TÉCNICAS REUNIDAS, S.A.

Audit Report, Annual Accounts and Directors' Report at 31 December 2013 pwc

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

AUDIT REPORT ON THE ANNUAL ACCOUNTS

To the Shareholders of Técnicas Reunidas, S.A. :

We have audited the annual accounts of Técnicas Reunidas, S.A., consisting of the balance sheet at 31 December 2013, the income statement, the statement of changes in equity, the cash flow statement and related notes for the year then ended. The company's directors are responsible for the preparation of these annual accounts in accordance with the financial reporting framework applicable to the entity (as identified in Note 2 to the accompanying annual accounts), and in particular, with the accounting principles and criteria included therein. Our responsibility is to express an opinion on the annual accounts taken as a whole, based on the work performed in accordance with legislation governing the audit practice in Spain, which requires the examination, on a test basis, of evidence supporting the annual accounts and an evaluation of whether their overall presentation, the accounting principles and criteria applied and the estimates made are in accordance with the applicable financial reporting framework.

In our opinion, the accompanying annual accounts for 2013 present fairly, in all material respects, the equity and financial position of Técnicas Reunidas, S.A. at 31 December 2013 and the results of its operations and cash flows for the year then ended in accordance with the applicable financial reporting framework, and in particular, with the accounting principles and criteria included therein.

The accompanying directors' Report for 2013 contains the explanations which the directors consider appropriate regarding the company's situation, the development of its business and other matters and does not form an integral part of the annual accounts. We have verified that the accounting information contained in the directors' Report is in agreement with that of the annual accounts for 2013. Our work as auditors is limited to checking the directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from the company's accounting records.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Rafael Pérez Guerra
Audit Partner

27 February 2014

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TÉCNICAS REUNIDAS, S.A.

Annual accounts for the year ended 31 December 2013
and 2013 Director's Report

Contents of the annual accounts of Técnicas Reunidas, S.A.

TÉCNICAS REUNIDAS, S.A.
BALANCE SHEET AT 31 DECEMBER 2013 AND 2012
(Figures in Thousands of Euros)

	Note	2013	2012
NON-CURRENT ASSETS		**172,491**	**163,553**
Intangible assets	**5**	68,406	68,491
Property, plant and equipment	**6**	28,076	23,870
Equity investments in group companies, jointly-controlled entities and associates	**8**	54,183	42,382
Financial assets	**7**	7,823	18,620
Shares and non-current equity holdings		885	222
Loans to third parties		833	1,111
Derivatives	**7 & 11**	2,679	13,827
Other financial assets		3,426	3,460
Deferred tax assets	**25**	14,003	10,190
CURRENT ASSETS		**1,691,022**	**1,801,575**
Inventories	**12**	19,843	21,057
Advances to suppliers	**13**	210,638	163,731
Trade and other receivable accounts	**7 & 10**	924,040	1,117,889
Investments in group companies, jointly-controlled entities and associates	**8**	136,429	109,198
Financial assets		62,659	63,406
Financial assets at fair value	**7 & 9**	38,175	35,022
Loans to third parties		94	94
Derivatives	**7 & 11**	16,402	19,875
Other financial assets		7,988	8,415
Cash and cash equivalents	**14**	337,413	326,294
TOTAL ASSETS		**1,863,513**	**1,965,128**

Notes 1 to 34 and Exhibit I are an integral part of these annual accounts.

TÉCNICAS REUNIDAS, S.A.
BALANCE SHEET AT 31 DECEMBER 2013 AND 2012
(Figures in Thousands of Euro)

	Note	2013	2012
EQUITY		**120,524**	**148,642**
Capital and reserves		**137,894**	**134,246**
Capital	**15**	5,590	5,590
Registered capital		5,590	5,590
Share premium	**15**	8,691	8,691
Reserves	**16**	150,173	126,898
Legal reserve		1,137	1,137
Other reserves		149,036	125,761
(Treasury shares and equity holdings)	**15**	(73,371)	(73,371)
Profit for the year	**17**	82,657	102,284
(Interim dividend)	**17**	(35,846)	(35,846)
Adjustments for changes in value		**(17,904)**	**13,862**
Hedging transactions	**14**	(8,434)	17,283
Translation differences	**18**	(9,470)	(3,421)
Grants, donations and bequest received	**19**	**534**	**534**
NON-CURRENT LIABILITIES		**78,739**	**61,245**
Long-Term Provisions		43,980	29,114
Long-term Employee benefit obligations	**21**	6,901	6,433
Other provisions	**20**	37,079	22,681
Long-Term Debts	**22**	34,595	31,967
Debts to credit institutions		25,610	30,266
Finance lease obligations		26	170
Derivatives	**11**	8,642	1,114
Other financial liabilities		317	417
Deferred tax liabilities	**25**	164	164
CURRENT LIABILITIES		**1,664,250**	**1,755,241**
Short-Term Provisions	**20**	13,837	13,932
Current borrowings	**22**	55,580	50,922
Debts to credit institutions		4,475	2,796
Derivatives		15,054	12,177
Other financial liabilities		36,051	35,949
Borrowings from related parties	**23**	23,394	35,186
Trade and other payables	**24**	1,570,828	1,654,552
Accruals and deferred income		611	649
TOTAL EQUITY AND LIABILITIES		**1,863,513**	**1,965,128**

Notes 1 to 34 and Exhibit I are an integral part of these annual accounts.

TÉCNICAS REUNIDAS, S.A.

INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012
(Figures in Thousands of Euro)

	Note	2013	2012
CONTINUING OPERATIONS			
Revenue	**26**	1,489,039	1,466,706
Sales and services rendered		1,489,039	1,466,706
Changes in inventory of finished goods and work in progress		(1,214)	5,345
Work carried out by the company for assets		126	1,729
Supplies		(771,861)	(674,737)
Consumption of goods purchased for resale		(771,861)	(674,737)
Other operating income		3,084	3,085
Non-trading and other operating income		1,269	641
Operating grants taken to income		1,815	2,444
Employee expenses	**26**	(232,529)	(203,990)
Wages and salaries		(193,573)	(169,936)
Staff welfare expenses		(38,205)	(33,063)
Impairment provisions		(751)	(991)
Other operating expenses	**26**	(451,186)	(490,319)
External services		(430,514)	(476,230)
Taxes other than income tax		(5,326)	(2,896)
Losses on, impairment of, and change in provisions for trade receivables		(14,406)	(11,193)
Otros gastos de gestión corriente		(940)	-
Depreciation and amortisation	**5 & 6**	(6,596)	(5,626)
Overprovisions		-	341
Impairment of and gains (losses) on disposal of non-current assets		5	95
OPERATING PROFIT (LOSS)		**28,868**	**102,629**
Finance income		65,615	21,206
Finance cost		(2,251)	(3,151)
Change in fair value of financial instruments		3,195	750
Net exchange differences		(1,558)	(5,338)
Impairment of and gains (losses) on disposal of financial instruments		(4,468)	(305)
NET FINANCE INCOME	**27**	**60,533**	**13,162**
PROFIT BEFORE INCOME TAX		**89,401**	**115,791**
Income tax	**25**	(6,744)	(13,507)
PROFIT FOR THE YEAR		**82,657**	**102,284**

Notes 1 to 34 and Exhibit I are an integral part of these annual accounts.

TÉCNICAS REUNIDAS, S.A.
STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE
(Figures in Thousands of Euro)

	Note	2013	2012
Profit for the year as per income statement		**82,657**	**102,284**
Income and expense recognized directly in equity			
On cash flow hedges	**11**	(29,887)	52,380
On actuarial gains and losses and other adjustments		(5,958)	(3,542)
Tax effect	**25**	69	12
Total income and expense recognised directly in equity		**(35,776)**	**48,850**
Amounts transferred to income statement			
On cash flow hedges	**11**	4,170	(11,010)
Tax effect		-	-
Total amounts transferred to income statement		**4,170**	**(11,010)**
TOTAL RECOGNISED INCOME AND EXPENSE		**51,051**	**140,124**

Notes 1 to 34 and Exhibit I are an integral part of these annual accounts.

TÉCNICAS REUNIDAS, S.A.
STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

B) TOTAL STATEMENT OF CHANGES IN EQUITY
(Figures in Thousands of Euro)

	Share capital	Share premium	Reserves	(Treasury shares)	Retained earnings	Profit for the year	(Interim dividend)	Reserve for valuation adjustments	Grants, donations and legacies received	TOTAL
BALANCE AT 1 JANUARY 2012	**5,590**	**8,691**	**129,837**	**(73,371)**	**-**	**77,166**	**(35,846)**	**(24,066)**	**427**	**88,428**
Total recognized income and expense	-	-	(88)	-	-	102,284	-	37,928	-	140,124
Transactions with shareholders and owners										
- Dividend payment	-	-	-	-	(36,935)	-	(35,846)	-	-	(72,781)
Other changes in equity	-	-	(2,851)	-	36,935	(77,166)	35,846	-	107	(7,129)
BALANCE AT 31 DECEMBER 2012	**5,590**	**8,691**	**126,898**	**(73,371)**	**-**	**102,284**	**(35,846)**	**13,862**	**534**	**148,642**
BALANCE AT 1 JANUARY 2013	**5,590**	**8,691**	**126,898**	**(73,371)**	**-**	**102,284**	**(35,846)**	**13,862**	**534**	**148,642**
Total recognized income and expense	-	-	160	-	-	82,657	-	(31,766)	-	51,051
Transactions with shareholders and owners										
- Dividend payments	-	-	-	-	(39,154)	-	(35,846)	-	-	(75,000)
Other changes in equity										
- Distribution of 2012 results	-	-	27,284	-	39,154	(102,284)	35,846	-	-	-
- Other changes	-	-	(4,169)	-	-	-	-	-	-	(4,169)
BALANCE AT 31 DECEMBER 2013	**5,590**	**8,691**	**150,173**	**(73,371)**	**-**	**82,657**	**(35,846)**	**(17,904)**	**534**	**120,524**

Notes 1 to 34 and Exhibit I are an integral part of these annual accounts.

TÉCNICAS REUNIDAS, S.A.
CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012
(Figures in Thousands of Euro)

	Note	2013	2012
Cash flows from operating activities			
1. Profit for the year		82,657	102,284
2. Adjustments for non-cash income and expense:			
- Taxes	**25**	6,744	13,507
- Depreciation and amortisation of PPE and intangible assets	**5 & 6**	6,648	5,626
- Change in provisions for contingencies and charges (net)		14,303	19,175
- Impairment losses		4,468	147
- Gains (losses) on fixed asset disposals/derecognitions		5	-
- Finance income	**27**	(65,615)	(21,206)
- Finance cost	**27**	2,251	3,151
- Change in gains/losses on derivatives		(691)	(15,239)
- Exchange gains/losses		1,558	-
- Change in fair value of financial instruments		(3,195)	(751)
- Other gains (losses)		-	(6,620)
3. Changes in working capital			
- Inventories and advances to suppliers		(45,693)	(120,464)
- Trade and other receivables		186,022	11,312
- Other accounts receivable		706	(3,039)
- Financial assets at fair value through profit or loss		-	-
- Trade payables		(88,514)	71,910
- Current tax liabilities		-	(2,936)
- Other changes		(178)	(690)
4. Other cash flows from operating activities			
- Interest paid		(262)	(3,151)
- Dividends received		13,382	21,206
- Interest received		1.446	
- Pagos por impuesto sobre beneficios		(10,335)	-
5. Net cash flows from (used in) operating activities		**105,707**	**74,222**
Cash flows from investing activities			
6. Payment on investments			
- Purchases of property, plant and equipment	**5**	(9,685)	(8,844)
- Purchases of intangible assets	**6**	(1,015)	(3,761)
- Investment in group companies and associates		(16,932)	(110)
- Other financial assets		(2,881)	-
7. Proceeds from disposals			
- Other financial assets		2,814	-
8. Net cash flows used in investing activities		**(27,699)**	**(12,715)**
Cash flows from financing activities			
10. Proceeds from and repayments of financial liabilities			
a) Issuance of:			
- Borrowings from related parties		41,389	-
b) Repayment of:			
- Bank loans		(1,482)	(184)
- Borrowings from related parties		(31,796)	-
11. Dividends paid and payments on other equity instruments			
- Dividends paid		(75,000)	(72,820)
12. Net cash flows used in financing activities		**(66,889)**	**(73,004)**
Net increase/(decrease) in cash and cash equivalents		**11,119**	**(11,497)**
Cash and cash equivalents at beginning of year		**326,294**	**337,791**
Cash and cash equivalents at end of the year		**337,413**	**326,294**

Notes 1 to 34 and Exhibit I are an integral part of these annual accounts.

TÉCNICAS REUNIDAS, S.A.
NOTES TO THE 2013 FINANCIAL STATEMENTS
(Thousand euro)

1. Company information

Técnicas Reunidas, S.A. (the Company) was incorporated on 6 July 1960 as a limited liability company ("sociedad anónima"). It is entered in the Madrid Companies Register in volume 1407, sheet 129, page 5692. The latest adaptation and amendment of its Articles of Association is registered in volume 22573, section 8, book 0, sheet 197, page M-72319, entry 157.

The registered offices of Técnicas Reunidas, S.A. are located at calle Arapiles, 14, Madrid (Spain). It is headquartered in Madrid, at calle Arapiles, 13.

The Company's corporate purpose, according to article 4 of the Articles of Association, consists of the performance of all classes of engineering services and the construction of industrial plants, ranging from viability or basic and conceptual engineering studies to turnkey engineering, design and construction of large, complex projects, management of supply, equipment and material deliveries and construction of plants and related or associated services, such as technical assistance, construction supervision, project management, technical management, start-up and training.

Within its engineering services business, the Company operates through a number of business lines, mainly in the refinery, gas and power sectors.

Since 21 June 2006, the shares of Técnicas Reunidas, S.A. have been admitted to trading on the four Spanish stock exchanges and the continuous market and are part of the Ibex-35 benchmark index.

As indicated in Note 8, the Company is the parent of a Group of companies. The accompanying financial statements were drawn up on an unconsolidated basis. On 27 February 2014, the Company's Board of Directors authorised the 2013 consolidated annual accounts of Técnicas Reunidas, S.A. and subsidiaries for issue. The consolidated financial statements were drawn up under the International Financial Reporting Standards adopted by the European Union (IFRS-EU). As per the consolidated annual accounts, the Group's equity at year-end 2013 stood at €438,520k (2012: €432,129k), a figure which includes Group profit for 2013 of €128,464k (2012: €136,310k).

2. Basis of presentation

a) <u>Fair presentation</u>

The 2013 annual accounts were prepared from the Company's accounting records and are presented in accordance with prevailing company law and the accounting rules laid down in the Spanish National Chart of Accounts, enacted by means of Royal Decree 1514/2007, as amended by Royal Decree 1159/2010 and Ministry of Economy and Finance Order EHA/3362/2010, of 23 December, approving the rules for adapting the Spanish National Chart of Accounts for public infrastructure concession operators. The accompanying accounts were prepared by the Company's directors in order to present fairly its equity and financial position and its financial performance and the changes in equity and cash flows in accordance with the above legislation.

The figures shown are presented in thousand euro, unless otherwise indicated.

b) Critical aspects of measurement and estimation of uncertainty

The preparation of the annual accounts requires the Company to make estimates and judgements concerning the future that may affect the amount of related assets, liabilities, income and expense and the scope of related disclosures. Critical judgements and key sources of estimation uncertainty are assessed continually and are based on historic experience and other factors, including forward-looking expectations, which are considered reasonable under the circumstances. Actual results may differ from estimated results.

The main estimates applied by Company management are as follows:

Revenue recognition

The Company uses the percentage-of-completion method to recognise revenue. Use of the percentage-of-completion method requires it to estimate the services performed to date as a proportion of the total services to be performed. This revenue recognition method is applied only when the outcome of the contract can be reliably estimated and it is likely that the contract will generate profits. If the outcome of the contract cannot be reliably estimated, revenue is recognised to the extent that costs are recovered. When it is likely that the costs of a contract will exceed the revenues, the loss is immediately recognised as an expense. When applying the percentage-of-completion method, the Company makes significant estimates regarding the total costs necessary to perform the contract. These estimates are reviewed and assessed regularly in order to verify whether or not a loss has been generated and whether it is possible to continue to apply the percentage-of-completion method or whether it is necessary to re-estimate the expected margin on the project.

Contract revenues arising from claims made by the Group against customers or from changes in the scope of the project concerned are included in service revenue when they are approved by the final customer or when it is probable that the Group will receive an inflow of funds.

Income tax and deferred tax assets

The calculation of income tax requires the interpretation of tax legislation applicable to the Company. There are also several factors related mainly, but not exclusively, to changes in tax laws and changes in the interpretation of tax laws already in force that require the use of estimates by Company management. In addition, the Company assesses the recoverability of deferred tax assets based on the existence of future taxable income against which these assets may be utilised.

Provisions

Provisions are recognised when it is probable that a present obligation, arising as a result of past events, will give rise to an outflow of resources embodying economic benefits, and the amount of the obligation can be estimated reliably. Significant estimates are required to fulfil the applicable accounting requirements. Company management estimates, evaluating all relevant information and events, the probability of a contingency occurring and the amount of the liability to be settled in the future.

Accounts receivable

The Company makes estimates relating to the collectability of trade receivables for projects affected by unresolved disputes or litigation in progress deriving from acceptance issues regarding completed work or the failure to comply with contractual clauses related to the performance of assets delivered to customers.

Fair value of unlisted financial instruments

The Company determines the fair value of unlisted financial instruments (assets and liabilities) using valuation techniques. The Company exercises judgement in selecting a range of methods and assumptions which are based primarily on prevailing market conditions at the reporting date. The Company has used discounted cash flow analyses for some derivatives not traded on active markets, or other objective evidence of the fair value of the instrument concerned, such as recent comparable transactions or the value of call or put options outstanding at the balance sheet date.

Warranty claims

The Company generally offers 24- or 36-month warranties on its work and services. Management estimates the relevant provision for future warranty claims based on past information regarding such claims, as well as recent trends that may suggest that past information regarding costs may differ from future claims.

Employee benefits

The present value of employee benefit obligations depends on a number of factors that are determined using actuarial assumptions. The assumptions made to determine employee benefit costs and obligations include the appropriate discount rate and a growth rate for salaries and other benefits. Other key assumptions for pension obligations are based in part on prevailing market conditions. Based on these estimates and in accordance with the advice of independent actuaries, the Company estimates at each close, the provision required. Any change in these assumptions will have an impact on the amount of the expense and liability recognised in connection with employee benefits. Additional information is disclosed in Note 21.

Impairment of investments in Group companies, jointly-controlled entities and associates

Investments in Group companies, jointly-controlled entities and associates are tested for impairment, as set forth in Note 3. As these companies are not listed, their recoverable amounts are based on the carrying amount of the shareholdings adjusted for any unrealised capital gains at the measurement date. These calculations require the use of estimates.

Useful lives of items of PPE and intangible assets

Management determines the estimated useful lives and resulting depreciation and amortisation charges for PPE and intangible assets. The useful lives of non-current assets are estimated based on the period over which the asset will generate economic benefits. At each close, the Company reviews the useful lives of its assets. When changes from previous estimations are identified, the necessary adjustments are made on a prospective basis.

Impairment of concession assets

The estimated recoverable amount of the concessions operated by the Group was determined using discounted cash flow analysis based on budgets and projections for the respective assets and business-appropriate discount rates.

Management did not exercise judgement in applying its accounting policies other than in calculating the estimates listed above.

c) Aggregation

Certain of the items presented on the balance sheet, income statement, statement of changes in equity and cash flow statement are aggregated to facilitate reader comprehension, while the required breakdowns are provided in the accompanying notes.

3. Accounting policies

3.1 Intangible assets

a) Software

Software includes the ownership and user rights for computer software acquired from third parties or developed by the Company and intended for use during several years. Licences for software acquired from third parties are capitalised at the cost of acquisition plus the costs incurred to ready it for use. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company which are deemed likely to generate future economic benefits in excess of costs for more than one year are recognised as intangible assets. Direct costs include software developer costs and an appropriate portion of relevant overhead.

Software is amortised on a straight-line basis over a four-year period from when it is implemented. Software maintenance charges are expensed in the year incurred.

b) Patents, licenses and trademarks

This heading recognises the amounts satisfied for ownership of or licences for its various items of industrial property. Industrial property has a finite useful life and is amortised over this term on a straight-line basis.

c) Concession arrangements, regulated assets

Concessions refer to the administrative authorisations granted by a number of municipal councils to build and operate car parks and other assets for the period of time stipulated in each contract. The accounting treatment of these assets has been defined based on the classification of the concession assets as intangible assets measured at fair value (understood to be the value resulting from their construction). Once the assets held under concession become operational, the concession receipts are recognised as revenue, operating expenses are expensed currently, while the intangible assets are amortised on a straight-line basis over the term of the concession. Project returns are reviewed at each year-end to assess whether or not there is any indication of impairment, i.e., an indication that their value may not be recoverable through the revenues generated while in use.

Throughout the terms of these concessions, the concessionaire is obliged to repair and maintain the facilities and to keep them in a perfect state of repair. These maintenance and repair expenses are recognised in the income statement. No liabilities were recognised since the current value of the obligation is negligible.

3.2 Property, plant and equipment

Items of property, plant and equipment are recognised at cost less accumulated depreciation and any accumulated impairment losses.

Own work capitalised is calculated by summing the acquisition cost of consumables, direct costs and indirect costs attributable to the assets and is recognised as revenue in the income statement. The costs incurred to extend, modernise or upgrade items of property, plant and equipment are capitalised only when they entail an increase in the asset's capacity, productivity or an extension of its useful life, and so long as it is possible to ascertain or estimate the carrying amount of the assets derecognised in the course of the substitution.

The costs of major repairs are capitalised and depreciated over their estimated useful lives, while recurring maintenance expenses are taken to the income statement in the year incurred.

The depreciation of items of property, plant and equipment is calculated on a straight-line basis based on their estimated useful lives and residual values, with the exception of land which is not depreciated.

The estimated useful lives of each asset category are as follows:

	Depreciation rates
Buildings	2%
Laboratory facilities	20%
Photocopiers	10%
General installations	6%
Air conditioning equipment	8%
Topography work stations	10%
Furniture and office equipment	10%
Other equipment	15%
Data-processing equipment	25%
Vehicles	14%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

When the carrying amount of an asset is higher than its estimated recoverable amount, the carrying amount is immediately reduced accordingly. (Note 3.4)

Gains and losses on the sale of property, plant and equipment are calculated by comparing the consideration received with the carrying amount and are recognised in the income statement.

3.3 Borrowing costs

The borrowing costs directly attributable to the acquisition or construction of items of property, plant and equipment that require more than one year to ready for their intended use are capitalised until the qualifying assets are ready for use.

3.4 Impairment of non-financial assets

The Company has not recognised any intangible assets with an indefinite useful life in the balance sheet.

The Company reviews the assets subject to depreciation at each close to verify whether or not any events or changes in circumstances indicate that the carrying amount may not be recoverable. The excess of the carrying amount of an asset over its recoverable amount, deemed the higher of fair value less costs to sell or value in use, is recognised as an impairment loss. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). For those assets that do not generate cash flows that are largely independent, the recoverable amount is determined for the cash-generating units to which the asset belongs. Impaired non-financial assets are reassessed at each balance sheet date for potential reversal of the impairment.

