NON- GROUP	-	19,461	564	1,332	34,953	13,103	12,622	22,393	294,124
Other financial assets, NON-GROUP	-	(1,058)	-	12	0	26	0	1,165	1,466
Total current assets	-	18,403	564	1,344	34,953	13,129	12,622	23,558	295,590
Total assets	-	18,412	565	1,344	34,953	13,129	12,622	23,759	326,589
Other financial liabilities	-	49	-	-	-	-	-	49	2,694
Trade payables and other accounts payable, NON-GROUP	-	10,132	27	1,275	690	2,961	10,646	7,758	154,530
Total current liabilities	-	10,181	27	1,275	690	2,961	10,646	7,807	157,224
Total liabilities	-	10,181	27	1,275	690	2,961	10,646	7,807	157,224
Gross risk exposure according to balance sheet	**-**	**8,231**	**538**	**69**	**34,263**	**10,168**	**1,976**	**15,952**	**169,365**
Sale hedging	0	810	-	206	-	-	1,336	121,498	-
Purchase hedging	463	0	-	0	-	-	261	2,313	-
Derivative financial instruments - net hedging	(463)	810	-	206	-	-	1,075	119,185	-

This appendix must be read together with note 37) a) (l) of the Consolidated Financial Statements of which it is an integral part. of the Consolidated Annual Accounts of which it is an integral part

Appendix IV

Information related to significant external partners as of December 31, 2018 and 2017

2018 Thousands of EUR	Indra Filipinas	Inmize Sistemas	Electrica Soluziona	Metrocall	Indra Kazakhstan	Normeka	Processor Means of Payment	Other non-significant companies	Total
Percentage of non-controlling interest	50%	50%	49%	48%	49%	34%	20%		
Information from the Balance Sheet									
Non-current assets	1,513	-	66	2,230	694	370	2,835	-	7,708
Non-current liabilities	(780)	-	(5)	-	-	-	-	-	(785)
Total non-current net assets	733	-	61	2,230	694	370	2,835	-	6,923
Current assets	30,360	8,493	2,112	8,153	1,536	4,851	3,345	-	58,850
Current liabilities	(9,137)	(522)	(425)	(930)	(5,604)	(2,372)	(1,424)	-	(20,414)
Total current net assets	21,223	7,971	1,687	7,223	(4,068)	2,479	1,921	-	38,436
Net Assets	21,956	7,971	1,748	9,453	(3,374)	2,849	4,756	-	45,359
Book value of non-controlling participations (*)	**10,956**	**3,986**	**862**	**4,490**	**(1,653)**	**969**	**951**	**301**	**20,861**
Information on the income statement									
Total comprehensive income	3,404	153	183	1,423	(464)	341	536	-	5,576
Consolidated results allocated to non-controlling interest	**1,699**	**77**	**90**	**676**	**(227)**	**116**	**107**	**(68)**	**2,469**

(*) Conversion differences are not included
This appendix must be read together with note 18 of the Consolidated Financial Statements of which it is an integral part

2017 Thousands of EUR	Indra Filipinas	Inmize Sistemas	Electrica Soluziona	Metrocall	Indra Kazakhstan	Normeka	Other non-significant companies	Total
Percentage of non-controlling interest	50%	50%	49%	48%	49%	34%		
Information from the Balance Sheet							-	
Non-current assets	1,787	-	89	2,934	795	404	-	6010
Non-current liabilities	(975)	-	(79)	-	-	-	-	(1,054)
Total non-current net assets	812	-	10	2,934	795	404	-	4,956
Current assets	26,915	8,164	2,305	4,710	1,723	4,398	-	42,094
Current liabilities	(8,861)	(349)	(564)	(701)	(5,729)	(2,106)	-	(10,477)
Total current net assets	18,053	7,815	1,741	4,009	(4,006)	2,292	-	31,617
Net Assets	18,866	7,815	1,751	6,943	(3,211)	2,696	-	35,374
Book value of non-controlling participations (*)	**9,414**	**3,907**	**863**	**3,298**	**(1,573)**	**917**	**683**	**17,508**
Information on the income statement								
Total comprehensive income	3,737	51	221	820	(496)	297	-	4,630
Consolidated results allocated to non-controlling interest	**1,865**	**26**	**109**	**390**	**(243)**	**101**	**(78)**	**2,169**

(*) Conversion differences are not included
This appendix must be read together with note 18 of the Consolidated Financial Statements of which it is an integral part

Appendix V

Information related to associated significant participations as of December 31, 2018 and 2017

2018 Thousands of EUR	A4 Essor	Saes Capital	I-3 Televisión	IRB Riesgo Operacional	Euromids	Global Training Aviation	Eurofigter Simulation Systems	Iniciativas Bioenergéticas	Societat Catalana per la Mobilitat	Other non-significant companies	Total
Percentage of non-controlling interest	21%	49%	50%	33%	25%	35%	26%	20%	24%		
Non-current assets	-	4,020	38	632	153	23,452	336	45,535	42,798	13	116,977
Current Assets	756	569	1,130	359	33,421	4,567	27,735	14,606	17,279	7,708	108,130
Non-current liabilities	(152)	(4,052)	(310)	(1,144)	(3,130)	(25,351)	(22,574)	(34,764)	(47,661)	(8,502)	(147,640)
Current Liabilities	(604)	(2)	(2,187)	-	(30,972)	(1,466)	(3,860)	(27,545)	(12,841)	(23)	(79,500)
Net Revenue	0	(550)	(3,888)	(207)	(6,712)	(8,575)	(16,586)	(47,417)	(4,329)	-	(88,264)
Subcontracting and other expenses	0	15	5,217	360	7,240	7,373	14,949	49,585	4,754	804	90,297
Total	-	-	-	-	-		-	-	-	-	-

This appendix must be read together with note 18 of the Consolidated Financial Statements of which it is an integral part.

2017 Thousands of EUR	A4 Essor	Saes Capital	I-3 Televisión	IRB Riesgo Operacional	Euromids	Global Training Aviation	Eurofigter Simulation Systems	Iniciativas Bioenergéticas	Societat Catalana per la Mobilitat	Other non-significant companies	Total
Percentage of non-controlling interest	21%	49%	50%	33%	25%	35%	26%	20%	25%		
Non-current assets	-	4,020	67	798	153	-	336	49,766	39,417	7	94,564
Current Assets	756	247	1,486	347	33,421		27,735	15,533	5,405	9,143	94,073
Non-current liabilities	(148)	(4,052)	(310)	(1,348)	(2,395)		(24,004)	(38,444)	(37,632)	(1,131)	(109,464)
Current Liabilities	(604)	(2)	(1,102) -		(30,972)	-	(3,860)	(28,339)	(6,849)	(8,088)	(79,816)
Net Revenue	(160)	(227)	(5,962)	(207)	(38,761)	-	(15,897)	(75,238)	(3,644) -		(140,096)
Subcontracting and other expenses	156	14	5,821	410	38,554)	-	15,690	76,722	3,303	69	140,739
Total	-	-	-	-	-	-	-	-	-	-	

This appendix must be read together with note 18 of the Consolidated Financial Statements of which it is an integral part.