3.5 Financial assets

Management establishes the classification of investments for measurement purposes upon initial recognition and reviews the classification at each reporting date. The classification depends on the purpose for which the financial assets were acquired. Financial assets are measured as follows:

a) Loans and receivables: financial assets deriving from the sale of goods or rendering of services as part of the Company's ordinary course of business. This category also includes loans that are not commercial in origin, are neither equity instruments nor derivatives, carry fixed or determinable payments and are not quoted in an active market.

These financial assets are recognised initially at fair value, including directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest method, understood as the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to its net carrying amount. Nevertheless, trade receivables which are due within less than one year are carried at nominal value, upon initial recognition and for subsequent measurement purposes, when the effect of not discounting the cash flows is not material.

Loans and receivables are tested for impairment at least at each reporting date and the corresponding impairment losses are recognised when there is objective evidence that all amounts due to the Company will not be collected. Impairment losses are recognised at the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the effective interest rate prevailing at the initial recognition date. Impairment losses and any subsequent reversals are recognised in the income statement.

b) Held-to-maturity investments: debt securities with fixed maturities and fixed or determinable payments traded on active markets which the Company has the positive intention and the ability to hold to maturity. If the Company were to sell a material portion of its held-to-maturity investments, the entire category would be reclassified to available-for-sale. These financial assets are included in current assets, except for amounts due more than 12 months from the end of the reporting period, which are classified as non-current assets.

The criteria for measuring these investments are the same as those for measuring loans and receivables.

c) Financial assets held for trading and other financial assets at fair value through profit or loss: Financial assets at fair value through profit or loss include all assets held for trading acquired for sale in the short term or as part of a portfolio of identified financial instruments that are managed together with a view to generating short term returns and financial assets designated within this category by management upon initial recognition based on the determination that so doing results in more meaningful disclosures. Derivatives are also classified as held for trading unless they constitute financial guarantee contracts or are designated as hedging instruments (Note 3.11).

These instruments are initially recognised and subsequently measured at fair value and any changes in fair value are recognised in the income statement. Transaction costs that are directly attributable to the acquisition of these assets are expensed currently.

d) Equity investments in Group companies, jointly-controlled entities and associates: this category recognises equity investments in Group companies, jointly-controlled entities and associates. These financial assets are measured at cost, less any accumulated impairment losses. However, if the Company held an investment in these entities before they were classified as a Group company, jointly controlled entity or associate, cost is deemed the carrying amount of that investment prior to the classification change. Prior measurement adjustments recognised directly in equity are kept in equity until the investments are derecognised.

At year-end the Company determines whether there is any objective evidence that the carrying amount of these investments may not be recoverable, recognising any corresponding impairment losses, calculated as the difference between the investment’s carrying amount and recoverable amount, deemed to be the higher of fair value less costs to sell and the present value of projected cash flows from the investment. Unless better evidence is available, impairment of this type of asset is estimated based on the investee’s equity, adjusted for any unrealised capital gains at the measurement date. Impairment losses and any subsequent reversals are recognised in the income statement in the year they arise.

e) Available-for-sale financial assets: This classification relates to non-derivative financial assets that are designated as available for sale or are not included in any other category. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. These financial assets are subsequently measured at fair value. Unrealised gains and losses resulting from changes in the fair value of non-monetary instruments classified as available for sale are recognised in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are reclassified to profit or loss as gains and losses on investment securities.

The fair values of listed investments are based on prevailing bid prices. If there is no active market for a financial asset (as in the case of unlisted securities), the Company establishes fair value by using valuation techniques such as analysis of recent transactions between knowledgeable, willing parties involving instruments which are substantially identical, discounted cash flow analysis and option pricing models, making maximum use of market observable inputs and relying as little as possible on subjective judgements made by the Company.

Financial assets are derecognised when substantially all the risks and rewards of ownership of the financial asset have been transferred. Specifically in relation to accounts receivable, this transfer is generally deemed to take place when the risks of insolvency and non-payment have been transferred.

Financial assets designated as hedged items are subject to hedge accounting measurement rules (note 3.11).

3.6 Inventories

Inventories include the cost of construction of investment property held for sale and also the cost of certain materials yet to be allocated to projects. The costs incurred to submit bids are recognised in inventories when it is likely or certain that the contract will be secured or when it is known that the costs will be reimbursed or included in the revenues originating from the contract. Inventories are stated at the lower of cost and net realisable value. When the net realisable value of inventories is less than cost, the corresponding impairment provision is recognised in the income statement. If the circumstances giving rise to the impairment cease to exist, the impairment loss is reversed and the reversal is credited to the income statement. Cost is calculated as acquisition price or direct production cost. The cost of inventories includes design costs, raw materials, direct labour, other direct costs and manufacturing overheads (based on ordinary operating capacity), excluding interest expense. The net realisable value is the estimated selling price in the ordinary course of business, less applicable variable cost of sales.

3.7 Cash and cash equivalents

Cash and cash equivalents include cash, deposits held at call with banks and other short-term highly liquid investments with an original maturity of three months or less, subject to an insignificant risk of changes in value. Bank overdrafts are included within borrowings in current liabilities on the balance sheet. The Company had no bank overdrafts at either year-end.

3.8 Equity

The Company’s share capital is represented by ordinary shares.

The costs of issuing new shares or stock options are recognised directly against equity as a deduction from reserves.

If the Company purchases own shares, the consideration paid, including any directly attributable incremental costs, is deducted from equity until the shares are redeemed, reissued or sold. When these shares are sold or subsequently reissued, any amount received, net of any incremental directly attributable transaction costs, is included in equity.

3.9 Financial liabilities

<u>Financial liabilities at amortised cost:</u>

This category includes trade and non-trade payables. These liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months from the balance sheet date.

These liabilities are initially recognised at fair value, adjusted for directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. The effective interest rate is that which exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount of the financial liability.

Nevertheless, trade payables which are due within less than one year and do not carry a contractual interest rate are carried at their nominal value upon initial recognition and for subsequent measurement purposes, when the effect of not discounting the cash flows is not material.

These financial liabilities are initially recognised and subsequently measured at fair value and any changes in fair value are recognised in the income statement. Transaction costs that are directly attributable to the issuance of these liabilities are recognised in the income statement in the year they are incurred.

A financial liability is derecognised when the corresponding obligation is extinguished.

3.10 Grants received

Government grants are recognised at fair value when there is reasonable assurance that the grant will be collected and the Company will comply with all established terms and conditions.

Grants for the acquisition of items of property, plant and equipment or intangible assets are included in non-current liabilities as deferred government grants and released to the income statement on a straight-line basis over the estimated useful lives of the assets concerned.

3.11 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Company designates certain derivatives as cash flow hedges. The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions.

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recognised temporarily in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within net finance income/cost. Amounts deferred in equity are transferred to the income statement in the year in which the hedged transaction affects profit or loss. When the hedged forecast transaction results in the recognition of a non-financial asset or liability, the losses and gains previously deferred in equity are transferred out of equity, and included in the initial measurement of the cost of the asset or liability.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

In the case of derivatives not designated as hedging instruments, or which do not qualify for hedge accounting, fluctuations in their fair value at each measurement date are recognised within net finance income/cost in the income statement.

3.12 Current and deferred tax

Tax expense (income) is the amount of income tax accrued for the year and includes current and deferred tax expense (income).

Both current and deferred tax expense (income) are recognised in the income statement. However, the tax effects of items recognised directly with a credit or charge to equity are also recognised in equity.

Current tax assets and liabilities are measured at the amounts expected to be payable or recoverable from the tax authorities based on tax regulations prevailing at year-end. Deferred tax assets and liabilities are not discounted for measurement purposes.

Deferred taxes are calculated, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilised.

However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates and laws, that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Técnicas Reunidas, S.A. files its income tax return as part of a consolidated tax group together with certain Group companies.

3.13 Provisions and contingent liabilities

The Company recognises provisions when it has a present legal or constructive obligation as a result of past events, settlement of which is expected to result in an outflow of resources, the amount of which can be reliably estimated. The Company does not recognise provisions for future operating losses although it does recognise provisions for engineering contracts expected to generate losses.

Provisions are recorded based on the best estimate of the liability payable by the Company, bearing in mind the effects of exchange rate fluctuations on amounts denominated in foreign currency and the time value of money, if the effect of discounting is significant.

Contingent liabilities, meanwhile, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are not recognised in the financial statements but are disclosed in Note 27.

3.14 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable on the sale of goods and services in the ordinary course of the Company's business. Revenue is recognised net of value added tax, returns, rebates and discounts. The Company recognises revenue when the amount can be reliably calculated, the future economic benefits are likely to flow to it and the specific conditions applicable to each of its businesses are fulfilled, as described below. In relation to inventories, the Company recognises revenue and profit/loss when the significant risks and rewards of ownership have been transferred to the buyer. The amount of revenue can not be measured until all of the contingencies associated with the sale have been resolved. The Company's estimates are based on historical data, taking into account customer and transaction types, as well as the specific terms of each contract.

<u>Administrative agreements:</u> revenue from the rendering of services under administrative agreements is recognised in the financial year in which the services are provided by reference to the stage of completion method. The price payable by the end customer consists of the direct costs incurred, to which a fixed margin is applied for indirect costs and business profit.

<u>Engineering contracts:</u> when the outcome of a contract cannot be reliably estimated, the relevant revenue is recognised to the extent of the expenses recognised that are recoverable.

When the outcome of a contract can be reliably estimated and it is probable that the contract will be profitable, contract revenues are recognised over the term of the contract. The revenue recognition method for turnkey engineering contracts varies based on the estimated outcome. When it is probable that contract costs will exceed total contract revenues, the expected loss is recognised immediately as an expense.

The Company uses the percentage-of-completion method to calculate the adequate amount to be recognised in a given accounting period. The percentage-of-completion is determined based on a financial assessment of costs of the services performed at the balance sheet date as a percentage of the estimated cost of total services to be performed for each contract.

Contract revenues arising from claims made by the Company against customers or from changes in the scope of the project concerned are included in contract revenue when they are approved by the end client or when it is probable that the Company will receive an inflow of funds.

The Company recognises a receivable for the gross amount owed by customers for work performed under all ongoing contracts for which the costs incurred plus recognised profits (less recognised losses) exceed the amount of interim billings. Interim billings outstanding and retentions are included in trade and other accounts receivable.

The Company recognises a liability for the gross amount owed by customers for work performed under all ongoing contracts for which the interim billings exceed costs incurred plus recognised profits (less recognised losses).

Costs incurred to present bids for construction contracts in Spain and abroad are expensed in the income statement when incurred whenever the contact award is not likely or known on the date these costs are incurred. The cost of submitting bids is included in the cost of the contract when it is likely or certain that the contract will be won, or when it is known that these costs will be reimbursed or included in the revenues originating from the contract, in which case they are recognised as inventories in accordance with the criteria outlined in Note 3.6.

<u>Service concession arrangements</u>

Revenue from activities performed under concession arrangements are recognised as a function of services rendered at the contractually agreed prices.

<u>Interest income</u>

Interest income is recognised using the effective interest rate method.

<u>Dividend income</u>

Revenue from dividends is recognised when the shareholder’s right to receive payment is established.

3.15 Foreign currency transactions

<u>Functional and presentation currency</u>

The Company’s annual accounts are presented in Euro, which is both its functional and presentation currency.

<u>Transactions and balances</u>

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

3.16 Employee benefits

a) Pension commitments

The Company has assumed commitments to its employees in the form of defined benefit plans (pension awards). A defined benefit plan is a pension plan under which the amount of the benefit that will be received by an employee at the time of retirement is defined, normally on the basis of one or more factors such as age, years of service and remuneration.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs, if any.

If this difference gives rise to the recognition of an asset, its measurement may not exceed the present value of the benefits that may be repaid to the Company in the form of direct reimbursements or reduced future contributions, plus any unrecognised past-service costs. If the Company has to make any adjustment in respect of this asset measurement cap, the adjustment is recognised directly in equity within reserves.

The present value of the obligation is determined using actuarial calculation methods and unbiased and mutually compatible financial and actuarial assumptions.

Any changes at the balance sheet date in the calculation of the fair value of the benefit obligations, or in the fair value of plan assets where appropriate, that are attributable to actuarial gains or losses are recognised in the year in which they arise, directly in equity, within reserves. For these purposes, gains or losses relate exclusively to variations arising from changes to actuarial assumptions or adjustments applied based on experience.

Past-service costs are recognised immediately in the income statement unless they relate to conditional rights or vested benefits, in which case they are recognised in the income statement on a straight-line basis over the remaining vesting period. However, if an asset is recognised, the vested benefits are recognised in the income statement immediately, unless it gives rise to a reduction in the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan, in which case the surplus over this reduction is recognised immediately in the income statement.

b) Other long-term remuneration obligations

The Company recognises an implicit obligation to provide defined benefits that are treated as non-current remuneration. The right to receive this type of benefit is normally subject to the employee remaining at the company for a certain number of years. The forecast costs of these benefits accrue over the employees' term of employment using an accounting method similar to the one applied to defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the income statement in the year in which they arise. These obligations are assessed on an annual basis by qualified independent actuaries.

c) Termination benefits

Termination benefits are paid to employees as a result of a decision to terminate employment contracts before the normal retirement age or when employees voluntarily agree to resign in return for such benefits. The Company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

d) Profit-sharing and bonus plans

The Company recognises a liability and an expense for bonus and/or profit-sharing arrangements when it is contractually obliged to make payment and when past practice has created a constructive obligation.

3.17 Leases

Finance leases

Asset leases in which the Company acts as lessee and retains substantially all the risks and rewards of ownership of the assets are classified as finance leases. Finance leases are recognised at the inception of the lease term at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Present value is calculated using the rate of interest implicit in the lease agreement, or the interest rate used by the Company for similar transactions.

Lease payments are apportioned between finance charges and reduction of the lease liability. The total finance charge is apportioned over the term of the lease and is recognised in the income statement in the year accrued. The payment obligation under the lease, net of finance charges, is recognised in non-current payables, except for the portion falling due within 12 months. Items of property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Operating leases

Leases arrangements where the lessor retains substantially all the risks and benefits inherent to ownership of the asset are classified as operating leases. When the Company acts as lessee, operating lease payments (net of any bonus received by the lessor) are recognised in the income statement on a straight-line basis over the lease term.

3.18 Group companies and associates

For the purposes of presenting its annual accounts, a Group company is one over which the Company exercises control. Control is presumed to exist when the shareholding exceeds 50% of the voting rights or, if less, when other reasons or events demonstrate the existence of control (for example, agreements between shareholders).

Associates are companies over which the Company exercises significant influence but not control. Significant influence is presumed to exist when the shareholding is between 20% and 50% of the voting rights or, when the shareholding is lower, there are events and circumstances which demonstrate the exercise of significant influence.

3.19 Jointly-controlled entities – UTEs and consortiums

The proportional part of the balance sheet and income statement items of UTEs and consortiums are incorporated into the Company’s balance sheet and income statement based on its ownership interest in the venture.

None of the UTEs use accounting criteria that differ from those applied by the Company.

3.20 Business combinations

The Company recognises business combinations resulting from the acquisition of shares or equity stakes in another company in accordance with the rules for accounting for investments in Group companies, jointly-controlled entities and associates (Note 3.5.d).

3.21 Related party transactions

As a general rule, transactions between Group companies are initially recognised at fair value and in accordance with the economic substance of the transaction. Subsequent measurement follows prevailing accounting rules.

3.22 Cash flow statement

The following expressions are used in the statement of cash flows:

- Cash flows: inflows and outflows of cash and cash equivalents (Note 14)

- Cash flows from operating activities: the principal revenue-producing activities of the Company and other activities that are not investing or financing activities.

- Cash flows from investing activities: payments and collections originating in the acquisition and disposal of non-current assets.

- Cash flows from financing activities: payments and collections arising from the issue and repayment/cancellation of financial liabilities, equity instruments and dividends.

4. Financial risk management

The Company's business activities expose it to a series of financial risks: market risk (including interest rate, foreign currency risk and other price risks), credit risk and liquidity risk. The Company's comprehensive risk management program is focused on the prevailing financial market uncertainty in an attempt to mitigate any potential adverse effects on its profitability. The Company uses derivatives to hedge certain risks.

Risk management is carried out by the Group's Finance Department, Business Units and corporate Treasury Department following policies approved by the Board of Directors. This department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

4.1 Financial risk factors

a) Market risk

a.1) Exchange rate risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, particularly to the US dollar (USD) and, to a lesser extent, currencies tied to the USD. There is residual exposure to suppliers operating in other currencies (principally yen, roubles, Australian dollars, and Turkish liras). Foreign exchange risk arises on forecast commercial transactions and recognised assets and liabilities.

To manage the foreign exchange risk that derives from future transactions and recognised assets and liabilities, the Company uses forward contracts, in accordance with the hedging policy in place, brokered by the Company's corporate Treasury Department. Foreign exchange risk arises when the future transactions and recognised assets and liabilities are denominated in a currency other than the Company's functional currency. The Treasury Department is responsible for managing the net position in each foreign currency using external foreign exchange forward contracts. In addition, the Company tries to hedge exchange rate risk via 'multicurrency' contracts with its customers, segregating the selling price in the various currencies from the foreseen expenses and preserving the projected margins in euro terms.

The Company's risk management policy is to hedge most highly probable forecast transactions in each of the main currencies during the months the project is scheduled to last. The portion of the risk to be hedged in relation to projected sales in each of the main currencies varies by project. These hedges are classified as highly probable forecast transactions for hedge accounting purposes.

The nature of the Company's business operations means that it is very common to denominate customer transactions in US dollars, while the corresponding costs are habitually denominated in multiple currencies, albeit principally US dollars. If the euro had depreciated / appreciated against the US dollar by a hypothetical 10% in 2013, leaving all other variables constant, profit before tax for the year would have been €1,475k higher / lower (2012: €1,907k higher / lower), mainly due to hypothetical gains / losses generated on the revaluation / devaluation of open positions in US dollars.

Meanwhile, if the euro had depreciated / appreciated against the US dollar by a hypothetical 10% in 2013, equity would have been €26,656k lower / higher (2012: €64,755k lower / higher); these amounts were calculated based on the changes in profits outlined in the paragraph above and the estimated changes in the value of hedging derivatives recognised in the hedging reserve (all before considering the related tax effects).

a.2) Price risk

The Company is partially exposed to commodity price risks, basically with respect to metals and oil, to the extent that they affect the price of equipment and manufactured materials used in construction projects. In general these impacts are effectively passed on in sales prices by all peer contractors operating in the sector.

The Company is exposed to price risk with respect to equity instruments. Exposure to this risk on account of the investments held by the Company and classified in the balance sheet at fair value through profit or loss is limited because they correspond primarily to investments in fixed-income funds which invest in very short-term assets (assets maturing in less than six months and not exposed to interest rate risk) (Note 9).

The Company reduces and mitigates price risk through the policies established by Group management, which basically consist of accelerating or slowing the rate of placements and selecting the currencies and countries of origin. An additional mechanism used to mitigate this risk takes the form of contracting formulae that apportion a price component for covering possible cost deviations.

a.3) Cash flow interest rate risk

The Company generally attempts to self-finance its projects, establishing invoicing and collection milestones with its clients which cover the payment deadlines committed to with suppliers. This is why the Company presents significant net cash balance. This means that interest rate risk on liability positions is negligible.

The exposure to floating interest at each year-end is as follows:

	2013			2012		
	Referenced to Euribor	**Other benchmarks**	**Total**	**Referenced to Euribor**	**Other benchmarks**	**Total**
Borrowings (Note 22)	(30,085)	-	(30,085)	(33,062)	-	(33,062)
Interest-earning cash and cash equivalents (Note 14)	107,573	229,840	337,413	147,499	178,795	326,294
Net cash position	**77,488**	**229,840**	**307,328**	**114,437**	**178,795**	**293,232**

Based on sensitivity analysis performed on cash and cash equivalents, the impact of a 25 basis point fluctuation (in either direction) in interest rates would imply, at most, an increase / decrease in profit of €768k (2012: €815k).

b) Credit risk

The Company manages its credit risk exposure as a function of the following groups of financial assets:

- Assets arising from derivatives (Note 11).
- Various balances included in cash and cash equivalents (Note 14).
- Trade and other receivable balances (Note 10).

The derivatives and other instruments arranged with financial institutions included as cash and cash equivalents are contracted with highly prestigious financial entities.

In relation to trade accounts receivable it is worth noting that, due to the nature of the business, receivables are highly concentrated among counterparties, mirroring the Company's most important projects. These counterparties are generally state oil companies or multinationals, along with major Spanish energy groups.

The Company's key customers represented 74% of total "Trade receivables" (within Trade and other receivables) at 31 December 2013 (2012: 72%) and are tied to transactions with entities such as those described in the preceding paragraph. As a result, the Company considers credit risk to be very low. In addition to the credit analysis performed before entering into a contract, the global position of trade and other receivables is monitored on an ongoing basis, while the most significant exposures (including exposure to the type of entities mentioned earlier) are monitored at the individual level.

Trade receivables are generally not secured by collateral or subject to other credit enhancements, except when warranted by specific circumstances.

c) Liquidity risk

The prudent management of liquidity risk entails maintaining sufficient cash and marketable securities, ensuring available funding in the form of sufficient committed credit facilities and the ability to monetise market positions. Due to the dynamic nature of the underlying businesses, the Treasury Department aims to maintain funding flexibility by keeping credit lines available.

Management monitors liquidity forecasts on the basis of projected cash flows. As mentioned above, the strategy of self-financing projects results in significant net cash balances. In addition, the Company has in place undrawn credit lines that increase its liquidity balance. As a result, the Company's directors believe that its liquidity risk is low. The following is a breakdown of the significant liquidity parameters:

	Thousand euro	
	2013	**2012**
Debts to credit institutions (Note 22)	(30,085)	(33,062)
Cash and cash equivalents (Note 14)	337,413	326,294
Net cash balance	**307,328**	**293,232**
Undrawn credit lines (Note 22)	35,000	69,000
Total liquidity reserves	**342,328**	**362,232**

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The balances payable within 12 months are equivalent to their carrying amounts, since the effect of discounting them is insignificant.

Figures in Thousands of Euros	**Less than one year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
At 31 December 2013				
Borrowings	4,475	4,475	13,425	7,710
Derivative financial instruments	15,054	7,135	1,507	-
Trade and other payables	1,570,828	26	-	-
Total	**1,590,357**	**11,636**	**14,932**	**7,710**
At 31 December 2012				
Borrowings	2,796	2,796	8,388	19,082
Derivative financial instruments	12,177	1,114	-	-
Trade and other payables	1,654,552	170	-	-
Total	**1,669,525**	**4,080**	**8,388**	**19,082**

4.2. Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to offer existing and prospective clients sufficient capital to guarantee its ability to handle their projects.

In order to maintain or adjust the capital structure, the Company can adjust the amount of dividends paid to shareholders and return capital to shareholders, among other potential initiatives.

The Company monitors capital based on a leverage ratio. This ratio is calculated as debt divided by equity. Debt is calculated as total borrowings. Capital is calculated as equity, as shown in the financial statements.

	2013	**2012**
Borrowings (Note 22)	(30,085)	(33,062)
Net cash position	307,328	293,232
Equity	**120,524**	**148,642**
% Borrowings / Equity	**(24.96)%**	**(22.24)%**
% Net Cash Position / Equity	**254.99%**	**197.27%**

4.3. Fair value estimation

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value of financial instruments traded on active markets is based on market prices at each reporting date. The quoted market price used for financial assets held is the current bid price. A market is considered active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for the financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not quoted in an active market (e.g. derivatives of non-official market) is determined by using valuation techniques. These valuation techniques maximise the use of available observable data inputs and rely as little as possible on entity-specific estimates.

The fair value of trade receivables and payables is assumed to approximate their carrying amount less any impairment provisions. The fair value of financial liabilities for reporting purposes is estimated by discounting future contractual cash flows at the prevailing market interest rate that would be borne by the Company on equivalent financial instruments.

Specific valuation techniques used to value financial instruments include:

Quoted market prices or dealer quotes for similar instruments.

The fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on interest rate curves.

The current value of foreign currency futures is determined using the future exchange rates on the balance sheet date, discounted to the current value.

Other techniques, such as discounted cash flow analysis, are used to determine fair value of the remaining financial instruments.

When measuring the fair value of financial instruments, credit risk must be considered, this being understood as the credit risk of the counterparty but also that of the Company itself, where necessary.

In view of the characteristics of the Company's portfolio, the application of credit risk has the most significant impact on the portfolio of financial derivatives designated as cash flow hedges, which are measured at fair value.

These instruments are unique in that the expected cash flows are not pre-determined; rather, they vary based on the underlying financial variable so determining the credit risk to be applied, i.e., the Company's own or the counterparty's, is not intuitive but rather depends on market conditions at any given time and hence needs to be quantified using measurement models.

The Company's derivatives are foreign currency and raw material futures.

Currency forwards consist of the purchase of one currency against the sale of a different currency in which the exchange rate is fixed on the date of the contract to be delivered or settled in the future, starting on the third business day after the contract date.

Raw material forwards consist of the future purchase or sale of a raw material in which the exchange rate is fixed on the date of the contract and to be delivered or settled in the future, starting on the third business day after the contract date.

The effect of credit risk on the value of currency and raw material forwards will depend on future settlements. If the settlement is positive for the Company, a credit spread is incorporated for the counterparty to quantify the probability of non-payment at the time of maturity; otherwise, if the settlement is expected to be negative for the Company, the credit risk is applied to the Company's final settlement. To determine whether or not the settlement of the forwards will be favourable for the Group, a stochastic model is used to simulate the derivative's behaviour in different scenarios using complex mathematical models that consider the underlying's volatility and applying the resulting credit spread to each simulation.

It is assumed that the carrying value less the provision for impairment of accounts receivable and payable approximates fair value. The fair value of financial liabilities for reporting purposes is estimated by discounting future contractual cash flows at the prevailing market interest rate that would be borne by the Company on equivalent financial instruments.

5. Intangible assets

Detail & changes of the various items comprising ‘Intangible assets’ is provided below:

					Thousand euro
	Concession arrangements, regulated assets	Concession arrangement prepayments, regulated assets	Patents, licenses and trademarks	Computer software	Total
Balance at 01/01/2012					
Cost	34,633	14,505	13	6,689	55,840
Accumulated amortisation	(234)	-	-	(5,174)	(5,408)
Accumulated impairment losses	(2,200)	-	-	-	(2,200)
Carrying amount	**32.199**	**14.505**	**13**	**1.515**	**48.232**
Additions	1.729	776	-	1.256	3.761
Decreases	-	-	-	(673)	(673)
Transfers	7.966	(7.966)	-	-	-
Amortisation charge	(55)	-	-	(677)	(732)
Other movements	-	17.230	-	-	17.230
Impairment charge	(2.200)	2.200	-	-	-
Balance at 31/12/2012					
Cost	44,328	24,545	13	7,272	76,158
Accumulated amortisation	(289)	-	-	(5,178)	(5,467)
Accumulated impairment losses	(2,200)	-	-	-	(2,200)
Carrying amount	**41,839**	**24,545**	**13**	**2,094**	**68,491**
Additions	-	-	-	1,015	1,015
Decreases	-	-	-	(39)	(39)
Transfers	24,545	(24,545)	-	-	-
Amortisation charge	(514)	-	-	(660)	(1,174)
Amortisation decreases	-	-	-	187	187
Other movements	(74)	-	-	-	(74)
Impairment charge	-	-	-	-	-
Balance at 31/12/2013					
Cost	68,799	-	13	8,248	77,060
Accumulated amortisation	(803)	-	-	(5,651)	(6,454)
Accumulated impairment losses	(2,200)	-	-	-	(2,200)
Carrying amount	**65,796**	**-**	**13**	**2,597**	**68,406**

‘Concession arrangements, regulated assets’ relates to the construction cost of various assets (shopping centres, car parks and others) for which the Company has obtained the rights to operate the infrastructure for a specified term. At the end of the concession term the assets revert in their entirety to the concession grantor. The Company will amortise the capitalised concession assets over the relevant concession terms. Until operation of the assets begins, the amounts related to those construction costs, are deferred under ‘Concession arrangement prepayments, regulated assets’.

The amount of €17,230k shown under “other movements” in 2012 includes an increase in the participation in joint ventures in which the Group operates and the concessions they operator or will operate are broken down below.

The transfer between “Concession arrangement, regulated assets” and “Concession arrangement prepayment, regulated assets” in the amount of €24,545k refers to the completion of the construction of the Alcobendas Sports Complex and the Pulpí underground parking garage. In 2012, the transfer of €7,996k between these two heading was related to the completion of the Huercal-Overa Sports Complex.

Due to the transfer in 2013, the financial expenses associated with the external financing obtained for the construction of the concession assets in progress were not capitalised during the year. In 2012, the financial costs totalled €1,054k.

In 2013 and 2012 the Company did not recognise any additional impairment losses on these assets.

Concession assets under construction have been financed with debts to credit institutions amounting to €30,085k (2012: €33,062k).

Software records the ownership and user rights for computer software acquired from third parties.

At 31 December 2013, there were fully-amortised intangible assets still in use with an original cost of €5,351k (2012: €5,333k) and correspond with Computer Software.

The table below details the most significant terms and conditions of the service concession arrangements operated by the Company:

	Concession	Grantor	Term	Remuneration	Redemption
1	Alcobendas sports complex (*)	Alcobendas town council	50 years	User charges	At end of concession term
2	San Sebastián de los Reyes – La Viña Shopping Centre, sports complex, car park and public spaces (*)	San Sebastián de los Reyes town council	50 years	User charges	The municipal council can extend the concession term to 60 years
3	Underground car park at Huercal - Overa (Almeria) (*)	Huercal-Overa town council	30 years	User charges	Subject to successive term extensions
4	Sports complex at Huercal - Overa (Almeria) (*)	Huercal-Overa town council	50 years	User charges	At end of concession term
5	Pulpí underground car park (*)	Pulpí town council	40 years	User charges	At end of concession term
6	Alcobendas underground car park (*)	Alcobendas town council	75 years	User charges	At end of concession term

(*) Operative concessions

With regard to concessions 4 and 5, the Group informed the local authorities of its intention to withdraw from the concession due to the licensor's non-compliance with the economic equilibrium commitment. There were no changes to the rest of the public service concessions in which the Group participates. All of the concession agreements mentioned above are subject to the Public Contracts Act.

Operating income from these concessions totalled €825k in 2013 (2012: €926k).

6. Property, plant and equipment

The reconciliation of the carrying amount the items comprising property, plant and equipment at the beginning and end of the period is as follows:

	Thousand euro		
	Land and buildings	**Plant and other PPE**	**Total**
Balance at 1/01/2012			
Cost	1,316	44,311	45,627
Accumulated depreciation	(433)	(25,275)	(25,708)
Carrying amount	**884**	**19,036**	**19,919**
Additions	1,219	7,625	8,845
Decreases	-	-	-
Depreciation charge	(87)	(4,807)	(4,894)
Derecognition of accumulated depreciation	-	-	-
Balance at 31/12/2012			
Cost	2,536	51,936	54,472
Accumulated depreciation	(520)	(30,082)	(30,602)
Carrying amount	**2,016**	**21,854**	**23,870**
Additions	-	9,685	9,685
Decreases	-	(62)	(62)
Depreciation charge	(89)	(5,385)	(5,474)
Derecognition of accumulated depreciation	-	57	57
Balance at 31/12/2013			
Cost	2,536	61,559	64,095
Accumulated depreciation	(609)	(35,410)	(36,019)
Carrying amount	**1,927**	**26,149**	**28,076**

a) Impairment losses

The Company neither recognised new impairment losses nor reversed previously recognised impairment losses on any item of property, plant and equipment in either 2013 or 2012.

b) Property, plant and equipment located abroad

At 31 December 2013, the carrying amount of items of property, plant and equipment located outside Spain (plant and other PPE) was €314k (2012: €787k). Accumulated depreciation on these assets stands at €556k (2012: €414k).

c) Fully-depreciated assets

At 31 December 2013, there were fully depreciated items of property, plant and equipment still in use with an original cost of €16,704k (2012: €16,232k).

d) Assets under finance lease

"Plant and other items of PPE" includes the following amounts held under finance leases in which the Company is the lessee:

	Thousand euro	
	2013	**2012**
Capitalised finance lease cost	6,805	6,805
Accumulated depreciation	(6,396)	(5,571)
Carrying amount	**409**	**1,234**

Finance lease agreements entered into by the Company mainly relate to the acquisition of computer equipment. These contracts have an average term of 3 years.

e) Assets under operating lease

The 2013 income statement recognises operating lease expense related to office rentals in the amount of €19,385k (2012: €15,476k).

f) Insurance

The Company's policy is to write any insurance policies deemed necessary to cover risks to which its property, plant and equipment are exposed.

7. Analysis of financial instruments

7.1 Analysis by category

The carrying amounts of the financial instrument categories established in the rules for recognition and measurement of financial instruments, with the exception of equity investments in Group companies, jointly-controlled entities and associates (Note 8.a), are follows:

a) Financial assets:

					Thousand euro
At 31 December 2013	**Other**	**At fair value through profit or loss (Note 9)**	**Loans and receivables (Notes 8 & 10)**	**Hedging derivatives (Note 11)**	**Cash and cash equivalents (Note 14)**
Equity instruments	885	-	-	-	-
Derivatives	-	-	-	2,679	-
Other financial assets	-	-	4,259	-	-
Non-current	**885**	**-**	**4,259**	**2,679**	**-**
Debt securities	-	38,175	-	-	-
Derivatives	-	-	-	16,402	
Other financial assets	-	-	1,028,367	-	337,413
Current	**-**	**38,175**	**1,028,367**	**16,402**	**337,413**

At 31 December 2012	Other	At fair value through profit or loss (Note 9)	Loans and receivables (Notes 8 & 10)	Hedging derivatives (Note 11)	Cash and cash equivalents (Note 14)
					Thousand euro
Equity instruments	222	-	-	-	-
Derivatives		-	-	13,827	-
Other financial assets	-	-	4,571	-	-
Non-current	**222**	**-**	**4,571**	**13,827**	**-**
Debt securities	**-**	35,022	-	-	**-**
Derivatives	**-**	-	-	19,875	**-**
Other financial assets	-	-	1,220,230	-	326,294
Current	-	**35,022**	**1,220,230**	**19,875**	**326,294**

b) Financial liabilities:

	2013		2012	
				Thousand euro
	Debts and other payables (Notes 22 & 24)	Hedging derivatives (Note 11)	Debts and other payables (Notes 22 & 24)	Hedging derivatives (Note 11)
Debts to credit institutions (Note 20)	25,610	-	30,266	-
Derivatives	-	8,642	-	1,114
Other financial liabilities	343	-	587	-
Non-current	**25,953**	**8,642**	**30,853**	**1,114**
Debts to credit institutions (Note 20)	4,475	-	2,796	-
Derivatives	-	15,054	-	12,177
Other financial liabilities	1,603,138	-	1,709,782	-
Current	**1,607,613**	**15,054**	**1,712,578**	**12,177**

8. Investments in group companies, jointly-controlled entities and associates

The breakdown of investments in group companies, jointly controlled entities and associates is as follows:

	Thousand euro 2013	2012
Non-current assets - Equity investments in group companies, jointly-controlled entities and associates (a)	54,183	42,382
Current assets - Investments in group companies, jointly-controlled entities and associates (b)	136,429	109,198

(a) Non-current assets - Equity investments in group companies, jointly-controlled entities and associates

This heading reflects the Company's equity investments in group companies, jointly-controlled entities and associates.

In 2013, dividends received amounted to €60,297k (2012: €13,896k) and are recognised as finance income in the income statement (Note 27).

In 2013, the following companies were incorporated:

- Técnicas Reunidas for Services and Contracting Company Limited
- TSGI Mühendislik İnşaat Limited Şirketi
- Treunidas Mühendislik ve İnsaat A.S

In addition, during the year the Company acquired the remaining 25% in Técnicas Reunidas Gulf, Ltd. for €14,645k

In 2012, the following companies were incorporated:

- TR Engineers India Private Ltd.
- TR Canada Inc.
- Al Hassan T. Reunidas Project LLC.
- TR Saudi Arabia LLC

The breakdown of investments in group companies, jointly-controlled entities and associates at year-end 2013 and 2012 is follows:

Interests in group entities, joint ventures and associated in 2013

Company	Address	Business	Direct ownership	Indirect ownership	Net carrying amount	Equity			
						Capital	Reserves	Results	Dividends
Comercial Técnicas Reunidas, S.L.	MADRID	COMMERCIAL DEVELOPMENT	100.00%	-	-	-	-	-	-
Técnicas Reunidas Internacional, S.A.	MADRID	ENGINEERING SERVICES	100.00%	-	120	120	1,758	11	-
Técnicas Reunidas Australia Pty.	MELBOURNE	ENGINEERING SERVICES	100.00%	-	-	-	5,541	(67)	(3,945)
Termotécnica, S.A.	MADRID	WHOLESALE MACHINERY	99.98%	-	300	781	961	(241)	-
TR Construcción y Montaje S.A.	MADRID	REAL ESTATE DEVELOPMENT	100.00%	-	150	332	1,164	1	-
Técnicas Reunidas Ecología, S.A.	MADRID	ENGINEERING SERVICES	100.00%	-	120	120	1,311	71	-
Técnicas Reunidas Metalúrgicas, S.A.	MADRID	ENGINEERING SERVICES	100.00%	-	60	120	1,930	99	-
Técnicas Reunidas Trade Panamá, S.A.	PANAMA	COMMERCIAL DEVELOPMENT	100.00%	-	46	46	35	-	-
Española de Investigación y Desarrollo S.A.	MADRID	ENGINEERING SERVICES	100.00%	-	438	90	6,515	1,430	-
TR Proyectos Internacionales, S.A.	MADRID	DEVELOPMENT AND CONTRACTI	100.00%	-	-	1,503	813	(421)	-
Técnicas Reunidas Venezuela S.A	CARACAS	COMMERCIAL DEVELOPMENT	100.00%	-	9	9	-	-	-
Layar, S.A.	MADRID	BUSINESS MANAGEMENT	100.00%	-	6,728	1,085	4,238	57	-
Initec Plantas Industriales, S.A.	MADRID	ENGINEERING SERVICES	100.00%	-	4,613	6,600	218,789	106,823	(50,000)
Initec Infraestructuras, S.A.	MADRID	ENGINEERING SERVICES	100.00%	-	1,322	1,800	5,363	100	-
Técnicas Reunidas Ecuador S.A.	QUITO	ENGINEERING SERVICES	100.00%	-	3	3	-	-	-
Técnicas Reunidas Gulf L.T.D.	JEDDAH	ENGINEERING SERVICES	100.00%	-	30,376	550	52,845	(5,806)	-
ReciclAguilar, S.A.	MADRID	ENGINEERING SERVICES	80.00%	-	126	60	(317)	(42)	-
Técnicas Reunidas Hellas S.A.	ATHENS	ENGINEERING SERVICES	100.00%	-	60	60	1,137	1,154	(2,747)
Técnicas Reunidas Netherlands B.V	THE HAGUE	ENGINEERING SERVICES	100.00%	-	18	18	1,443	(406)	-
TR De Construcao Unip. LDA	LISBON	ENGINEERING SERVICES	100.00%	-	-	3,500	(17,196)	(2,623)	-
TR SNG Alliance Ltd.	LA PAZ	ENGINEERING SERVICES	100.00%	-	38	38	-	-	-
TR Algerie S.A.	ALGERIA	ENGINEERING SERVICES	100.00%	-	2	2	-	-	-
Servicios Unidos S.A.	CARACAS	ENGINEERING SERVICES	100.00%	-	74	74	-	-	-
TR Hungary Dufi CCGT Kft	HUNGARY	ENGINEERING SERVICES	80.00%	20.00%	2	2	645	(12)	-
TR Rup Insaat Ve TaahhüT L.S.	TURKEY	ENGINEERING SERVICES	80.00%	20.00%	32	40	6,612	17,368	-
TR Brasil Participaçoes Ltd.	BRAZIL	ENGINEERING SERVICES	50.00%	-	7	7	-	-	-
TR Tec Ltda	BOLIVIA	ENGINEERING SERVICES	15.00%	85.00%	-	24,840	(13,557)	(3,346)	-
TR Canada INC	CANADA	ENGINEERING SERVICES	15.00%	85.00%	6	39	(2,922)	6,995	-
TR Engineers India Private LTD	INDIA	ENGINEERING SERVICES	100.00%	-	10	7	(15)	226	-
TR Saudi Arabia LLC	JEDDAH	ENGINEERING SERVICES	50.00%	50.00%	-	479	630	(1,387)	-
Al Hassan Técnicas Reunidas Project LLC	OMAN	ENGINEERING SERVICES	100.00%	-	90	90	-	-	-
TR Saudia for Services and Contracting Co. Limited	AL-KHOBAR	ENGINEERING SERVICES	50.00%	50.00%	-	504	62	(1,772)	-
Treunidas Mühendislik ve İnsaat A.S	ISTANBUL	ENGINEERING SERVICES	100.00%	-	980	905	(211)	168	-
TSGI Mühendislik İnşaat Limited Şirketi	ISTANBUL	ENGINEERING SERVICES	30.00%	-	-	203	(338)	2,345	-
Total shareholdings in Group companies					**45,730**				
ASSOCIATES AND JOINT VENTURES									
Heymo Ingeniería, S.A.	MADRID	ENGINEERING SERVICES	39.98%	-	517	903	4,262	(1,055)	-
Layar Castilla, S.A.	MADRID	REAL ESTATE DEVELOPMENT	25.39%	-	565	685	999	51	-
Empresarios Agrupados, A.I.E.	MADRID	BUSINESS SERVICES	34.40%	8.60%	69	162	588	-	-
Empresarios Agrupados Internacional, S.A.	MADRID	BUSINESS SERVICES	34.40%	8.60%	264	1,202	9,642	2,410	-
KJT Engehnaria Materiais	MADEIRA	ENGINEERING SERVICES	33.33%	-	-	5	1,629	227	-
Ibérica del Espacio	MADRID	ENGINEERING SERVICES	37.94%	9.51%	1,054	1,399	139	(171)	-
Master S.A. de Ingeniería y Arquitectura	MADRID	ENGINEERING SERVICES	40.00%	-	1,600	152	453	417	-
Proyectos Ebramex S. de R.L. de C.V.	MEXICO D.F.	ENGINEERING SERVICES	33.33%	-	-	21,639	(23,522)	(4,748)	-
Minatrico, S. de R.L. de C.V.	MEXICO D.F.	ENGINEERING SERVICES	33.33%	-	4,023	41,289	(17,021)	(7,191)	-
Other					361				
Total interest in associate enterprises and joint ventures					**8.453**				
Total					**54,183**				

Interests in group entities, joint ventures and associated in 2012

Company	Address	Activity	Direct ownership %	Indirect ownership %	Net carrying amount	Equity			
						Capital	**Reserves**	**Results**	**Dividends**
Comercial Técnicas Reunidas, S.L.	MADRID	COMMERCIAL DEVELOPMENT	100.00%	-	3	-	-	-	-
Técnicas Reunidas Internacional, S.A.	MADRID	ENGINEERING SERVICES	100.00%	-	120	120	6,875	(317)	-
Técnicas Reunidas Australia Pty.	MELBOURNE	ENGINEERING SERVICES	100.00%	-	-	-	4,786	934	(5,254)
Termotécnica, S.A.	MADRID	MAYORISTA MAQUINARIA	99.98%	-	300	781	1,819	(226)	-
TR Construcción y Montaje S.A.	MADRID	REAL ESTATE DEVELOPMENT	100.00%	-	150	332	1,685	6	-
Técnicas Reunidas Ecología, S.A.	MADRID	ENGINEERING SERVICES	100.00%	-	120	120	1,309	2	-
Técnicas Reunidas Metalúrgicas, S.A.	MADRID	ENGINEERING SERVICES	100.00%	-	60	120	2,353	(2)	-
Técnicas Reunidas Trade Panamá, S.A.	PANAMA	COMMERCIAL DEVELOPMENT	100.00%	-	46	46	44	-	-
Española de Investigación y Desarrollo S.A.	MADRID	ENGINEERING SERVICES	100.00%	-	438	90	5,953	562	-
TR Proyectos Internacionales, S.A.	MADRID	DEVELOPMENT AND CONTRACTING	100.00%	-	421	1,503	1,377	(386)	-
Técnicas Reunidas Venezuela S.A	CARACAS	COMMERCIAL DEVELOPMENT	100.00%	-	9	9			-
Layar, S.A.	MADRID	BUSINESS MANAGEMENT	100.00%	-	6,728	1,085	4,114	124	-
Initec Plantas Industriales, S.A.	MADRID	ENGINEERING SERVICES	100.00%	-	4,613	6,600	162,114	54,803	-
Initec Infraestructuras, S.A.	MADRID	ENGINEERING SERVICES	100.00%	-	1,322	1,800	5,308	(1,340)	-
Técnicas Reunidas Ecuador S.A.	QUITO	ENGINEERING SERVICES	100.00%	-	3				-
Técnicas Reunidas Gulf L.T.D.	JEDDAH	ENGINEERING SERVICES	75.00%	-	15,339	550	39,857	12,454	-
ReciclAguilar, S.A.	MADRID	ENGINEERING SERVICES	80.00%	-	126	60	262	(7)	-
Técnicas Reunidas Hellas S.A.	ATHENS	ENGINEERING SERVICES	100.00%	-	60	60	20	1,117	(8,472)
Técnicas Reunidas Netherlands B.V	THE HAGUE	ENGINEERING SERVICES	100.00%	-	18	18	9,346	(2,403)	-
TR De Construcao Unip. LDA	LISBON	ENGINEERING SERVICES	100.00%	-	-	3,500	16,057	(33,252)	-
TR SNG Alliance Ltd.	LA PAZ	ENGINEERING SERVICES	100.00%	-	38	20	524		-
TR Algerie S.A.	ALGERIA	ENGINEERING SERVICES	100.00%	-	2	1	-	-	-
Servicios Unidos S.A.	CARACAS	ENGINEERING SERVICES	100.00%	-	74	74	-	-	-
TR Hungary Dufi CCGT Kft	HUNGARY	ENGINEERING SERVICES	80.00%	20.00%	2	2	-	637	-
TR Rup Insaat Ve TaahhüT L.S.	TURKEY	ENGINEERING SERVICES	80.00%	20.00%	32	40	5,383	9,176	-
TR Brasil Participaçoes Ltd.	BRAZIL	ENGINEERING SERVICES	50.00%	-	7	6	-	-	-
TR Tec Ltda	BOLIVIA	ENGINEERING SERVICES	15.00%	85.00%	-	2	-5,100	(3,143)	-
TR Canada INC	CANADA	ENGINEERING SERVICES	15.00%	85.00%	6	39	-	1,367	-
TR Engineers India Private LTD	INDIA	ENGINEERING SERVICES	100.00%	-	10				
TR Saudi Arabia LLC	JEDDAH	ENGINEERING SERVICES	50.00%	50.00%	1	1	(460)	(860)	-
Al Hassan Técnicas Reunidas Project LLC	OMAN	ENGINEERING SERVICES	100.00%	-	90				
Total shareholdings in Group companies					**31,153**				
ASSOCIATES AND JOINT VENTURES									
Heymo Ingeniería, S.A.	MADRID	ENGINEERING SERVICES	39.98%	-	517	903	5,563	276	-
Layar Castilla, S.A.	MADRID	REAL ESTATE DEVELOPMENT	25.39%	-	565	685	1,016	(17)	-
Empresarios Agrupados, A.I.E.	MADRID	BUSINESS SERVICES	34.40%	8.60%	69	162	588	-	-
Empresarios Agrupados Internacional, S.A.	MADRID	BUSINESS SERVICES	34.40%	8.60%	264	1,202	9,267	2,030	-
KJT Engehnaria Materiais	MADEIRA	ENGINEERING SERVICES	33.33%	-	-	5	1,751	243	-
Ibérica del Espacio	MADRID	ENGINEERING SERVICES	37.94%	9.51%	1,055	2,240	(606)	(94)	-
Master S.A. de Ingeniería y Arquitectura	MADRID	ENGINEERING SERVICES	40.00%	-	1,600	152	416	6	-
Concesiones Viales S. de R.L. de C.V.	MEXICO D.F.	ENGINEERING SERVICES	33.33%	-	-	21,639	(51,757)	24,118	-
Minatrico, S. de R.L. de C.V.	MEXICO D.F.	ENGINEERING SERVICES	33.33%	-	6,601	41,289	(79,011)	57,527	-
Other					358				
Total interest in associate enterprises and joint ventures					**11,029**				
Total					**42,382**				

Accumulated impairment losses on investments at 31 December 2013 totalled €40,845k (year-end 2012: €36,377k).

None of the Company's subsidiaries, jointly-controlled entities or associates is publicly listed.

b) Current assets - Investments in group companies, jointly-controlled entities and associates

	Thousand euro	
	2013	2012
Loans and receivables	82,064	102,495
Other financial assets	54,365	6,703
Total	**136,429**	**109,198**

At 31 December 2013, loans to Group companies includes €27,198k (2012: €37,103k) relating to tax receivables arising from income taxes payable by the companies comprising the consolidated tax group (Note 23). The rest of this balance corresponds to trade credit extended to Group companies, associates and UTEs, relating primarily to engineering services. The loans to partners in UTEs and joint ventures earn interest at market Euribor + 300bp (2012: Euribor + 200bp).

At year-end 2013, "Other financial assets" in the table above includes €53,000k (2012: €6,000k) corresponding to dividends pending to collect from Group companies.

The carrying amount of loans to Group companies and other financial assets above does not differ materially from the fair values of these financial assets.

9. Financial assets at fair value through profit or loss

Set out below is an analysis of this heading showing movements:

	Thousand euro	
	2013	2012
- Investments in short-term fixed income securities	26,977	25,384
- Investments in listed equity securities	11,198	9,638
	38,175	**35,022**

All these financial assets are designated as held for trading.

Financial assets at fair value through profit or loss are presented within cash flows from operating activities as part of changes in working capital in the statement of cash flows.

In 2013, investments totalled €2,881k and disinvestments totalled €2,814k. In 2012, there were no investments or disinvestments of holdings in investment funds.

Financial assets at fair value through profit and loss represent investments in listed equities and short-term fixed-income securities. The fair value of these securities at 31 December 2013 was determined based on year-end closing prices. Returns on fixed-income securities are tied to trends in eurozone interest rates.

The maximum exposure to credit risk at the reporting date is the fair value of these assets.

10. Loans and receivables

	Thousand euro	
	2013	**2012**
Trade receivables for sales and provision of services	757,441	995,484
Trade receivables, related parties	113,577	90,035
Sundry receivables	18,001	22,452
Receivable from employees	744	459
Current income tax assets	9,822	3,355
Other tax receivables	30,362	12,011
Impairment provisions	(5,907)	(5,907)
	924,040	**1,117,889**

The carrying amounts of trade and other receivables do not differ materially from their fair values.

At year-end 2013, trade receivables include €531,245k (2012: €884,309k) relating to completed work pending billing, measured on the basis of the accounting criteria set forth in Note 3.14.

The movement in the provision for impairment losses on trade receivables is as follows:

	Thousand euro	
	2013	**2012**
Opening balance	**5,907**	**5,907**
Provision for receivables impairment	-	-
Receivables written off during the year as uncollectible	-	-
Closing balance	**5,907**	**5,907**

The balance of trade receivables past due but not impaired at 31 December 2013 was €26,452k and primarily correspond to amounts past due by more than one year (2012: €44,505k, primarily corresponding to amounts past due by less than 6 months).

Trade receivables past due by less than six months are not deemed impaired.

No other balances included “Trade and other receivables” are deemed impaired.

The carrying amounts of trade receivables, excluding the portion pertaining to work executed pending billing, are denominated in the following currencies:

		Thousand euro
	2013	**2012**
Euro	336,125	139,107
USD	53,607	82,061
Other currencies	3,063	12,412
Subtotal	392,795	233,580
Completed work pending certification	531,245	884,309
Total	**924,040**	**1,117,889**

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above.

11. Derivative financial instruments

The derivative balances at year-end 2013 and 2012 are as follows:

				Thousand euro
	2013		**2012**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange forwards – cash flow hedges	19,081	23,442	33,092	13,291
Inventory forward		254	610	-
Total	**19,081**	**23,696**	**33,702**	**13,291**
Less non-current portion:				
Foreign exchange forwards – cash flow hedges	2,679	8,642	13,827	1,114
Non-current portion	**2,679**	**8,642**	**13,827**	**1,114**
Current portion	**16,402**	**15,054**	**19,875**	**12,177**

Set out below is a maturity schedule for the contracts in force at 31 December 2013 and 2012:

Type of instrument	Fair value (in thousand of euro): 2013	Notional currency	Notional maturity (thousands) 2014	2015	2016	Total
Foreign currency forwards						
USD / JPY	177	USD	5,002	-	-	5,002
USD / AUD	185	USD	7,000	-	-	7,000
USD / CHF	507	USD	14,516	-	-	14,516
USD / EUR	18,204	USD	685,599	66,000	-	751,599
USD / GBP	8	USD	163	-	-	163
Assets	**19,081**					
Raw material forwards						
Copper derivative (450 TM)	254					
Foreign currency forwards						
USD / AUD	6,866	USD	147,990	38,820	-	186,810
USD / EUR	6,087	USD	287,411	78,105	20,650	386,166
USD / JPY	3,225	USD	58,265	8,930	-	67,195
RUB / EUR	7,264	RUB	2,512,985	3,768,570	1,757,720	8,039,275
Liabilities	**23,696**					
Net balances	**(4,615)**					

Type of instrument	Fair value (in thousand of euro): 2012	Notional currency	Notional maturity (thousands) 2013	2014	2015	Total
Raw material forwards						
Copper derivative (1,500 TM)	610					
Foreign currency forwards						
RUB / EUR	4,583	RUB	1,948,427	-	-	1,948,427
USD / AUD	15,453	USD	113,993	147,991	38,820	300,803
USD / CHF	799	USD	10,760	6,823	-	17,583
USD / EUR	11,900	USD	478,698	101,700	-	580,398
USD / GBP	216	USD	4,541	-	-	4,541
USD / RUB	140	USD	11,930	-	-	11,930
Assets	**33,702**					
Foreign currency forwards						
RUB / EUR	245	RUB	1,034,655	-	-	1,034,655
USD / EUR	12,841	USD	542,034	50,500	-	592,534
USD / JPY	204	USD	4,541	-	-	4,541
Liabilities	**13,291**					
Net balances	**20,411**					

Set out below is a maturity schedule in fair value terms for the contracts in force at 31 December 2013 and 2012:

	2013	2014	2015	2016	Total Valor razonable
Total assets, 2013	-	16,402	2,679	-	**19,801**
Total liabilities 2013	-	15,054	7,135	1,507	**23,696**
Total assets, 2012	19,875	11,660	2,167	-	**33,702**
Total liabilities 2012	12,177	1,114	-	-	**13,291**

The total fair value of hedging derivatives is classified as a non-current asset or liability if the time remaining to maturity of the hedged item is more than 12 months from the reporting date and as a current asset or liability if the time remaining to maturity of the hedged item is less than 12 months of that date.

The highly probable forecast transactions denominated in foreign currency that have been hedged are expected to materialise within the forecast timeline.

The after-tax gains/losses accumulated in equity in “Reserve for valuation adjustments” in connection with foreign currency forward contracts at 31 December 2013 amounted to a loss of €8,434k (2012: a gain of €17,283k) and are recognised in the income statement in the year or years in which the hedged transaction affects profit or loss.

No material portion of the foreign currency hedges was deemed ineffective in either 2013 or 2012. Gains or losses on any ineffective portion would have been recognised in profit or loss.

12. Inventories

This heading includes the following items in the amounts set forth below:

	Thousand euro	
	2013	**2012**
Ongoing and finished construction projects	5,805	5,805
Bid presentation costs	13,967	15,181
Materials	71	71
	19,843	**21,057**

’Ongoing and finished construction projects’ in the table above capitalise the cost of several assets (mainly car parks), as described in Note 5, in respect of the portions held for sale. Given their characteristics, a significant portion of these assets require over 12 months to ready for sale.

13. Advances to suppliers

This heading includes the following ítems in the amounts set forth below:

	Thousand euro	
	2013	2012
Group	140,376	161,746
Non Group	70,263	1,985
Advances to suppliers	**210,639**	**163,731**

14. Cash and cash equivalents

	Thousand euro	
	2013	2012
Cash	246,221	186,639
Cash equivalents	91,192	139,655
	337.413	**326,294**

This heading includes cash (cash in hand and deposits held at call with banks) and cash equivalents (short-term highly-liquid investments readily convertible into specific amounts of cash within a maximum of three months, the value of which is not subject to significant risks).

In 2013 the effective average interest rate earned on short-term deposits at banks was 1.32% on euro deposits (2012: 1.35%) and 0.75% on US dollar deposits (2012: 0.92%) and the average deposit term was 15 days (2012: 18 days).

Of total cash and cash equivalents at 31 December 2013, €178,176k (2012: €168,010k) relates to balances recorded by the joint ventures and UTEs in which the Company has shareholdings, as indicated in Note 29.

There were no cash or cash equivalents with restricted availability at 31 December 2013. For the purposes of the statement of cash flows, the cash balance includes cash and other cash equivalents.

15. Capital and share premium

	Share capital	Share premium	Treasury shares	Total
Balance at 1 January 2012	5,590	8,691	(73,371)	(59,090)
Other movements	-	-	-	-
Balance at 31 December 2012	5,590	8,691	(73,371)	(59,090)
Other movements	-	-	-	-
Balance at 31 December 2013	5,590	8,691	(73,371)	(59,090)

a) Capital

At 31 December 2013 and 2012 the total number of authorised ordinary shares was 55,896,000, each having a par value of €0.10. All issued shares are fully paid up and carry equal voting and dividend rights. There are no restrictions on the transfer of shares.

According to a notice filed with the Spanish securities market regulator in November 2009, Mr. José Lladó Fernández-Urrutia holds a direct and indirect shareholding, through ARALTEC S.L. and ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES S.L., in TÉCNICAS REUNIDAS, S.A. of 37.09%.

In addition, under the terms of a shareholder agreement signed by Aragonesas Promoción de Obras y Construcción, S.L., BBVA Elcano Empresarial I, SCR, and BBVA Elcano Empresarial II, SCR, S.A. on 23 May 2006, and subsequently amended on 24 April 2009, specifically the clause stipulating vote pooling, Mr. José Lladó Fernández-Urrutia controls 40.10% of the voting rights in TÉCNICAS REUNIDAS, S.A. There is also a 0.10% personal holding.

The shareholder structure of Tecnicas Reunidas, S.A. is as follows:

	2013	2012
Stakeholder	**% Share**	**% Share**
Aragonesas Promoción de Obras y Construcciones, S.L.	5.10%	5.10%
Araltec, S.L.	31.99%	31.99%
Causeway Capital Management, LLC	5.00%	5.00%
Bilbao Vizcaya Holding	1.03%	1.54%
BBVA Elcano Empresarial, SCR, S.A.	0.99%	1.48%
BBVA Elcano Empresarial II, SCR, S.A.	0.99%	1.48%
Rest of the stakeholder		
(including floating capital)	51.05%	49.56%
Treasury shares	3.85%	3.85%
TOTAL	**100.00%**	**100.00%**

b) Share premium

This reserve is freely distributable.

c) Treasury shares

There were no changes in treasury stocks in fiscal years 2013 or 2012:

	2013		2012	
	Number of treasury shares	**Amount**	**Number of treasury shares**	**Amount**
Opening balance	2,154,324	73,371	2,154,324	73,371
Additions / purchases	-	-	-	-
Decreases / sales	-	-	-	-
Other movements	-	-	-	-
Closing balance	2,154,324	73,371	2,154,324	73,371

At 31 December 2013 treasury shares represented 3.85% of the parent company's share capital (3.85% at year-end 2012), acquired at an average price of €34.33 per share (€34.33 in 2012).

On 25 June 2013, the General Shareholders Meeting authorized the acquisition of the maximum number of treasury stock shares allowed by law for a maximum price of 75% of the acquisition value and a maximum price of 120% of the acquisition value on the transaction date. The authorization was granted for a five-year period as from the date of the resolution.

16. Reserves

a) Reserves

	Thousand euro	
	2013	**2012**
- Legal reserve	1,137	1,137
- Other reserves	149,036	125,761
	150,173	**126,898**

Legal reserve

The legal reserve, which is fully paid in and has been endowed in accordance with article 274 of Spain's Corporate Enterprises Act, may not be distributed to shareholders and may only be used to offset losses should sufficient other reserves not be available. It may also be used to increase share capital under certain circumstances.

Other reserves

This reserve is freely distributable.

17. Profit for the year

a) Proposed distribution of profit

The proposed distribution of 2013 profit to be put before the shareholders in general meeting and the ratified distribution of 2012 profit is set forth below:

	2013	**2012**
Basis of appropriation		
Profit for the year	82,657	102,284
	82,657	**102,284**
Appropriation to:		
Other reserves	7,657	27,284
Dividends	75,000	75,000
	82,657	**102,284**

b) Interim dividend

As agreed by the Board of Directors on 12 December 2013, the Company paid an interim dividend against 2013 profit totalling €35,846k (€0.667 per share) on January, 16 2014.

In compliance with article 277 of the Spanish Corporate Enterprises Act, as amended, enacted by Legislative Royal Decree 1/2010 of 2 July 2010, set forth below are the forecast accounting and cash statements as of the dates of payment of the interim dividends:

	Thousand euro	
Forecast accounting statement	**2013**	**2012**
Estimated profit for the year	157,000	156,600
Estimated income tax	(21,000)	(22,000)
Maximum possible payout	**136,000**	**134,600**
Proposed payout	(35,846)	(35,846)
Surplus	**100,154**	**98,754**
Cash balance prior to payout	550,000	620,000
Interim dividend	(35,846)	(35,846)
Cash surplus	**514,154**	**584,154**

The €75,000k dividend charged against 2012 profits consisted of the following:

- A €35,846k interim dividend approved by the Board of Directors on 14 December 2012 and paid on 17 January 2013.
- A dividend of €39,154k approved at the AGM held on 25 June 2013 as complementary dividend corresponding to 2012 profit, in addition to the interim dividend approved by the Board of Directors on 14 December 2012.

18. Translation differences

	Thousand euro	
	2013	**2012**
Accumulated translation difference	(9,470)	(3,421)

The breakdown of the cumulative translation difference by branch at the 2013 and 2012 year ends is as follows:

	Thousand euro	
	2013	**2012**
Abu Dhabi	(1,465)	(2,051)
Khabarovsk	(5,234)	(1,455)
Australia	(2,485)	-
Other	(286)	85
	(9,470)	**(3,421)**

19. Grants received

The breakdown of non-repayable grants recognised under ‘Grants, donations and bequest received’ is as follows:

Grantor	Euro	Purpose	Grant date
Huercal Overa town council	534	Huercal Overa concession	28/06/2006
	534		

The movements in this heading during the year are as follows:

	Thousand euro	
	2013	**2012**
Opening balance	534	427
Additions	-	107
Released to income	-	-
Other decreases	-	-
Closing balance	**534**	**534**

20. Provisions

	Thousand euro	
	2013	**2012**
Long-term employee benefit obligations (Note 21)	6,901	6,433
Other provisions	37,079	22,681
Non-current	**43,980**	**29,114**
Short-term provisions	13,837	13,932
Current	**13,837**	**13,932**

In 2013 the Company recognised provisions amounting to €18,390k (2012: €24,128k) and reversed/used provisions amounting to €4,008k (2012: €5,023k).

a) Other provisions (non-current)

This balance breaks down as follows:

	Thousand euro	
	2013	**2012**
Provision for project completion	1,000	1,000
Other provisions	36,079	21,681
Non-current	**37,079**	**22,681**

Provision for project completion:

For projects that are completed or substantially completed and, therefore, are in the warranty period or are close to entering the warranty period, the Company estimates the probable costs that will be incurred during the warranty period and records the relevant provision.

Other:

This item relates to provisions for other liabilities and charges, including commitments to pay project partners, provisions for probable risks and provisions for other non-current payments.

As far as non-current provisions are concerned, due to the characteristics of the risks involved it is not possible to determine a reasonable payment timeline.

b) Other provisions (current)

This balance corresponds to provisions recognised in connection with current liabilities and charges.

21. Long-term employee benefit obligations

The breakdown of the amounts recognised under non-current employee benefit obligations assumed by the Company vis-à-vis its employees is as follows:

	Thousand euro	
	2013	**2012**
Balance sheet commitments:		
Pension and retirement benefits	6,901	6,433
	6,901	**6,433**
Income statement charges for:		
Pension and retirement benefits	947	991
	947	**991**

Pension and retirement benefits

Pension and retirement obligations refer to commitments set out in the collective bargaining agreements relating to retirement awards for employees that have worked for the number of years stipulated in the agreement at the date of retirement.

At 31 December 2013 and 2012 there are no assets linked to the defined benefit commitments with employees.

The amounts recognised in the balance sheet have been calculated as follows:

	2013	**2012**
Present value of obligations at 1 January	6,433	5,705
Cost of services for the current year	751	689
Interest cost	196	302
Benefits paid	(250)	(333)
Actuarial (gains) / losses recognised in equity	(229)	70
Balance sheet liability	**6,901**	**6,433**

The changes in the liability recognised in the balance sheet are as follows:

	2013	**2012**
Opening balance	6,433	5,705
Income statement charge	947	991
Actuarial (gains) / losses charged to equity	(229)	70
Contributions paid	(250)	(333)
Closing balance	**6,901**	**6,433**

The amounts recognised in the income statement are as follows:

	2013	**2012**
Cost of services for the current year (Note 26.c)	751	689
Finance cost of discounting provision to present value (Note 27)	196	302
Total income statement charge	**947**	**991**

The principal actuarial assumptions used are as follows:

	2013	**2012**
Annual discount rate	3.50%	3.20%
Annual salary growth	2.00%	2.00%
Annual inflation	2.00%	2.00%
Mortality table	PERM/F 2000 Producción	PERM/F 2000 Producción
Retirement age	65 años	65 años

The tables below reflect the Company's sensitivity to interest rates:

Sensitivity to interest rates:

31/12/2013	3.50%	4%	3%
Current value of the obligation	6,901,324	6,508,503	7,337,031
Assets attached to the plan	-	-	-
Limitations on assets	-	-	-
Liabilities (active)	6,901,324	6,508,503	7,337,031
Current FY service cost (excluding interest)	770,798	713,051	835,642

Sensitivity to inflation (CPI/wage increases):

	CPI/Salaries		
31/12/2013	2.0%	2.5%	1.5%
Current value of the obligation	6,901,324	7,326,137	6,514,753
Current FY service cost (excluding interest)	770,798	834,482	713,546

Benefits to be paid in the coming years:

	Thousand euro
2014	815
2015	541
2016	375
2017	512
2018	430
2019-2023	2,852

22. Long-Term and Short-Term Debts

	Thousand euro	
	2013	2012
Debts to credit institutions	25,610	30,266
Finance lease obligations	26	170
Derivatives (Note 11)	8,642	1,114
Other financial liabilities	317	417
Non-current borrowings	**34,595**	**31,967**
Debts to credit institutions	4,475	2,796
Derivatives (Note 11)	15,054	12,177
Other financial liabilities	36,051	35,949
Current borrowings	**55,580**	**50,922**

The carrying amount of borrowings (both current and non-current) approximates their fair value.

a) Debts to credit institutions

The carrying amount of debts to credit institutions approximates their fair value. The loans are benchmarked to Euribor, with periodic reset features of up to six months. These loans are secured by the concession assets (note 5).

Set out below is a maturity schedule for the contracts in force at 31 December 2013 and 2012:

	2013	2014	2015	2016 and over	Total
2013	-	4,475	4,475	21,135	**30,085**
2012	2,796	2,796	2,796	24,674	**33,062**

The carrying amounts of debts to credit institutions are denominated in euros, and carried average effective interest rates (all of which floating) at year-end of 1.63% (2012: 2.53%).

The carrying amount of borrowings (both current and non-current) approximates their fair value since the impact of discounting the cash flows would not be material.

The Company has the following undrawn credit lines:

Floating rate:	Thousand euro	
	2013	2012
– Maturing in less than one year	35,000	69,000
– Maturing in more than one year	-	-
	35,000	**69,000**

b) Other financial liabilities (current)

This heading primarily reflects the Board-approved €35,846k dividend payable at year-end (2012: €35,846k) (Note 16).

23. Borrowings from related parties

	Thousand euro	
	2013	2012
Group companies	13,699	21,234
Associates	9,695	13,952
	23,394	**35,186**

The breakdown of the items comprising this heading is as follows:

	Thousand euro	
	2013	2012
Engineering services payable	5,334	12,599
Current loans	8,365	8,635
Group companies	**13,699**	**21,234**
Engineering services payable	-	4,187
Consolidation of UTEs	9,695	9,765
Associates	**9,695**	**13,952**

In 2013, the balances payable to Group companies carried interest at an average rate of Euribor + 300bp (2012: Euribor + 200bp).

24. Trade and other payables

	Thousand euro	
	2013	2012
Due to suppliers	683,176	991,064
Trade payables, related parties	233,117	146,247
Sundry payables	4,565	4,230
Employee benefit obligations payable	887	836
Other taxes payable	27,135	15,905
Customer prepayments	621,948	496,270
	1,570,828	**1,654,552**

Discounting has no significant effect on the fair values of trade and other payables. The nominal values of these payables are considered a good proxy of their fair values.

The carrying amounts of trade payables are denominated in the following currencies:

	Thousand euro	
	2013	**2012**
USD	119,464	39,730
Other currencies	7,929	5,620
	127,393	45,350

Supplier payment disclosures under Law 15/2010

As required under disclosure requirements introduced by legislation passed in Spain on 29 December 2010, the Company has reviewed balances payable to suppliers and creditors outstanding at 31 December 2013, concluding that none of the balances outstanding were past due by more than the legally established payment terms and all the payments during the year has been occurred in the legally established payment terms.

25. Income tax and tax matters

On 30 September 1993, the Spanish tax authorities authorised the following companies to apply the tax consolidation regime: Técnicas Reunidas, S.A., Técnicas Reunidas Internacional, S.A., Termotécnica, S.A., Técnicas Reunidas Construcciones y Montajes, S.A. and Técnicas Reunidas Ecología, S.A. Subsequently, in 1994, Técnicas Siderúrgicas, S.A., Española de Investigación y Desarrollo, S.A. and Técnicas Reunidas Proyectos Internacionales, S.A. were included in the tax consolidation regime. The tax group was enlarged in 1998 to include Técnicas Reunidas Metalúrgicas, S.A. and, in 1999, Layar, S.A., Layar Castilla, S.A. and Layar Real Reserva, S.A. Eurocontrol, S.A. and ReciclAguilar, S.A. were included in 2003 and Initec Plantas Industriales, S.A. and Initec Infraestructuras, S.A. in 2005. In 2007, Layar Castilla, S.A. left the tax group.

The reconciliation of income and expenses to taxable income for 2013 is set forth below:

						Thousand euro
						2013
			Income statement			**Income and expense recognised directly in equity**
Recognised income and expense		81,738	81,738			
	Increases	**Decreases**		**Increases**	**Decreases**	
Income tax expense	6,744	-	6,744	-	-	-
Permanent differences	70,674	(128,260)	(57,586)	-	-	-
Temporary differences:	12,710	-	12,710	-	-	-
Taxable income (tax loss)			**43,606**			

The breakdown of income tax expense (income) is as follows:

	Thousand euro	
	2013	2012
Current tax	10,837	10,648
Deferred tax	(4,030)	2,765
Other adjustments	(63)	94
	6,744	**13,507**

Deferred taxes generated by transactions that have been directly charged to equity in 2013 amounted €69k (2012: €0k).

The additions attributable to permanent differences correspond to the following items:

	Thousand euro	
	2013	2012
Losses of permanent establishments	47,967	10,648
Non-deductible expenses	510	647
Provisions recognised	18,865	17,195
Double taxation dividend deduction (art 32)	3,332	4,371
	70,674	**41,979**

The decreases attributable to permanent differences correspond to the following items:

	Thousand euro	
	2013	2012
Profits generated abroad	64,786	93,313
Double taxation deduction	63,474	-
Other	378	2
	128,638	**93,315**

Deferred tax

	Thousand euro	
	2013	2012
Deferred income tax assets		
- to be recovered after more than 12 months	14,003	10,190
- to be recovered within 12 months	-	-
	14,003	**10,190**
Deferred income tax liabilities		
- to be recovered after more than 12 months	164	164
- to be recovered within 12 months	-	-
	164	**164**

The movements in deferred income tax assets and liabilities during the year are as follows:

	2013		2012	
	Assets	**Liabilities**	**Assets**	**Liabilities**
At 1 January	**10,190**	**164**	**12,955**	**164**
Reversals / Utilisations	-	-	(5,696)	-
Additions	3,813	-	2,931	-
At 31 December	**14,003**	**164**	**10,190**	**164**

The deferred taxes relate to the following items:

Deferred tax assets		**Thousand euro**
	2013	**2012**
- Pensions Plans	1,920	1,711
- Hedging reserve	203	203
- Deferred tax related to permanent estabishments	3,013	-
- Provisions for liabilities and charges	8,867	8,276
	14,003	**10,190**

Deferred tax liabilities		**Thousand euro**
	2013	**2012**
Hedging reserve	164	164
	164	**164**

There are no unused recognised tax losses at year-end 2013 and 2012.

Deferred tax assets in respect of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the losses can be utilised.

During the year, the tax authorities began a tax audit of Técnicas Reunidas, S.A. for corporate income tax (2008 to 2011) and other taxes (2009 to 2011). Consequently, the company's corporate taxes for fiscal years 2008 to 2011 and other taxes for fiscal years 2009 to 2011 are open to inspection.

As of the date of these annual accounts, the results of the tax audit are not known. However, due to the fact that tax laws are open to different interpretations, among other things, additional liabilities could arise as a result of the inspection. In any event, the directors consider that any such liabilities would not have a significant effect on the annual accounts.

<u>Other information</u>

Spanish Law 16/2012 of 27 December 2012, enacting several fiscal measures designed to further the consolidation of the public finances and to shore up economic activity, affords corporate income tax payers the option of voluntarily restating the value of certain assets (property, plant and equipment and investment properties).

At the date of authorising these annual accounts for issue, the directors had yet to take a decision regarding the potential restatement of any of the Company's assets.

26. Revenue and expense

a) Revenue

The geographic breakdown of the Company's revenue in 2013 and 2012 is as follows:

Market	Thousand euro 2013	2012
Spain	62,865	80,035
European Union	75,530	82,306
OECD (excl. Spain and EU)	366,694	492,179
Other	983,950	812,186
	1,489,039	**1,466,706**

The revenue split by operating segment was as follows:

Business	Thousand euro 2013	2012
Oil & Gas	1,353,965	1,338,239
Power	60,158	75,148
Other	74,916	53,318
Total	**1,489,039**	**1,466,706**

b) Foreign currency transactions

The balances corresponding to transactions denominated in foreign currency are the following:

	Thousand euro 2013	2012
Sales	511,998	157,495
Purchases	77,543	7,705
Services received	127,855	99,702

c) Employee benefit expense

	Thousand euro 2013	2012
Wages and salaries	192,665	168,940
Termination benefits	908	996
Staff welfare expenses	38,205	33,063
Charge for employee benefit obligations (Note 21)	751	991
	232,529	**203,990**

Average headcount by job category:

	2013	2012
Directors and senior management	25	24
Graduates, diploma holders and administrative staff	2,150	1,925
Skilled workers	904	809
Sales staff	19	24
	3,098	**2,782**

The breakdown of the Company's year-end headcount by gender is as follows:

			2013			2012
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Directors and senior management	23	2	25	23	2	25
Graduates, diploma holders and administrative staff	1,553	644	2,197	1,422	584	2,006
Skilled workers	540	383	923	496	347	843
Sales staff	12	8	20	16	8	24
	2,128	**1,037**	**3,165**	**1,957**	**941**	**2,898**

Figures above include 758 subcontracted employees (2012: 779 employees)

None of the workforce presented disabilities of a severity of 33% or higher in either 2013 or 2012.

d) Other expenses

The breakdown of the income statement heading is as follows:

		Thousand euro
	2013	**2012**
Services	299,917	378,993
Rent and fees	26,199	22,978
Independent professional services	40,776	20,294
Transport expense	10,475	8,089
Repairs and maintenance	3,929	3,356
Insurance premiums	2,384	3,117
Banking and similar services	11,443	12,680
Other	35,393	26,723
External services	**430,514**	**476,230**
Taxes other than income tax	5,326	2,896
Losses on, impairment of and change in trade provisions (Note 20)	14,406	11,193
Other operating expenses	940	-
	451,186	**490,319**

27. Finance income and finance cost

	Thousand euro	
	2013	**2012**
Finance income:		
From equity investments:		
In group companies and associates (Note 8)	60,297	13,896
In third parties	-	24
From marketable securities and other financial instruments:		
In group companies and associates	2,300	2,931
In third parties	3,018	4,355
	65,615	**21,206**
Finance cost:		
Borrowings from related parties	(262)	(327)
Third-party borrowings	(1,793)	(2,522)
Discounting of provisions (Note 19)	(196)	(302)
	(2,251)	**(3,151)**
Change in fair value of financial instruments:		
Held for trading and other securities	3,195	750
	3,195	**750**
Exchange differences	**(1,558)**	**(5,338)**
Financial asset impairment and disposal gains/(losses)		
Impairment charges and losses (Note 8)	(4,468)	(305)
	(4,468)	**(305)**
Finance income and finance cost	**60,533**	**13,162**

28. Contingencies

a) Contingent liabilities

The Company has contingent liabilities relating to bank sureties and other guarantees granted during the ordinary course of business. The contingent liabilities are not expected to give rise to additional material liabilities other than those already provisioned, as disclosed in Note 20. In the ordinary course of the Company's activities, as is common practice with engineering and construction companies, the Company extended guarantees to third parties totalling €1,388,614k (2012: €1,422,294k) in order to duly guarantee contract delivery.

In accordance with the general terms of contracting, the Company is required to provide technical guarantees for the execution of works, in cash or in the form of bank guarantees, which must be upheld for a specified period.

The Group is party to certain legal proceedings arising in the ordinary course of its business operations (mainly disputes with customers, suppliers, employees or government/tax authorities). The Group’s legal advisors believe that the outcome of these proceedings will not have a material impact on its financial situation. The most significant dispute involves the Sines project. The dispute arose when an agreement could not be reached on the final settlement after the plant had been received and paid in full by the client.

b) Commitments

Capital commitments

As of the balance sheet date, there are no commitments to make significant asset purchases.

Operating lease commitments

The Company rents several premises under irrevocable operating lease agreements (Note 6). These leases have variable terms, segment clauses and renewal rights. The Company is required to provide six months' termination notice on these agreements.

Minimum future payments on irrevocable operating leases are as follows:

	2013	2012
Less than 1 year	15,541	13,610
Between 1 and 5 years	15,700	21,057
Over 5 years	-	-

Purchase commitments (suppliers and subcontractors)

The Company has payment commitments to its suppliers in addition to those recognised in trade payables as a result of orders that are still in the drafting or construction phase and cannot be invoiced until the scheduled payment milestones are reached. This is offset by the fact that the Company in turn invoices its customers in accordance with similar milestones to those in place with its suppliers.

29. Temporary joint ventures (UTEs) and consortiums

The Company has interests in the UTEs listed in Exhibit I. The amounts set out below represent its percentage interest in the assets, liabilities, revenues and expenses of these UTEs. The following amounts are recognised in the balance sheet and income statement:

Assets:	**2013**	**2012**
Non-current assets	37,968	67,996
Current assets	521,860	670,811
	559,828	**738,807**
Liabilities:		
Non-current liabilities	22,270	34,176
Current liabilities	471,274	622,740
	493,544	**656,916**
Net assets (liabilities)	**66,284**	**81,891**
Revenue	330,295	523,684
Expenses	(264,248)	(441,020)
Profit after tax	**66,047**	**82,664**

There are no contingent liabilities in relation to the Company's shareholdings in the UTEs, nor contingent liabilities in the UTEs and consortiums themselves.

30. Director and senior management remuneration

a) Director remuneration

There follows information on total compensation paid to members of the Company's Board of Directors during the years ended 31 December 2013 and 2012:

- Board meeting attendance fees received by all board members: €1,159k (2012: €1,064k).
- Wages and salaries: €1,371k (2012: €760k).
- Insurance premiums and pension plans: €14k (2012: €12k).
- Services provided to the company: €136k (2012: €84k).

b) Senior management compensation

Total compensation paid in 2013 to key management personnel was €4,101k (2012 comparative: €3,745k).

- Advances: €0k (2012: €0k).

c) Information required under article 229 of the Spanish Corporate Enterprises Act

Article 229 of Spain's Corporate Enterprises Act, enacted by means of Legislative Royal Decree 1/2010, of 2 July 2010, obliges directors to report to the boards on which they serve, their fellow directors, or if they are sole directors, the General Meeting, on any potential direct or indirect conflict of interest vis-à-vis the entity whose interests they represent. A potentially-conflicted director must abstain from intervening in the resolutions or decisions concerning the transaction giving rise to the conflict in question.

In addition, the Directors must disclose any direct or indirect shareholdings they or their related parties hold in the share capital of any other company with the same, similar or complementary corporate purpose as that of the Company, additionally disclosing the positions/duties discharged at those companies.

- Mr José Lladó Fernández-Urrutia is the Chairman of Técnicas Reunidas Internacional, S.A.

- Mr Juan Lladó Arburúa is a non-executive director of Initec Plantas Industriales, S.A.U, Initec Infraestructuras, S.A.U, Empresarios Agrupados Internacional, S.A., Técnicas Reunidas Internacional, S.A, Española de Investigación y Desarrollo, S.A. and Eurocontrol, S.A. He is also member of the directors' committee of Empresarios Agrupados A.I.E. and is vice-president of Técnicas Reunidas Internacional, S.A and Eurocontrol, S.A., as well as sole director of Técnicas Reunidas Proyectos Internacionales, S.A.

- Mr Javier Gómez Navarro Navarrete is a non-executive Director of Grupo Isolux Corsán, S.A.

- Mr William Blaine Richardson is a non-executive director who sits on the International Advisory Committee of Abengoa S.A.

31. Other related-party transactions

As indicated in Note 1, the Company is the parent company of a Group of companies. Related party transactions are as follows:

a) Transactions with the Company's core shareholders

a.1) Transactions with Banco Bilbao Vizcaya Argentaria Group (BBVA Group):

All transactions between the Company and the BBVA Group relate to banking activities and are carried out on an arm's length basis.

Set out below are details of these transactions at 31 December 2013 and 2012:

	Thousand euro	
	2013	**2012**
Credit facilities	5,000	5,000
Drawn balances	-	-
Guarantees furnished	226,410	208,839

In addition, the Company has numerous bank accounts that are necessary to carry out its ordinary business and manages a portion of its cash balances by contracting financial assets through the BBVA Group.

The Company also arranged forward foreign currency sale contracts with the BBVA Group, with notional values totalling USD114,585k (2012: USD217,198k and JPY289,600k).

The accompanying income statements include the costs and revenues related to the above-mentioned transactions, which were carried out on an arm's length basis.

b) Transactions with Company directors and officers and their related parties

The Company did not carry out any transactions with its directors in either 2013 or 2012, except as follows:

- Set out below is the breakdown of transactions undertaken with the Santander Group where one of the Company's directors also sits on the board:

	Thousand euro	
	2013	**2012**
Credit facilities	19,000	19,000
Drawn balances	-	-
Guarantees furnished	408,114	284,423

The Company also arranged forward foreign currency sale contracts with the Santander Group, with notional amounts totalling USD51,298k, AUD92,000k and JPY20,868k (2012: USD139,787k and AUD132,304k).

In addition, the Company has numerous bank accounts that are necessary to carry out its ordinary business and manages a portion of its cash balances by contracting financial assets through the Santander Group.

All transactions between the Company and the Santander Group correspond to banking activities and are carried out on an arm's length basis.

Note 30 provides details of the compensation paid to the directors of Técnicas Reunidas, S.A. and its senior officers.

c) Transactions with Group companies, jointly-controlled entities and associates

The table below details aggregate transactions with the Group companies, jointly-controlled entities and associates listed in Note 8:

2013	Group companies	Jointly-controlled entities and associates
Services received	282,285	922
Finance costs	262	-
Total expenses	**282,547**	**922**
Services rendered	44,714	259
Finance income	2,300	-
Dividends received (Note 25)	58,995	1,302
Total revenue	**106,099**	**1,561**

In addition, in 2012 the Company bought a fixed asset from a Group company for €1. During 2013, none of these transactions took place.

2012	Group companies	Jointly-controlled entities and associates
Services received	113,425	11,214
Finance costs	195	1
Total expenses	**113,620**	**11,215**
Services rendered	13,057	14,290
Finance income	870	532
Dividends received (Note 25)	13,896	85
Total revenue	**27,823**	**14,907**

The services received and rendered pertain to the Company's ordinary course of business and were conducted on an arm's length basis.

32. Environmental disclosures

Given the activities in which the Group companies are involved, it has no expenses, assets, provisions or contingencies that could be significant in relation to its equity, financial position or performance. Therefore, no specific disclosures relating to environmental issues are included in these notes to the financial statements.

33. Events after the end of the reporting period

Between the balance sheet close and the date the accompanying financial statements were authorised for issue no significant events have occurred that have not been recognised in these financial statements.

34. Audit fees

The fees accrued for services engaged by the Company from its auditor and other audit firms in 2013 are detailed below:

The fees for services:

.Audit services: €269k (2012: €234k).
.Other work required under prevailing regulations: €21k (2012: €134k).
.PwC Firms: €66k (2012: €101k).

EXHIBIT I – TEMPORARY JOINT VENTURES (UTEs) AND CONSORTIUMS IN WHICH THE COMPANY HAS SHAREHOLDINGS

The temporary joint ventures (UTEs) and consortiums included in these annual accounts are the following:

Name	% shareholding	Name	2013 % shareholding
CONSORCIO VIETNAM	20%	UTE TR/I.P.I. C.P.BIO BIO	15%
TR FRANCIA BRANCH	100%	UTE TR/I.P.I. FENOLES KAYAN	85%
TR KHABAROVSK BRANCH	100%	UTE TR/I.P.I. OFFSITES ABUH DABIH	85%
TR MOSCU BRANCH	100%	UTE TR/INITEC DAMIETTA LNG	85%
TR ABU DHABI BRANCH	100%	TR/INITEC EBRAMEX INGENIERIA	51%
TR AUSTRALIA BRANCH	100%	UTE TR/INITEC INFRA CONS.COMP.LA VIÑA	85%
TR ANKARA BRANCH	100%	UTE TR/INITEC INFRA CONS.PC.HUERCAL OVERA	85%
TR OPTARA BRANCH	100%	UTE TR/INITEC INFRA CONSTRUCCI.PARCELA S	85%
TR VOLGOGRADO BRANCH	100%	UTE TR/INITEC JV HAWIYAH GPE	15%
TR ARGELIA BRANCH	100%	UTE TR/INITEC KJT PR. LNG	85%
TR QATAR BRANCH	100%	UTE TR/INITEC MINATRICO INGENIERIA	51%
TR MARRUECOS BRANCH	100%	UTE TR/INITEC P.I. JV TR RABIGH DP	85%
UTE ALQUILACION CHILE	15%	UTE TR/INITEC PROYECTO DGC CHILE	15%
UTE EP SINES	80%	UTE TR/INTERCONTROL VARIANTE PAJARES	80%
UTE HDT/HDK FASE II	15%	UTE TR/IONICS RAMBLA MORALES	40%
UTE HYDROCRACKER HUNGARY	15%	UTE TR/IONICS/TCOSA/CHSA DEP.OROPESA	25%
UTE INITEC/TR JU'AYMAH GPE	15%	UTE TR/IPI ELEFSINAS	65%
UTE INITEC/TR MEJILLONES	15%	UTE TR/IPI KHABAROVSK	15%
UTE INITEC/TR PLANTAS HDT Y HCK	15%	UTE TR/IPI REFINERIA SINES GALP	85%
UTE INITEC/TR RKF ARGELIA	15%	UTE TR/KV CON.PL.Y URB.ZALIA	50%
UTE INITEC/TR SAIH RAWL	15%	UTE TR/LOGPLAN A.T.AENA	55%
UTE INITEC/TR TFT ARGELIA	15%	UTE TR/PAI URBANIZACION CALAFELL	55%
UTE PEIRAO XXI	50%	UTE TR/RTA VILLAMARTIN	50%
UTE TR POWER	85%	UTE TR/SEG PROY.NT AENA	70%
UTE TR/ALTAMARCA COMPLEJO LA VIÑA	80%	UTE TR/SENER PROEYCTO HPP GEPESA	60%
UTE TR/ALTAMARCA PISCINA CUBIERTA	80%	UTE TR/SERCOAL CENTRO DE DIA	50%
UTE TR/ALTAMARCA/HMF C.ALCOBENDAS	34%	UTE TR/SERCOAL EDIFICIO SERVICIOS MULTIPLES	50%
UTE TR/ANETO RED NORTE OESTE	50%	UTE TR/SOLAER I.S.F. MORALZARZAL	90%
UTE TR/ARDANUY ALGECIRAS	70%	UTE TR/TECNORESIDUOS PT VALDEMINGOMEZ	90%
UTE TR/ASFALTOSY CONS.APARCAM.ALCOBENDAS	50%	UTE TR/TREC OPER.DESALADORA R.MORALES	50%
UTE TR/CTCI GUANDONG EO/EG	90%	UTE TR/TRIMTOR DEP.CAÑADA GALLEGO	50%
UTE TR/CTCI JIANGSU SERVICIOS	90%	UTE TR/TRIMTOR EDAR LIBRILLA	50%
UTE TR/CTCI JIANGSU SUMINISTROS	90%	UTE TR/TT HORNOS RUSIA	95%
UTE TR/ESPINDESA - PEL SINES	85%	INT.VALORIZA	50%
UTE TR/ESPINDESA - TR AKITA	85%	UTE TR RUP TURQUIA	80%
UTE TR/FERROVIAL LA PLANA DEL VENT	58%	UTE TR YANBU REFINERY - TRYR	80%
UTE TR/GDF AS PONTES	50%	UTE TR ABU DHABI SHAH I	15%
UTE TR/GDF BARRANCO DE TIRAJANA	50%	UTE MARGARITA	15%
UTE TR/GDF CTCC BESOS	50%	UTE PERELLO tr/vialobra	50%
UTE TR/GDF CTCC PUERTO DE BARCELONA	50%	UTE ENSA/TR CAMBIADORES TAISHAN	50%
UTE TR/GEA COLECTOR PLUVIALES H.O.	80%	UTE TANQUE MEJILLONES	15%
UTE TR/GEA/SANHER EL CARAMBOLO.	40%	UTE TR/SEG PORTAS	50%
UTE TR/GUEROLA CENTRAL TERMOSOLAR	50%	UTE TR/ESPINDESA	25%
UTE TR/I.P.I. TR JUBAIL	85%	UTE URBANIZACION PALMAS ALTAS SUR	40%
UTE TR/I.P.I. ABUH DABIH -SAS	15%	UTE TSK TR ASHUGANJ NORTH	50%
UTE TSGI SOCAR	33%	UTE TR OPTARA	85%

Name	% shareholding	Name	2012 % shareholding
CONSORCIO VIETNAM	20%	UTE TR/I.P.I. OFFSITES ABUH DABIH	85%
TR FRANCIA BRANCH	100%	UTE TR/INITEC DAMIETTA LNG	85%
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UTE TR/I.P.I. FENOLES KAYAN	85%	UTE URBANIZACION PALMAS ALTAS SUR	40%

2013 INDIVIDUAL DIRECTORS' REPORT

1. Evolution of the Business

Despite the fact that certain factors that denote the trend in the sector, such as global demand for energy, our clients' investment plans and the development needs of certain countries, are positive and demonstrate the sector's potential for growth, in 2013 other events unrelated to TR's business had a negative effect. Some competitors were penalised for acknowledging serious problems with the execution of their projects, while other were affected by delays or cancellations in the awarding of new projects by some companies. These investment cutbacks occurred in certain subsectors of offshore activity such as seismic and excavation, justified by the greater complexity and higher construction costs. These events resulted in companies in the sector reducing their growth expectations for the next two years. However, despite the problems experiences by some competitors, 2013 was a very positive year for Técnicas Reunidas.

Once again in 2013, the satisfaction and loyalty of our clients and the recognition of the quality of our work in certain markets were evident. Técnicas Reunidas was awarded new projects with existing clients like Total or Repsol in both new and existing markets such as Belgium or Bolivia. In addition to these recurring markets and clients, the company added new references to its portfolio such as Socar in Turkey.

The new contracts awarded in 2013 were concentrated in the petrol and gas divisions. The power generation, infrastructure and industrial divisions were focused on the execution of projects already in the order book.

In fiscal year 2013, ordinary income totalled €1.489,000,000 which was 2% higher than the year before as a result of the contribution of projects awarded in previous years as well as the major projects awarded in 2013. The company reported after-tax profits of 83 million euros. At 31 December 2013, the Company's net cash position was 307 million euros, which reflected a healthy financial situation supported by the generation of liquidity. At the end of 2013, Técnicas Reunidas stood out as one of the most financially sound companies in the sector.

The geographical breakdown of the company's income reflects the diversity of its turnover. Income from business in Spain represented 4% of the total, while 5% came from Europe, 25% from OECD countries and the rest from non-OECD countries.

In keeping with the trend of recent years, Técnicas Reunidas took the opportunity to recruit quality professionals, taking advantage of a situation in which there is no shortage of human resources in the market. At the end of 2013, the Company had 3,165 employees, which was 9% higher than the year before, which demonstrates once again the Company's ability to adapt to market needs and prepare for future growth.

Regarding the Company's stock market performance in 2013, Técnicas Reunidas' shares were up by 13%. The year was marked by the problems experienced by some European and Korean competitors in the performance of their projects and the reduction in the profit expectations of some European companies in relation to certain offshore subsectors such as seismic and excavation. These events conditioned the market's appetite for investment, which reacted to the situation with uncertainty and mistrust. Despite the fact that these problems did not involve Técnicas Reunidas, stock market performance was limited and could not capitalise on the investor appetite in the Spanish market in the final months of the year when the forecasts for the country's economic recovery began to improve.

Shareholder compensation policy in 2013 improved, with a €75 million payout which represents 91% of net profit, a higher percentage than in the past. The company paid a total dividend of €1.395 per share, which represented a 3% increase over the year before.

The evolution of each one of Técnicas Reunidas' business lines was as follows:

Oil

As in prior fiscal years and despite the world-wide financial crisis, there is a still a need to invest in the energy sector. Thanks to demographic growth combined with estimates for raw material demand, many emerging markets are using investments in the energy sector as a mechanism to support social and economic development.

Continuing with the trend that began in 2012, the contracting rate gradually picked up throughout 2013 to the point where we were able to close the year with a high volume of order. The new projects have contributed to a balanced portfolio composed of internationally integrated companies and domestic oil companies. This diversification of accounts implies that in addition to repeat contracts in some countries (Turkey), we have also managed to penetrate new geographical areas with the help of our regular client (Belgium)

- In May, SOCAR Turkey Enerji A.Ş. awarded the consortium headed by Técnicas Reunidas a turnkey contract for the SOCAR Turkey Aegean Refinery (STAR) located in Aliaga, Turkey. The project includes engineering, equipment and material procurement, construction and commissions. The design of the STAR will make it possible to process different types of crude including "Urals", "Azeri light" and "Kirkuk" with a combined capacity of 10 million tons/year. Técnicas Reunidas considers Turkey a priority market and this is the ninth project to be carried out in the country. This new contract guarantees TR a solid position in the Turkish market, collaborating with local partners in anticipation of the significant investments that will be made in this country in the future.
- In early June, TOTAL chose TR for the engineering, procurement, construction and commissioning of a new solvent deasphalting unit and a new mild hydrocracker as well as the updating and reconversion of the atmospheric distillation waste desulpherizing unit at the Antwerp refinery in Belgium. The contract was awarded under a turnkey arrangement. This project reaffirms TOTAL's satisfaction with two other important projects: the Jubail refinery in Saudi Arabia and the Normandy refinery in France.

Progress on the rest of the projects in the order book that had been awarded in prior years continued as planned. At the year-end, the projects that contributed most to the division's turnover were: the updating of the Izmit refinery for Tüpras in Turkey; the Yanbu refinery for Saudi Aramc and Sinopec in Saudi Arabia; the nitric acid plant for Yara/Orica/Apache in Australia; the Sadara petrochemical plant for Saudi Aramco/Dow Chemical in Saudi Arabia; the Kemya petrochemical project for Sabic/Exxon Mobil in Saudi Arabia and the Petrokemya petrochemical project for Sabic in Saudi Arabia.

Energy

In recent years, the Energy Division has been more seriously affected by the crisis than the Group's two other main activities. These projects offer greater flexibility to adapt to market demand by being more closely linked to growth and consumption and because they require shorter implementation times. In addition, in Spain there have not been high expectations for growth in this market for the last several years. The Company is confident in its ability to recover its position in this market given the positive long term outlook and supported by the international recognition of its main suppliers, who play an essential role in the awarding of these types of projects.

The energy business accounts for 3% of the Técnicas Reunidas Group's total sales. In 2013 the Company completed the work on the Manifa project for Saudi Aramco in Saudi Arabia, to the customer's satisfaction, and this division expects to add new projects in 2014.

Aside from its knowledge of cogeneration plants, Técnicas Reunidas has a great deal of experience with nuclear power. Despite the negative publicity from the Fukushima disaster in 2011, there is strong demand for this type of energy. Consequently, there must be tighter safety controls that will require higher investments. In its last annual report (World Energy Outlook 2013), the International Energy Agency estimated that nuclear energy would increase from 2,584 TWh in 2011 to 4,300 TWh in 2035 and this increase will be accompanied by an estimated investment of more than 1,000 billion dollars in nuclear power plants over the next 24 years.

In fiscal year 2013, Técnicas Reunidas, through the investee company Empresarios Agrupados, continued to render engineering support services to nuclear power plants operating in Spain. During the year, Técnicas Reunidas participated in the following nuclear projects:

- Design and detail engineering for site preparation and preliminary work on the nuclear power plant in Akkuyu, Turkey, where 4 VVER nuclear reactors with a capacity of 1200 MW each will be built. Work performed for NIAESP-ASE, which is the Russian consortium in charge of the construction of the nuclear power plant owned by Rosatom.

- Word on the final design and supply phase of the heat exchangers for the emergency cooling systems for the Taishan Nuclear Power Plant, units 1 and 2 (Areva EPR reactors, 1,600 MW each), for the China Guangdong Nuclear Power Corporation.

- Engineering of Temporary Central Warehouse (TCW) for highly radioactive waste to be built in Villar de Cañas, Cuenca, awarded by Enresa.

- Engineering and other work associated with the stress tests conducted at Spanish nuclear power plants following the Fukushima accident, largely designed to analysed the ability of emergency cooling systems to resist stronger earthquakes than those included in original design.

- Site engineering while acting as Architect Engineer for ITER at a large installation and Fusion Project located in Cadarache, France, contracted through the ENGAGE consortium comprised of Atkins, Assystem, IOSIS, and Empresarios Agrupados

- Site engineering for the nuclear station at Fennovoima in Finland, a location approved in Pyhaejoki for a 1200 MW installation, currently in the phase of acquiring permits.

- Engineering support for the owner of unites 3 and 4 of the Temelin nuclear power plant, two PWR units in the 1100 – 1600 MW range for CÉZ in the Czech Republic.

- Engineering support for GE Hitachi at the Lungmen nuclear power plant in Taiwan, participating in the engineering of the nuclear power plant project consisting of two APWR “Advanced Boiling Water Reactor” type units with 1360 MW of power each, also in association with General Electric Nuclear Energy.

- Support for GE Hitachi in securing licensing for the ESBWR and ABWR advanced third generation reactors in the U.S

- Support for the EBRD for the Bohunice 1 (VVER-440 V-230) NPP demolition project in Slovakia in a consortium with Iberdrola Engineering and Indra.

- Support for EBRD on the dismantling of units 1-4 VVER-440 V230) at the Kozloduy nuclear power plant in Bulgaria, in a joint venture with Nuvia.

- Analysis of pipelines and supports, including fracture analysis and anti-whiplash protection for the Mochovice 3 NPP in the Czech Republic.

Infrastructures

The Infrastructure division of the company has been geared toward international markets for the last several years. Since the beginning of the financial crisis in Spain, no major investment plans have been forthcoming from governmental organizations. However, one niche with good prospects has been identified: the water treatment market, in which Tecnicas Reunidas has a great deal of expertise. Geographic regions such as Australia and the Middle East are targets for developing business in these types of projects.

The bulk of the revenue was generated by the second phase of the Southern Seawater desalination plant for the Water Corporation of Australia The rest of the projects were of more modest size and included activities such as airport and factory installations and desalination and water treatment plants for public institutions, all progressing satisfactorily.

2. Financial Indicators.

The Company had net sales of €1,489,000,000 in 2013, which represents a 2% increase over the year before, thanks to the projects already awarded years before that allowed the Company to resume its path to growth. Operating profits were €29 million, with after-tax profits of €83 million.

3. Research and development

Tecnicas Reunidas continues to make a significant effort in R&D, with average R&D expenditures rising more than 10% over the last five years. These investments demonstrate the clear and decisive bet by TR on R&D as a primary strategy for consolidating the technologies developed to date, and for developing new technologies in new fields based on existing organizational know-how, constituting a clear commitment to diversification.

In this regard, R&D spending in 2013 amounted to 3 million euros, in keeping with the Group's R&D investment policy. It is important to note that there was an additional investment of more than 1 million euros in the Technology Center to enhance the existing facilities and to create new laboratories and pilot plants.

In 2013, Tecnicas Reunidas took part in the following projects, acting within strategic consortia, both at a national and a European level:

- The Cenit TRAINER project, which involves the development of a new technology for the autonomous and intelligent regeneration of materials (TRAINER), in which the goal is the development of materials with self-repairing capabilities which counteract corrosion, with a budget of 1.46 million euros

- The Cenit LIQUION project, which researches ionic liquids for industrial applications, and in which TR is developing non-conventional metal extraction methods and power storage systems, with a budget of 2.73 million euros.

- The Cenit 2020 Offshore Wind Power project (AZIMUT), in which we are developing redox reaction battery-based power storage systems, with a budget of 2.17 million euros.

- The ITACA project, under the aegis of the Innpronta program, for which TR is developing new water treatment and evaluation of waste by-product technologies, with a budget of 2.7million euros.

- The European GREENLION Project, for which we are developing technology for the recycling of lithium-based batteries and in which TR has a budget of 0.63 million euros.

- The European CERAMPOL project, in which new generation membranes are being developed for the treatment of water, with a budget of 0.65 million euros.

- For the European RECLAIM project, TR is developing technologies for the reclamation of rare earth and other high value metals from solar panels, electronic waste and fluorescent bulbs. TR's budget for this project is 1 million euros.

- For the European DAPhNE project, TR is taking part in the development of industrial microwave ovens for application in high energy consumption industries. TR's budget for this project is 1.37 million euros.

- For the European NECOBAUT project TR is collaborating on the development of iron/air batteries for the automotive sector, with a budget of 0.6 million euros.

- For the European STEP project, TR is has a €0.2 million budget to participate in the development of a new microwave oven technology applied to the natural stone industry.

TR is constantly endeavouring to continually enhance its portfolio of proprietary know-how. Particularly noteworthy are its efforts to achieve the first industrial implementation of the PLINT solvent extraction (SX) process for reclaiming lead and silver at the Horsehead project in the U.S Progress continued on the conversion of the Skorpion zinc plant in Namibia, owned by Vedanta, in what will be the first time that the application of the ZINCEX™ process to other raw materials such as concentrated zinc sulphates.

4. Significant post-balance sheet events.

During the first months of 2014, the general conditions that characterized 2013 remained unchanged. The macroeconomic outlook is characterised by a renewed optimisms in the financial sector brought about by economic recovery in the Eurozone and a stable outlook for the US economy. From a sector-specific point of view, the feelings are mixed. Despite fundamental indicators being positive, the problems persist with the execution of certain projects by some competitors.

5. Acquisition of treasury stock.

There were no transactions with treasury stock in 2013.

6. Management of financial risks and use of financial instruments.

The principal financial risks and the procedures used to manage them are described in Note 3 of the enclosed report.

7. Other risk factors affecting the business.

Demand for the services of TECNICAS REUNIDAS is closely related to the level of investment in the gas and oil industry, which is not easy to predict.

- The future business success of TECNICAS REUNIDAS is contingent upon new contract being awarded.
- TECNICAS REUNIDAS depends on a relatively small number of contracts and clients, some of them located in the same country.
- TECNICAS REUNIDAS does part of its business abroad. This business is exposed to a certain degree of economic, social and political uncertainty. Unexpected, adverse changes in the countries where Técnicas Reunidas does business could result in its projects being paralysed, increased costs and potential losses.
- TECNICAS REUNIDAS depends on its key executive personnel.

- The success of associations, consortia, and joint ventures depends on our partners' complying with their respective obligations.
- A failure of information technology systems could have a negative impact on the business of TECNICAS REUNIDAS.
- TECNICAS REUNIDAS may be exposed to claims for the errors or omissions of its professionals.
- The warranty liability to clients could have a negative effect on Técnicas Reunidas's profits.
- TECNICAS REUNIDAS is not exempt from the risk of being involved in litigation.

8. Average number of employees by category.

Category	**2013**	**2012**
Directors	2	2
Senior management	23	24
Professionals and middle management	2,150	1,925
Semi-skilled workers	904	809
Sales staff	19	24
TOTAL	**3,098**	**2,782**

9. The environment.

Due to the nature of the Company's business, it has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant impact on its equity, financial situation or results.

Environmental protection is a priority for Técnicas Reunidas. Técnicas Reunidas was a finalist in the 2011/2012 "European Environmental Awards for Business", Spanish section, category B, Large Companies, Product and/or Service for Sustainable Development. These awards, which are given out every two years, publicly recognise the organizations that have contributed to the fulfilment of sustainable development principles and whose efforts are highlighted as an example to other companies. The project submitted for the award was titled "Ionic Liquid Technologies for Industrial Applications, which is a process for extracting metals using ionic liquids.

10. Capital structure, restrictions on the transferability of shares and significant shareholders

The share capital consists of 55,896,000 shares with a par value of 0.10 euro per share. All of the shares belong to the same class and therefore have the same rights and obligations. There are no restrictions on the transferability of the shares.

The significant shareholdings are shown below:

Company		Number of Shares	Percentage of Total
Araltec, S.L.	Direct	17,882,564	31.99%
Aragonesa de Promoción de Obras y Construcciones	Direct	2,848,383	5.10%
Causeway Capital Management LLC	Indirect	2,797,034	5%

11. Restrictions on voting rights.

Pursuant to article 16 of the Articles of Association, shareholders must possess at least 50 shares in order to attend General Meetings.

12. Shareholder agreements.

On 23 May 2006, under a contract signed by Aragonesas Promoción de Obras y Construcción, S.L., BBVA Elcano Empresarial I, SCR and BBVA Elcano Empresarial II, SCR, the following agreements were reached:

- A syndicated voting commitment on the part of the Company's governing bodies for the shares controlled by José Lladó Fernández Urrutia (Araltec, S.L. and Aragonesas Promoción de Obras y Construcciones, S.L.) and those in the possession of the companies BBVA Elcano Empresarial, SCR and BBVA Elcano Empresarial II, SCR, in order to ensure a majority of votes in favour of the companies controlled by José Lladó Fernández Urrutia.

- A commitment by the companies BBVA Elcano Empresarial I, SCR and BBVA Elcano Empresarial II, SCR to maintain their shareholding for a period of nearly 9 years. The agreement also establishes a calendar for the progressive and optional exclusion of the shares subject to the syndication and maintenance agreement between the years 2010 and 2015 and a preferential acquisition right in favour of José Lladó Fernández Urrutia.

13. Rules for the Appointment and Substitution of Members of the Board of Directors and Amendment of the Company's Articles of Association.

These rules relative to the Board of Directors are described in detail in the Annual Corporate Governance Report. The most relevant aspects are:

Articles 17 to 22 of the Rules of the Board of Directors regulate the appointment and removal of the directors of Técnicas Reunidas., stipulating that:

1. With the favourable report of the Appointments and Remuneration Committee, directors are appointed by the General Meeting or by the Board of Directors under the conditions stipulated in the Capital Companies Act.

2. The Board of Directors will make every effort to ensure that the Directors are persons of recognised solvency, competence and experience.

3. The Board of Directors may not propose or appoint anyone who holds an executive position in the Company or group of companies or who has family or professional ties to the executive directors, to other executive staff and/or to shareholders of the Company or its group of companies to fill the position of independent director.

4. The directors' term of office will be five (5) years, although they may be removed prior to that time by the General Meeting. At the end of their terms of office they may be re-elected for one or more terms of equal length.

5. Independent directors must step down after a term of 12 consecutive years after the time when the company's shares are first traded on the stock exchange.

6. Directors shall make their seats available to the Board of Directors and formally resign under the following circumstances:

- When they no longer occupy the executive posts associated with their appointment as directors.
- When they are affected by any of the situation of legal incompatibility or prohibition.
- When they receive a warning from the Board of Directors for having violated their obligations as directors.
- When their remaining on the Board could pose a risk to the Company's interests or when the reasons why they were appointed no longer exist (for example, when a nominee director disposes of it interest in the Company).

14. Powers of the Board of Directors, particularly those relative to the possibility of issuing or repurchasing shares.

According to the powers attributed to it under the Capital Companies Act, the Board of Directors is the ultimate decision-making body of the Company, with the exception of the matters specifically reserved for the General Meeting.

In addition, the Chairman is vested with all of the powers of the Board of Directors (except those listed in Article 25) and is considered the Company's highest executive under Article 28 of the Articles of Association.

With regard to the power to issue or repurchase shares, article 5 of the Rules of the Board of Directors stipulates that it is the Board's responsibility to:

- Execute the treasury stock policy as authorised to do so by the General Meeting.
- Approve the Company's general policies and strategies, including the treasury stock policy and its limits, in particular.
- Approve the company's most relevant operating decisions relative to investments and shareholdings in other companies, financial operations, hiring and employee remuneration.

15. Significant agreements signed by the Company which take effect, are modified or conclude if the control over the Company changes as a result of a takeover bid.

There are no agreements of this kind.

16. Agreements between the Company and its officers, executives or other employees who are entitled to receive an indemnity when they resign or are illegally dismissed or if the employment relationship comes to an end by reason of a takeover bid.

There are three such agreements with company executives which provide that in the event of illegal dismissal the indemnity would be determined in court and in the event of an objective dismissal, lay-off or any other decision by the company, the amount of the indemnity would be 4,781,000 euros.

17. Corporate Governance Report.

The Corporate Governance Report is an integral part of the Directors' Report.

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED PUBLIC LIMITED COMPANIES

ISSUER´S IDENTIFICATION DETAILS

FINANCIAL YEAR CLOSE DATE: 31/12/2013

C.I.F.: A - 28092583

COMPANY NAME

TÉCNICAS REUNIDAS, S.A.

REGISTERED OFFICE

ARAPILES, 14 MADRID

ANNUAL CORPORATE GOVERNANCE REPORT FORM FOR LISTED PUBLIC LIMITED COMPANIES

A - OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's share capital:

Date of last modification	Share capital (Euro)	Number of shares	Number of voting rights
30/05/2006	5,589,600.00	55,896,000	55,896,000

Indicate whether there are different types of shares with different associated rights:

NO

A.2 Give details of direct or indirect holders of significant stakes in your company at close of financial year, excluding members of the Board:

Name or corporate name of the shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
ARALTEC, S.L.	17,882,564	0	31.99%
ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.	2,848,383	0	5.10%
CAUSEWAY CAPITAL MANAGEMENT LLC	0	2,797,034	5.00%

Name or corporate name of the shareholder	Through: Personal or corporate name of the direct shareholder	Number of voting rights
CAUSEWAY CAPITAL MANAGEMENT LLC	Other shareholders of the entity	2,797,034

Indicate the most significant changes in the shareholding structure during the financial year:

A.3 Fill in the following tables on members of the company's Board of Directors who have company shares with voting rights:

Name or corporate name of the director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
MR. JOSE LLADO FERNANDEZ-URRUTIA	60,000	22,407,827	40.20%
MR. FERNANDO DE ASUÁ ÁLVAREZ	0	12,000	0.02%
MR PEDRO LUIS URIARTE SANTAMARINA	6,700	3,300	0.02%
MR DIEGO DEL ALCÁZAR Y SILVELA	1,129	4,000	0.01%

Personal or corporate name of the indirect shareholder	Through: Personal or corporate name of the direct shareholder	Number of direct voting rights
MR. JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	ARALTEC, S.L.	17,882,564
MR. JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	ARAGONESAS PROMOCION DE OBRAS Y CONSTRUCCIONES, S.L.	2,848,383
MR. JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	BILBAO VIZCAYA HOLDING, S.A.	573,668
MR. JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	BBVA ELCANO EMPRESARIAL II, SCR, S.A. DE RÉGIMEN SIMPLIFICADO	551,606
MR. JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	BBVA ELCANO EMPRESARIAL II, SCR, S.A. DE RÉGIMEN SIMPLIFICADO	551,606
MR. FERNANDO DE ASUÁ ALVAREZ	SUALFER INVERSIONES SICAV, S.A.	12,000
MR. PEDRO LUIS URIARTE SANTAMARINA	CASTILLO DEL POMAR, S.L.	3,300
MR. DIEGO DEL ALCAZAR Y SILVELA	DOÑA MARIA BENJUMEA CABEZA DE VACA	4,000

% of total voting rights held by the board of directors	40.25%

Fill in the following tables on the members of the company's Board of Directors who possesses rights over company shares:

A.4 Indicate, where applicable, any relations of a family, commercial, contractual or corporate nature that exist between the holders of significant stakes, to the extent that these are known by the company and unless they bear little relevance or derive from normal commercial trade or business:

A.5 Indicate, where applicable, any relations of a commercial, contractual or corporate nature that exist between the holders of significant stakes and the company and/or its group, unless these bear little relevance or derive from normal commercial trade or business:

A.6 Indicate whether the company has been informed of shareholders' agreements which affect it, in accordance with that established in the articles 530 and 531 of the Limited Companies Act (Ley de Sociedades de Capital).Where applicable, briefly describe them and list the shareholders bound by the agreement:

YES

Parties to the shareholders' agreement:

ARALTEC, S.L.

ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.

BBVA ELCANO EMPRESARIAL II, SCR, S.A. DE REGIMEN SIMPLIFICADO

BBVA ELCANO EMPRESARIAL, SCR, S.A DE REGIMEN SIMPLIFICADO

BILBAO VIZCAYA HOLDING; S.A.

% of share capital affected: 40.09%

Brief description of the agreement:

Within the framework of the company going onto the Stock Exchange, on 23 May 2006 certain shareholders subscribed a shareholders' contract for the purpose of syndicating the vote and commitment to remain which materialised in restrictions in the transmission of the company shares and a preferential acquisition right of the shares between the signatories of the contract. On 24th April 2009, Bilbao Vizcaya Holding, S.A. was partially subrogated to the obligations of BBVA Elcano Empresarial, S.C.R, S.A. and BBVA Elcano Empresarial II, S.C.R, S.A. under the above mentioned shareholders agreement, without any modification to its objects or the rights and obligations of the parties.

Indicate whether the company knows of the existence of joint actions among its shareholders. Where applicable, briefly describe them:

NO

If during the financial year there has been any modification or termination of these agreements or joint actions, provide details below:

A.7 Indicate whether there is any individual or legal entity who exercises or may exercise control over the company in accordance with article 4 of the Securities Market Act. If so, identify this person or entity:

NO

A.8 Fill in the following tables on the company's treasury shares:

At close of financial year:

Number of direct shares	Number of indirect shares (*)	% of total equity
2,154,324	0	3,85%

(*)Through:

Give details of any significant variations which took place during the financial year, in accordance with that set forth in Royal Decree 1362/2007:

A.9 Give details of the conditions and term of the current mandate from the Shareholders' Meeting to the Board of Directors to carry out acquisitions or transfers of treasury stock.

Agreement passed by the Ordinary General Shareholders' Meeting held on 25 June 2013:

(i) Authorization of the board of directors for the derivative acquisition of the company's treasury shares, directly or by way of companies controlled by it, subject to the following limits and requirements:

. Methods of acquisition: acquisition by purchase, by any other acts "intervivos" for consideration or any other method permitted by law

. Maximum number of shares to be acquired: the acquisitions may be carried out, at any time, up to the maximum figure permitted by law

. Minimum and maximum acquisition price: the minimum price of acquisition of the shares shall be equivalent to 75% of their quoted value, and the maximum price to 120% of their quoted value on the date of acquisition.

. Maximum volume of trading: the maximum daily volume of trading for the acquisition of treasury shares shall not exceed 25% of the average of the total volume of shares of Técnicas Reunidas S.A. traded in the last ten sessions:

. Duration of the authorization: five (5) years from the date of this resolution.

The rules on this matter contained in the Company Internal Rules of Conduct shall also be complied with in the carrying out of these operations.

(ii) Cancellation of the unused part of the authorization granted on this same matter at the General Meeting held on 26 June 2012.

(iii) Authorization of the board of directors to use the treasury shares acquired wholly or partially for the performance of remuneration programs consisting of or involving the delivery of shares or option rights over shares, in accordance with the provisions of section 1 a) of article 146 of the Companies Act.

A.10 Indicate, where applicable, any restrictions imposed by law or Company Bylaws on the exercise of voting rights, as well as any legal restrictions on the acquisition or transfer of shares in the equity. Indicate whether there are any legal restrictions on the exercise of voting rights:

YES

Description of the legal and statutory restrictions on exercise of voting rights.
The two first paragraphs of Article 16 of the Articles of Association, the literal tone of which are indicated below, links the attendance at the Shareholders General Meetings to holding 50 or more shares: All shareholders holding 50 or more shares, the title of which was inscribed in the corresponding accounting register five days before the date on which the General Meeting will be held and demonstrates this by presenting, in the company's registered office or in that of the entities that are indicated in the meeting notification, the corresponding legitimising certificate that indicates the number, class and series of the shares owned, along with the number of votes that can be exercised, may attend the General Meetings personally or may be represented by another person, although this person is not a shareholder. The representation will be governed by what is established in the Limited Companies Law. Holders of less than 50 shares may group together for the purposes of attending the General Meeting, granting their representation to one of them. This restriction also applies to the votes cast by media, as stated in Article 17 of the bylaws, fifth paragraph.

A.11 Indicate whether the General Shareholders' Meeting has agreed to adopt any measures intended to neutralize potential takeover bids, pursuant to the terms of Act 6/2007.

NO

If applicable, explain the approved measures and the terms under which the restrictions will become ineffective:

A.12 State whether the company has issued shares that do not trade on a regulated EU market.

NO

Where applicable, indicate the classes of shares and the rights and obligations associated with each type.

B. SHAREHOLDERS' MEETING

B.1 Indicate and, where applicable, provide details of differences between the required quorum for the General Shareholders' Meeting and the quorum system set forth in the Limited Companies Act

NO

B.2 State and, if appropriate, provide details of differences with the system established by the Limited Companies Act for adopting resolutions:

NO

Describe how they differ from the provisions envisaged in the Limited Companies Act.

B.3 Information on the rules for amending the company's by-laws. In particular, the majorities required to amend the by-laws and the rules in place to protect shareholders' rights when the by-laws are amended.

Article 20.c) of the Articles of the Association stipulates that it is the responsibility of the General Meeting to "Agree on the modification of these articles (...)". This is reinforced in Article 15 of the Board Regulations.
Shareholders' rights in relation to General Meetings are enumerated in the Limited Companies Act (LCA), which can currently be found in articles 14, 16 and 17 of the Articles of Association. These rights are described in further detail in the Board Regulations as follows:
Right to information.
Article 0 states that starting on the date on which the announcement of the General Meeting is published and up to and including the seventh day before the scheduled meeting date, shareholders may submit written requests to the Board of Directors for information or clarification of the agenda items or ask any questions they may have. Moreover, with the same prior advance and form, the shareholders may request information and clarifications or present questions in writing on the information available to the public that was supplied to the National Securities Market Committee (CNMV) since the last General Meeting was held.
The requests for information may be made in person at the Company's offices or posted to the Company's registered address or using other forms of electronic communications. Electronic documents will be admitted as requests for information when they incorporate the legally recognised electronic signature employed by the requester, or other

mechanisms that are deemed by the Board of Directors to provide adequate guarantees of authenticity and identity of the shareholder.
All shareholder requests must include the shareholder's full name and proof of the shares he/she owns, which will be checked against the list of shareholders and the number of shares in their names provided by Socieadd de Sistemas or Iberclear for the General Meeting in question. The shareholder is responsible for proving that the request was sent to the Company in a timely manner.
The Company's website will include detailed information on the procedure for shareholders to exercise their right to information.
The information requests regulated in this article will be answered once the identity and shareholders status of the requester have been verified, before the General Meeting.
Directors are obligated to provide the information in writing up until the meeting date, except in the following cases:
(i) publicising the requested data could, in the Chairman's opinion, be harmful to the Company's interests;
(ii) the request for information or clarification does not refer to any agenda item of information that is available to the public that was reported by the Company to the Comisión Nacional del Mercado de Valores (CNMV) since the last General Meeting or information on the auditor's opinion;
(ii) the information or clarification requested could be considered as abusive, or
(iv) has been classified as such by legal or regulatory provisions or case law.
However, the exception indicated in (i) above will not apply when the request is supported by shareholders representing at least twenty-five percent of the share capital. The Board may authorise any of its members, the Chairman of its committees of the Secretary to respond to shareholders' requests for information for and on behalf of the Board.
The means to send the information requested by the shareholders will be the same as that through which the corresponding request was sent, unless the shareholder indicates a different means from among those declared as suitable. The directors may provide the requested information via certified letter with acknowledgement of receipt or by burofax. The Company may include on its website information on the responses provided to shareholders in response to their questions.
The right to representation
Article 12 establishes that, notwithstanding the ability of legal entity shareholders to attend the meeting through their authorised representatives, any shareholder who is entitled to attend the General Meeting may be represented by a proxy, who may or may not be a shareholder. Additionally, shareholders with less than fifty shares may group together for the purposes of exercising their right of attendance and vote in the General Meeting by conferring their representation on one of them. An individual proxy must be executed for each General Meeting, either in writing or using the distance communication methods specifically allowed by the governing body in the meeting announcement, provided that all requirements set forth in the meeting announcement are met and the identity of both the principal and the proxy can be duly verified. The same rule applies for proxies granted remotely.
Remote voting rights. Article 24 establishes the right of shareholders who are entitled to attend the meeting and who own at least 50 shares or who have grouped together with others so that together they possess more than 50 shares to vote remotely, by post or using other electronic means of communication, authorising the Board of Directors to develop the provisions of the article with adequate means and procedures in line with the state of the technology to allow votes to be cast and proxies to be issued electronically in compliance with the applicable laws and terms of the Articles of Association and the Board Regulations. Nevertheless, it is noted that as of today no method has been developed for proxies to be issued electronically.

B.4 Indicate the attendance for the shareholders' meetings held in the year of this report and the year before:

	Attendance				
			% of distance voting		
Date of shareholders' meeting:	% of in-person attendance	% of proxy representation	Electronic voting	Other	Total
25.06.2013	0.15%	67.73%	0.00%	0.00%	67.88%

B.5 State whether or not there is any by-law restriction establishing a minimum number of shares required to attend the General Meeting.

YES

Number of shares required to attend the Shareholders' Meeting	50

B.6 Indicate whether certain decisions that involved a structural modification (creation of subsidiaries, purchase and sale of essential operating assets, operations that are tantamount to the liquidation of the company that must be approved by the General Meeting of Shareholders even though it is not required by law.

NO

B.7 Give the address of the corporate website where the corporate governance material and other information about the general meetings that must be made available to the shareholders can be found and how it can be accessed.

The Company's website address is: www.tecnicasreunidas.es. To access the corporate governance content available on the site, click on the tab titled "Shareholder and Investor Information" and then the "Corporate Governance" tab. Information on the general meetings can also be found here.

C - STRUCTURE OF THE COMPANY ADMINISTRATION

C.1 Board of Directors

C.1.1 Indicate the maximum and minimum number of directors stipulated in the Company Bylaws:

Maximum number of directors	12
Minimum number of directors	7

C.1.2 Complete the following table with the members of the Board of Directors:

Name or corporate name of the member	Representative	Seat on the board	Date of first appointment	Date of last appointment	Election procedure
MR. JOSÉ LLADO FERNÁNDEZ-URRUTIA	--	CHAIRMAN	10/05/2006	22/06/2011	VOTING IN SHAREHOLDERS' MEETING
MR. JUAN LLADÓ ARBURUA	--	VICE-CHAIRMAN	10/05/2006	22/06/2011	VOTING IN SHAREHOLDERS' MEETING
MR. FERNANDO DE ASÚA ALVAREZ	--	VICE-CHAIRMAN	10/05/2006	22/06/2011	VOTING IN SHAREHOLDERS' MEETING
MR. JUAN MIGUEL ANTOÑANZAS PÉREZ- EGEA	--	VICE-CHAIRMAN	10/05/2006	22/06/2011	VOTING IN SHAREHOLDERS' MEETING
MR. JOSÉ MANUEL LLADÓ ARBURÚA	--	MEMBER	10/05/2006	22/06/2011	VOTING IN SHAREHOLDERS' MEETING
MR. ALVARO GARCIA- AGULLO LLADO	--	MEMBER	10/05/2006	22/06/2011	VOTING IN SHAREHOLDERS' MEETING
MR. ANTONIO HOYOS GONZÁLEZ	--	MEMBER	10/05/2006	22/06/2011	VOTING IN SHAREHOLDERS' MEETING
MR. FRANCISCO JAVIER GÓMEZ-NAVARRO NAVARRETE	--	MEMBER	10/05/2006	22/06/2011	VOTING IN SHAREHOLDERS' MEETING
MR. JAVIER ALARCO CANOSA	--	MEMBER	26/06/2007	22/06/2012	VOTING IN SHAREHOLDERS' MEETING
MR. DIEGO DEL ALCÁZAR Y SILVELA	--	MEMBER	25/03/2010	22/06/2011	VOTING IN SHAREHOLDERS' MEETING

MR. PEDRO LUIS URIARTE SANTAMARINA	--	MEMBER	22/06/2011	22/06/2011	VOTING IN SHAREHOLDERS' MEETING
MR. WILLIAM BLAINE RICHARDSON	--	MEMBER	22/06/2011	22/06/2011	VOTING IN SHAREHOLDERS' MEETING

Total number of Board members	12

Indicate any members who left the Board of Directors during the period:

C.1.3 Fill in the following tables on the different types of members of the board:

EXECUTIVE DIRECTORS

Name or corporate name of the director	Committee that proposed the appointment	Position within the company structure
MR. JOSE LLADO FERNANDEZ-URRUTIA	APPOINTMENTS AND REMUNERATION COMMITTEE	CHAIRMAN
MR. JUAN LLADO ARBURUA	APPOINTMENTS AND REMUNERATION COMMITTEE	1ST VICE-CHAIRMAN

Total number of executive directors	2
% of total Board of Directors	16.67%

EXTERNAL DIRECTORS REPRESENTING SIGNIFICANT SHAREHOLDERS

Name or corporate name of the director	Committee that proposed the appointment	Personal or corporate name of the shareholder being represented or that proposed the appointment
MR. ÁLVARO GARCÍA-AGULLÓ LLADÓ	APPOINTMENTS AND REMUNERATION COMMITTEE	ARALTEC, S.L.
MR. JOSÉ MANUEL LLADÓ ARBURÚA	APPOINTMENTS AND REMUNERATION COMMITTEE	ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.

Total number of directors representing significant shareholders	2

% of total Board of Directors	16.67%

INDEPENDENT EXTERNAL BOARD MEMBERS

Name or denomination of the director

MR. JUAN MIGUEL ANTOÑANZAS PEREZ-EGEA

Profile

Doctorate in Industrial Engineering. Worked in Barreiros - Chrysler for 10 years, as Managing Director of Manufacture and Assembly. Also worked five years in ITT as Operations Director for Spain, CEO of Marconi Española and Vice-Chairman of ITT España. Director of Planning and President of Instituto Nacional de Industria 1973-1976. Chairman of Seat 1977-1984. Chairman of Uralita 1998-2002.

Name or denomination of the director

MR. FERNANDO DE ASUA ALVAREZ

Profile

Economist and Computer Specialist from the Universidad Complutense de Madrid and graduate in Business Administration and Mathematics from the University of California (USA). His professional experience is centred on a long professional career in IBM and IBM España between 1959 and 1991, Managing Director of South America Area and later Europe, CEO of IBM España and Director of IBM World Trade Corp. Vice-Chairman of Grupo Banco Santander from 2004.

Name or denomination of the director

MR. PEDRO LUIS URIARTE SANTAMARINA

Profile

Graduate in Economics and Law of the Universidad Comercial de Deusto of Bilbao. 46 years of experience in industry (9 years), finance (23), strategic consultancy (10) and public administration (4) in addition to 7 years university teaching in parallel to this. In banking he was CEO (1984) and vice-chairman (1997) of BBV. After the merger of this bank with Argentaria (1999) he was appointed CEO and vice-chairman of BBVA until he took early retirement in 2001. From 1997 to 2002 he was also vice chairman of the board of directors of Telefónica S.A. Among other professional activities he is currently president of Economía, Empresa, Estrategia S.A.

Name or denomination of the director

MR. ANTONIO DE HOYOS GONZALEZ

Profile

State Lawyer. General Secretary of Enagas, of the Instituto Nacional de Hidrocarburos, of Banco Hispano Americano and of Banco Central Hispano. Also held the post of Managing Director of Campsa and of Banco Santander Central Hispano.

Name or denomination of the director

MR. FRANCISCO JAVIER GOMEZ-NAVARRO NAVARRETE

Profile

Industrial Engineer Specialised in Chemistry. Held many executive positions in Editorial Tania (1979-1983), Feria Internacional de Turismo (1980-1983), Viajes Marsans (1982-1985). State Sports Secretariat (1987-1993) and the Ministry of Commerce and Tourism (1993-1996). President of MBD.

Name or denomination of the director

MR. DIEGO DEL ALCÁZAR Y SILVELA

Profile

Studied law, political science and business administration at the Complutense University of Madrid and the Sorbonne. Worked at Banco de Levante. Chairman and founder of the IE Business School, one of the top 10 business schools in the world according to the Financial Times and Business Week.

Chairman of the Business Institute Foundation. Chairman of the Board of Directors of ONO, S.L., Fuentes de Mondariz, S.A., Thomil, S.A., Chnocolates Eureka, S.A. and Director of the Zubiri. Vice-chairman of the Foundation for the Support of Hispanic Art.

Name or denomination of the director

MR. JAVIER ALARCó CANOSA

Profile

Degree in Business and Economics from the Complutense University in Madrid and MBA from I.E.S.E. During his professional career has been the Director of Capital Markets and Cash for Banco de Negocios Argentaria in Madrid, Managing Director of Fixed Income and Origination and Execution and Syndications for Banco de Negocios Argentaria , and Deputy Managing Director and Manager of Capital markets for BBVA. In 2005, was named named Director of Global Banking and Investments by BBVA and in 2007 was named Director of Business and Real Estate Projects by BBVA.

Total number of independent members	**7**
% of total Board of Directors	58.33%

State whether any independent director receives from the Company or its group any payment or benefit for anything other than director compensation or whether that director maintains or has maintained in the last year a business relationship with the Company or any member of its group, whether in his own name or as a significant shareholder, director or officer of a company that maintains or has maintained such a relationship.

Mr. de Asúa is an independent director of Banco Santander

If so, provide an explanation from the Board giving the reasons why it believes the director should be classified as independent.

OTHER EXTERNAL DIRECTORS

NAME OF THE EXTERNAL DIRECTORS	ELECTION PROPOSED BY
MR WILLIAM BLAINE RICHARDSON	APPOINTMENTS AND REMUNERATION COMMITEE

TOTAL NUMBER OF OTHER EXTERNAL DIRECTORS	1
% of total Board of Directors	8.33%

Explain the reasons why they cannot be considered independent or representing significant shareholders and their connections with the company, its directors or its shareholders.

Name or denomination of the director

MR WILLIAM BLAINE RICHARDSON

Reasons

MR. Richardson has a contract with the company.

Indicate the variations, if applicable, produced during the period by type of director:

C.1.4 Complete the following table on the number of female directors during the last four years and the types of female directors:

	Number of female directors				% of total directors in each category			
	Fina ncial year 2013	Financi al year 2012	Financi al year 2011	Financi al year 2010	Financial year 2013	Financial year 2012	Financial year 2011	Financial year 2010
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Other external	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total	0	0	0	0	0.00%	0.00%	0.00%	0.00%

C.1.5 Explain any measures implemented to include the right number of women directors on the board to achieve an even balance of women and men directors.

Explanation of measures

The process of filling board vacancies has no implicit bias against women candidates.

C.1.6 Explain any measures implemented by the Appointments Committee to ensure that selection procedures to fill vacancies is not biased in such a way as to raise obstacles for the selection of women which the Company deliberately seeks to include, and does include among potential candidates women that meet the target professional profile:

Explanation of measures

In 2013 it was not necessary to undertaken any selection process to fill Board vacancies. When there is such a need, the Appointments Committee takes the necessary steps to guard against implicit bias. It was not necessary to change the composition of the Board in fiscal year 2013, as all members continued to perform the tasks entrusted to them.

In the event that there are few or no women Directors, explain the reasons and the initiatives taken to correct this situation

C.1.7 Explain how significant shareholders are represented on the Board.

The significant shareholders are represented on the Board through five directors who account for all of executive and external proprietary directors.

C.1.8 Explain, where applicable, the reasons why directors representing significant shareholders have been appointed at the request of shareholders whose stake amounts to less than 5% in the share capital.

Name or denomination of the director

BBVA ELCANO EMPRESARIAL, SCR, S.A. DE RÉGIMEN SIMPLIFICADO

Reasons:

As of December 31, 2013 the companies BBVA Elcano Empresarial, S.C.R, de Régimen Simplificado, S.A., BBVA Elcano Empresarial II, S.C.R, de Régimen Simplificado, S.A. and Bilbao Vizcaya Holding, S.A. had an aggregate interest in the share capital of Técnicas Reunidas amounting to 3.00% (individually, 0.99%, 0.99% and 1.02%). According to the shareholders agreement mentioned in paragraph A.6 these companies has the right to elect a member of the Board jointly.

Indicate any failure to address formal requests for presence on the Board of Directors made by shareholders whose stake is equal to or higher than that of others at whose request directors have been appointed. Where applicable, explain the reasons why the request was not addressed.

NO

C.1.9 Indicate whether any director has left the post before the end of his/her term of office, whether they have explained their reasons to the Board and by which means and, if this was made in writing to the entire Board, explain at least the reasons given:

NO

C.1.10 Indicate, if applicable, the powers vested in any Chief Executive Officers:

Name or denomination of the director

DON JOSÉ LLADÓ FERNANDEZ-URRUTIA

Brief description

In line with Articles 28 of the Articles of Association, the President will possess all the powers of the Board of Directors except those assigned in Article 25 referring to the election of the President and the Vice-Presidents. In line with Article 28 of the Articles of Association the powers delegated to the President may be delegated to third parties.

Likewise, the President will be considered as the highest executive in the company, with the attributes required exercising this authority, and will, in addition to other items assigned in the Statutes, be responsible for the following functions:

a) To ensure compliance with the Articles in their entirety and that the agreements of the General Meeting and of the Board of Directors are executed faithfully.

b) Perform a high level inspection of the Company and of all its services.

C.1.11 Identify, where applicable, any Board members who occupy administrative or executive posts in other companies which belong to the same business group as the listed company:

Name or corporate name of the member	Company name of the group entity	Position
MR. JOSE LLADO FERNANDEZ-URRUTIA	TECNICAS REUNIDAS INTERNACIONAL. S.A.	CHAIRMAN
MR. JUAN LLADO ARBURUA	ESPANOLA DE INVESTIGACION Y DESARROLLO. S.A.	VICE-CHAIRMAN
MR. JUAN LLADO ARBURUA	EUROCONTROL. S.A.	MEMBER
MR. JUAN LLADO ARBURUA	TECNICAS REUNIDAS INTERNACIONAL. S.A.	1st VICE-CHAIRMAN
MR. JUAN LLADO ARBURUA	EMPRESARIOS AGRUPADOS INTERNACIONAL. S.A.	MEMBER
MR. JUAN LLADO ARBURUA	TECNICAS REUNIDAS PROYECTOS INTERNACIONALES. S.A.	SOLE ADMINISTRATOR
MR. JUAN LLADO ARBURUA	INITEC INFRAESTRUCTURAS. S.A.U.	MEMBER
MR. JUAN LLADO ARBURUA	INITEC PLANTAS INDUSTRIALES. S.A.U.	MEMBER
MR. JUAN LLADO ARBURUA	EMPRESARIOS AGRUPADOS. A.I.E.	MEMBER OF COMMISSION

C.1.12 Give details, where applicable, of any company Board members who also sit on the Boards of other entities that do not belong to the Group and which are listed on official securities markets in Spain, insofar as these are known by the Company:

Personal or corporate name of the member	Corporate name of the listed entity	Position
MR. FERNANDO DE ASUA ALVAREZ	BANCO SANTANDER. S.A.	1st VICE-CHAIRMAN

C.1.13 Indicate whether the company has established rules on the number of Boards on which its own Board members may sit. If so, explain:

NO

C.1.14 In relation to recommendation number 8 of the Unified Code, indicate the company's general strategies and policies which must be approved by plenary session of the Board of Directors:

Investment and financing policy	YES
Definition of the structure of the group of companies	YES
Corporate governance policy	YES
Corporate social responsibility policy	YES
Strategic or business plan, as well as the annual budget and management objectives	YES
Policy of Remuneration and assessing the performance of senior executives	YES
Risk control and management policy, as well as the periodic monitoring of internal information and control systems	YES
Dividends and treasury shares policy and, in particular, limits thereto	YES

C.1.15 Fill in the following tables on the aggregate remuneration of Board members accrued during the financial year:

Board of Directors Compensation (thousand euro)	2,680
Total compensation for directors' vested pension rights (thousand euro)	0
Total Board of Directors compensation (thousand euro)	2,680

C.1.16 Identify any senior management members that are not in turn executive directors, and indicate the total remuneration payable thereto during the financial year:

Name or corporate name of the member	Position
MR. ENRIQUE RUBEN ALSINA MASSANA	GENERAL DIRECTOR OF CORPORATE DEVELOPMENT
MRS. LAURA BRAVO RAMASCO	SECRETARY OF THE BOARD OF DIRECTORS
MR. ARTHUR W. CROSSLEY SANZ	ASST GENERAL DIRECTOR OF UPSTREAM & GAS
MR. EMILIO GOMEZ ACEVEDO	LEGAL ADVICE DIRECTOR
MR. JOSE MARIA GONZALEZ VELAYOS	INTERNAL AUDITOR
MR. JOSE LUIS GUTIERREZ REXACH	HEAD OF UPSTREAM & GAS DIVISION
MR. CARLOS MARTIN BURILLO	GENERAL DIRECTOR RESPONSIBLE FOR UPSTREAM & GAS
MR. FRANCISCO MARTINEZ-BORDIU DE CUBAS	HUMAN RESOURCES DIRECTOR
MR. MIGUEL PARADINAS MARQUEZ	ASST. MANAGING DIR.
MR. FELIPE REVENGA LOPEZ	GENERAL DIRECTOR OF OPERATIONS
MR. EDUARDO SAN MIGUEL GONZALEZ DE HEREDIA	CHIEF FINANCIAL OFFICER

MS. ANA SANCHEZ HERNANDEZ	PURCHASING DIRECTOR
MR. CESAR SUAREZ LEOZ	DIRECTOR ENERGY GENERATION DIVISION

Total senior management remuneration (in thousand Euro)	4,492

C.1.17 Indicate, if applicable, the identity of the Board members who are also members of the Board of Directors, executives or employees of companies that hold significant shareholdings in the listed company and/or in entities belonging to its Group:

Name or corporate name of the director	Corporate name of the significant shareholder	Position
MR. JOSE LLADO FERNANDEZ-URRUTIA	ARAGONESAS PROMOCION DE OBRAS Y CONSTRUCCIONES, S.L.	DIRECTOR
MR. JOSE LLADO FERNANDEZ-URRUTIA	ARALTEC, S.L.	DIRECTOR

Give details, if applicable, of any relevant relations other than those contemplated in the previous section, between members of the Board of Directors and significant shareholders and/or Group entities:

Name or corporate name of the Board member

MR. JOSE LLADO FERNANDEZ-URRUTIA

Name or corporate name of the significant shareholder

ARALTEC, S.L.

Description of the relationship

MR. JOSE LLADO FERNANDEZ-URRUTIA IS DIRECT OWNER OF 93.18% OF THE SHARE CAPITAL

Name or corporate name of the Board member

MR. JOSE LLADO FERNANDEZ-URRUTIA

Name or corporate name of the significant shareholder

ARGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.

Description of the relationship

MR. JOSE LLADO FERNANDEZ-URRUTIA IS INDIRECT OWNER OF 75.75% OF THE SHARE CAPITAL

Name or corporate name of the Board member

MR. JUAN LLADO ARBURUA

Name or corporate name of the significant shareholder

ARALTEC, S.L.

Description of the relationship

MR. JUAN LLADO ARBURUA IS DIRECT OWNER OF 1.36% OF THE SHARE CAPITAL OF ARALTEC, S.L.

Name or corporate name of the Board member

MR. JUAN LLADO ARBURUA

Name or corporate name of the significant shareholder

ARGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.

Description of the relationship

MR. JUAN LLADO ARBURUA IS DIRECT 4.85% OWNER OF ARGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.

Personal or corporate name of the Board member

MR. JOSE MANUEL LLADO ARBURUA

Personal or corporate name of the significant shareholder

ARALTEC, S.L.

Description of the relationship

MR. JOSE MANUEL LLADO ARBURUA IS DIRECT OWNER OF 1.36% OF ARALTEC, S.L.

Personal or corporate name of the Board member

MR. JOSE MANUEL LLADO ARBURUA

Personal or corporate name of the significant shareholder

ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.

Description of the relationship

MR. JOSE MANUEL LLADO ARBURUA IS INDIRECT OWNER OF 4.85% OF ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.

C.1.18 Indicate whether any amendments were made to the Board Regulations during the financial year:

NO

C.1.19 Indicate the procedures for the appointment, reappointment, evaluation and cessation of Board members. Give details of the competent bodies, the processes to be followed and the criteria used in each of the procedures.

Nomination:

Article 17 of the Board of Directors Regulations establishes the following:

Article 17.- Nomination of Directors

The Directors will be designated, after receiving a report from the Appointments and Remuneration Committee, by the General Meeting or the Board of Directors in line with the content of the Limited Companies Law.

Independently of the above, the appointment of directors that are independent will be done at the proposal of the Appointments and Remuneration Committee.

Additionally, Article 18 of the Board of Directors Regulations establishes the following:

Article18.- Designation of external directors.

1.The Board of Directors will procure that the election of candidates is from persons with recognised solvency, competence and experience, and should exercise due rigour in relation to those calls to cover the posts of independent directors foreseen in the article of this Regulation.

2.The Board of Directors may not propose or designate to cover a post as independent director persons that hold any executive position in the Company or its group or that are linked through family and/or professional ties with the executive directors, with other upper management positions and/or with shareholders of the Company or its group.

Re-election:

Article 19 of the Board of Directors Regulations establishes the following:

Article 19.- Re-election of Directors

The Board of Directors, before proposing the re-election of Directors to the General Meeting, will evaluate, with the abstention of the persons affected, as foreseen in Article 22.1 of its own regulation, the quality of work and the dedication to the position of the Directors proposed, during the preceding mandate.

Article 5.1 of the Board of Directors Regulations establishes the following:

Except for the matters reserved to the powers of the General Shareholders Meeting (henceforth GSM), the Board of Directors is the highest decision making body in the Company, its powers being the functions attributed to it by the Limited Liability Companies Act and, specifically, the following:

[…]

periodic evaluation of the quality and efficiency of the Board, the Commissions and their Presidents, subsequent to the report issued by the Appointment and Compensation Commission or, as the case may be, the Audit Committee

[…]

Removal:

Article 20 of the Board of Directors Regulations establishes the following:

Article 20.- Duration of the position

1. Directors will exercise their position for a period of five (5) years, without prejudice to the possibility that they may be dismissed before that by the General Meeting. Upon termination of their mandate they may be re-elected one or more times for periods of the same duration.

2. The appointment of administrators expires when, having completed the mandate, the following General Meeting has been held or the legal time limit has passed for holding the meeting which must decide on the approval of the previous year's accounts.

3. The directors designated by co-option should be ratified on the date of the first General Meeting that follows.

4. A director who terminates his mandate or for any other reason ceases to exercise his position cannot be director or occupy management positions in any other entity that has a similar social objective to that of the Company for a period of two (2) years.

The Board of Directors, if it considers it opportune, may dispense the director leaving the company of this obligation or shorten the duration period.

Article 22.4 of the Articles of Association establishes the following:

Article 22.4. - Requisites, duration and re-election of Directors. Remuneration.

The Directors will exercise their position during a period of five years, except when they are removed by the Shareholders General Meeting. They may be re-elected one or more times for periods of equal duration. The appointment of Directors will be subject to the content of Articles 212 and following of the Companies Act.

In addition, Article 21 of the Board of Directors Regulations establishes the following:

Article 21.- Dismissal of the directors

1. Directors will cease in their position when the period for which they were elected has passed and when the General Meeting decides this in use of the attributes that it legally and statutorily is conferred. In the case of independent directors, when they have held the position for an uninterrupted period of 12 years, from the time that the Company shares were admitted for quotation in the Securities Market.

2. The directors should put their position at the disposal of the Board of Directors and formalise, if this body thinks it opportune, the corresponding resignation in the following cases:

a)When they cease in the executive position that was associated with their appointment as director.

b)When they have incurred in any of the incompatible or prohibited situations legally foreseen.

c)When they have been seriously reprimanded by the Board of Directors for having infringed their obligations as directors.

d)When their continuance of the Board could place the interests of the Company at risk or when a supplementary director ceases to have holdings in the Company.

3. The directors will immediately inform the Board of any penal actions in which they appear as the accused, and on the posterior legal vicissitudes. As soon as they are charged or an oral judgement process begins for any of the offences stated in Article 213 of the Companies Act, the Board will of necessity examine the case and, in view of the concrete circumstances and of the potential effect on the credit and reputation of the company, decide to proceed or not in having the director resign.

C.1.20 State whether the Board of Directors has evaluated its own performance during the year

YES

Where applicable, explain to what extent the self-evaluation resulted in significant changes to the internal organisation of the Board and its procedures:

Description of modifications

No changes were made to the Board's internal organisation or procedures since the self-evaluation showed that the composition, internal organisation, operation and frequency of meetings were all appropriate.

C.1.21 Indicate the cases in which Board members are obliged to resign.

In line with Article 21.2 of the Board of Directors Regulations, the directors should place their position at the disposal of the Board and formalise, if the Board deems convenient, the corresponding resignation in the following cases:

a) When they cease in the executive position that was associated with their appointment as a director;

b) When they incur in any of the incompatible or prohibited situation legally foreseen;

c) When they have been seriously reprimanded by the Board of Directors for having infringed their obligations as directors;

d) When their continuance of the Board could place the interests of the Company at risk or when the reason for which they were nominated disappear (for example, when a supplementary director disposes of his holdings in the Company).

Additionally, Article 24 of the Articles of Association established that all directors will cease in their position because of the expiry of the period for which they were elected, as well as through death, resignation, incapacity or removal agreed by the General Meeting.

C.1.22 Explain whether the function of Chief Executive of the company falls upon the Chairman of the Board of Directors. If applicable, indicate the measures that have been taken to limit the risks of accumulation of powers in one sole person:

YES

Measures to limit risks
The list of the faculties that correspond to the Board of Directors, the Audit Committee and the Appointments and Remuneration Committee in line with Articles 5, 13 and 14 of the Board of Directors Regulations, are measures designed to limit the risk of accumulation of power in one single person. Likewise, the President and the chief executive of the Company exercise their responsibilities assisted by the First Vice-Chairman. In particular article 5, section 3, of the Board of Directors Regulations states that those faculties legally or institutionally reserved for the direct knowledge of the Board cannot be delegated, nor can those that are considered in the Statutes as not delegable, nor others required for the responsible exercise of the general supervision function.

Indicate and, where applicable, explain whether rules have been established that empower one of the independent Board members to request that a meeting of the Board be convened or that new items be added to the agenda, the aim being to coordinate and echo the concerns of the external directors and for evaluation by the Board of Directors

YES

Explanation of the rules
As is established in Article 9 of the Board of Directors Regulations, the Board of Directors should of necessity designate one or more Vice-chairmen from among its members, of whom at least one should be of an independent. The normal faculty of convoking the Board of Directors corresponds to the Chairman, of setting up the agenda for the meetings and of directing the discussions. The Chairman, however, in line with Article 8 of the Board of Directors Regulations, must convoke the Board of Directors and include in the agenda the points to be addressed when three directors or the independent Vice-Chairmen so request. The First Vice-Chairman may, as established in Article 9 of the Board of Directors Regulations, convoke the Board of Directors when, three directors have requested the Chairman, and their request was not attended within a week. An equal faculty corresponds to the Second Vice-Chairman when the First Vice-Chairman does not convoke the Board of Directors in the previous mentioned terms. Likewise, Article 19 of the Board of Directors Regulations empowers the Board of Directors to evaluate the work quality and dedication of the Directors, before proposing their re-election.

C.1.23 Are reinforced majorities, different to the legal ones, required in any type of decision?

NO

If it is required indicate the differences

C.1.24 Explain whether there are specific requirements, different from those relating to Board members, in order to be appointed Chairman.

NO

C.1.25 Indicate whether the Chairman has a casting vote:

YES

Matters on which there is a casting vote
The casting vote of the President will be effective when a tie exists in any voting, as is established under Article 26 2nd paragraph of the Articles of Association and Article 16.3 of the Board of Directors Regulations.

C.1.26 Indicate whether the Bylaws or the Board Regulations establish any limit on the age of directors:

NO

C.1.27 Indicate whether the Bylaws or the Board Regulations establish a limited term of office for independent directors, other than that set out in the regulations:

NO

C.1.28 Indicate whether there are formal processes in place for votes on the Board of Directors to be delegated. Where applicable, briefly describe them.

Article 16 of the Board of Directors Regulations states that the directors will do everything possible to attend the Board meetings and, when they cannot do so personally, will grant their representation in writing and as a special situation for each session to another member of the Board including the opportune instructions and will communicate this to the President of the Board of Directors.

Finally, Article 26 of the Articles of Association establishes that any director may authorise another director to represent him.

C.1.29 Indicate the number of meetings of the Board of Directors held during the financial year. Likewise indicate, where applicable, the number of times the Board met without the Chairman being present:

Number of Board meetings	**7**
Number of Board meetings without the attendance of the chairman	**0**

Indicate the number of meetings held by the different Board Committees during the financial year:

Number of meetings of the Audit Committee	8
Number of meetings of the Appointments and Remuneration Committee	4

C.1.30 Indicate the number of Board meetings held during the year with the attendance of all its members. Proxies granted with specific instructions for the meeting will be considered attendances:

Number of attendances of directors during the financial year	7
% attendance over the total votes during the financial year	100%

C.1.31 Indicate whether the stand-alone and consolidated annual accounts presented to the Board for approval are previously certified:

YES

Identify, where applicable, the people who certified the company's individual and consolidated accounts for approval by the Board:

Name	Position
MR EDUARDO SAN MIGUEL GONZALEZ DE HEREDIA	Chief Financial Officer

C.1.32 Explain any mechanisms established by the Board of Directors to prevent the individual and consolidated accounts prepared by it from being presented at the General Shareholders' Meeting with qualifications in the audit report.

Article 39.3 of the Board of Directors Regulations establishes that the Board will procure the definite preparation of the Accounts so that there are no reasons for provisos by the Auditor. However, when the Board believes that it should maintain its criteria, it will publicly explain the content and scope of the discrepancy.

Likewise, the Audit Committee will meet, ordinarily quarterly, to review the regular financial information that has to be submitted to the securities exchange authorities, along with the financial information that the Board of Directors has to approve and include in its annual public documentation.

Finally, article 13.2 of the Board of Directors Regulations instructs to Audit Committee the following functions:

- To revise the Company accounts, monitor compliance with the legal requirements and the correct application of accounting principles, counting for this upon the direct collaboration of the external and internal auditors.

- To know and supervise the process of preparation and the integrity of financial information related to the Company and, as necessary, the group, revising the compliance to the requisites of the norms and the correct application of the accounting criteria; to know and supervise the Company's internal control systems, to check the suitability and integrity of these; and to revise the designation or substitution of those responsible for these.

- Periodically supervise the efficiency of internal control systems and risk management systems, so that the major risks are identified, managed and made adequately known, as well as discussing with the financial auditors or, as the case may be, the experts designated for that purpose, the major weaknesses of the internal control system as revealed by the audit process.

- To revise the regular financial information that should be supplied by the Board of Directors to the markets and its supervision bodies, assuring that the intermediate accounts are prepared with the same accounting criteria as the annual accounts.

C.1.33. Is the secretary of the Board also a director?

NO

C.1.34 Explain the procedures for the appointment and cessation of the Secretary to the Board, indicating whether they are proposed by the Appointments Committee and approved by plenary session of the Board.

Appointment and Cessation Procedure
Article 5 of the Board Regulation attributes as a function of the Board the designation and renovation of the internal positions of the Board of Directors and of the members of the Committees. Likewise, Article 10.1 of the Board Regulation states that the Board of Directors will elect a Secretary whose appointment will correspond to a person, who may or may not be a director, with the aptitudes to undertake the functions that correspond to the position. When the Secretary of the Board is not a director, he will have voice but not a vote.

Does the Appointments Committee communicate appointments?	**YES**
Does the Appointments Committee communicate cessations?	**YES**
Does the plenary session of the Board approve appointments?	**YES**
Does the plenary session of the Board approve cessations?	**YES**

Does the Secretary to the Board have special responsibility for ensuring that the recommendations of good governance are followed?

YES

Observation
Article 10.3 of the Board Regulation: The Secretary shall ensure the formal and material legality of the Board's actions, regularly check their statutory compliance with the rules made by regulatory bodies and ensure compliance with corporate governance standards of the Company and the regulation of the Board.

C.1.35 Indicate, if applicable, the mechanisms, established by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

Article 39 of the Board Regulation establishes that the Audit Committee will abstain from proposing to the Board of Directors, and this in turn will abstain for submitting to the General Meeting, the appointment as auditor of the Company's accounts any firm of auditors that is a situation of incompatibility as reflected in the Legislation on audits as well as those firms where the fees to be paid by the Company, in all concepts, are 5% higher than their total income during the last year.

The Audit Committee is, therefore, in charge of the relationship with the Company's external auditors, receiving information on matters that might put the independence of these at risk and on any other matters related to the accounts audit process, as well as other communications foreseen in the Legislation on the audit of accounts and related to the technical norms for audits (Article 29.1 b of the Articles of Association and Article 13.2 of the Board of Directors Regulations).

In addition, the Audit Committee has agreed, in order to preserve the independence of the auditor, to limit the amount of the billed services by the audit firm for different services from audit.

Moreover, Article 38 of the Board Regulation governs the relationship of the Company with the markets in general and therefore with the financial analysts and investment banks, among others, with which the relationship of Técnicas Reunidas is based upon the principles of transparency and non-discrimination. The Company coordinates the contacts with them, managing both their requests for information and those from institutional and particular investors. In relation to rating agencies, the Company is not subject to credit ratings.

C.1.36 Indicate whether during the financial year the company has changed its external auditor. If so, identify the incoming and outgoing auditors:

NO

If there were disagreements with the outgoing auditor, explain the content of these:

C.1.37 Indicate whether the audit firm carries out other work for the company and/or its group different from that of auditing and, in such case, state the total fees paid for this work and the percentage this represents of the fees billed to the company and/or its group:

YES

	Company	Group	Total
Fees for work other than that of auditing (thousand Euro)	46	134	180
Fees for work other than that of auditing/ Total amount invoiced by the audit company (in %)	12.80%	22.18%	18.68%

C.1.38 Indicate whether the audit report of the annual accounts for the previous financial year contains reservations or qualifications. If so, indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of these reservations or qualifications.

NO

C.1.39 Indicate the number of consecutive years during which the current audit firm has been auditing the annual accounts of the company and/or its group. Likewise, indicate the percentage represented by the years audited by the current audit firm of the total number of years in which the annual accounts have been audited:

	Company	Group
Number of consecutive years	24	11
Nº of years audited by the current audit firm/ Nº of years that the company has been audited (in %)	100.00%	100.00%

C.1.40 Indicate whether there is a procedure giving the directors access to external consultancy and, if applicable, provide details:

YES

Details of the procedure
Chapter VII of the Board of Directors Regulations (Articles 23 and 24) in which the information is regulated, establishes the following: (i) The board may request information on any aspect of the company and examine its books, documents and other documentation. The right to information extends to the participated companies, whenever this is possible. The request for information should be addresses to the Secretary of the Board of Directors, who will have it reach the Chairman of the Board of Directors and the appropriate interlocutor in the Company. The Secretary will advise the director of the confidential nature of the information requested and received and of his confidentiality duty, in line with the content of the present Regulation. The Chairman may deny the information if he considers: (i) that it is not needed for the full completion of the duties requested of the director or (ii) that its cost is not reasonable in the light of the importance of the problem and the assets and income of the Company. (ii) With the aim of being helped in the exercise of their functions, the external directors may request the contracting at the Company's expense of legal, accounting, financial advisors and other experts.The commission must deal with specific issues of certain significance and complexity arising in the performance of their duties. This charge should be of necessity addressed to concrete problems of a certain importance and complexity that arise in fulfilling the duties of the position. The decision to contract should be communicated to the Chairman of the Company and may be vetoed by the Board of Directors if it is demonstrated: a) That it is not necessary for the full performance of the functions assigned to the external directors; b) That its cost is not reasonable in view of the importance of the problem and of the assets and income of the Company; or c) That the technical assistance involved can be given adequately by Company experts and technicians.

C.1.41 Indicate whether there is a procedure whereby directors can obtain the information needed to prepare meetings of the governing bodies with sufficient time and, if so, give details:

YES

Details of the procedure
Article 15.3 of the Board of Directors Regulations establishes that the calling of ordinary meetings will be made personally, by letter, fax, or e-mail, and will be authorised by the signature of the Chairman or, if needed, by the Secretary or the Vice- Chairman, by order of the Chairman. The calling of the meeting should be issued with a minimum advance notice of five days. The communication should always include the agenda of the session and be accompanied by the relevant information duly summarised and prepared.

C.1.42 Indicate whether the company has established rules which oblige the directors to report and, where appropriate, resign in those cases which may damage the image and reputation of the company:

YES

Explain the rules
Article 21 of the Board of Directors Regulations establishes the directors should put their position at the disposal of the Board of Directors and formalise, if this considers it convenient, the corresponding resignation, when, among other matters, their continuance on the Board puts the interests of the Company at risk. Likewise, Article 21 of the Board of Directors Regulations establishes that the directors should immediately inform the Board of any penal actions in which they appear as the accused, and the posterior legal vicissitudes of the case. The Board will of necessity examine the case as soon as the member is processed or an oral judgement for any of the offences listed in Article 213 of the Companies Act is opened, and, in view of the concrete circumstances and their potential effect on the credit and reputation of the company, will decide if it requires the director to resign or not.

C.1.43 Indicate whether any member of the Board of Directors has informed the company that he/she has been sentenced or formally accused of any of the offences stipulated in article 213 of the Companies Act:

NO

Indicate whether the Board of Directors has analysed the case. If so, explain the decision taken regarding whether or not the director should remain in his/her post, giving reasons.

C.1.44 Significant agreements entered into by the Company that will come into force, be modified or terminate in the event of a change in control of the Company resulting from a takeover bid.

The Company has not signed any agreements of this kind.

C.1.45 Identify on an aggregate and individualised basis any agreements between the Company and its directors, officers or employees which contain indemnity clauses, guarantees or "golden parachutes" deriving from early termination of the contractual relationship if their employment ends because of a public takeover bid.

Number of beneficiaries: 3

Type of beneficiary:

Senior management.

Description of agreement:

There are agreements with three members of senior management which provide that in the event of an unfair dismissal the indemnity would be determined in court and in the event of an objective dismissal, lay-off or any other decision by the company, the amount of the indemnity would be 4,781 Thousand euros.

Indicate whether these contracts have to be notified to and/or approved by the company's or group's bodies:

	Board of Directors	**The General Meeting**
Body that authorises the clauses	**Yes**	**No**

	Yes	**No**
Is the Shareholders' Meeting informed of the clauses?		**X**

C.2 Committees of the Board of Directors

C.2.1 List all the committees of the Board of Directors and their members:

AUDIT COMMITTEE

Name	Position	Type
MR. FERNANDO DE ASÚA ÁLVAREZ	CHAIRMAN	INDEPENDENT
MR. PEDRO LUIS URIARTE SANTAMARINA	MEMBER	INDEPENDENT
MR. JUAN MIGUEL ANTOÑANZAS PÉREZ-EGEA	MEMBER	INDEPENDENT
MR. JAVIER ALARCÓ CANOSA	MEMBER	INDEPENDENT
MR. ÁLVARO GARCÍA-AGULLÓ LLADÓ	MEMBER	PROPRIETARY

% executive directors	0.00%
% proprietary directors	20.00%
% independent directors	80.00%
% other external directors	0.00%

APPOINTMENTS AND COMPENSATION COMMITTEE

Name	Position	Type
MR. FERNANDO DE ASÚA ÁLVAREZ	CHAIRMAN	INDEPENDENT
MR. ANTONIO DE HOYOS GONZÁLEZ	MEMBER	INDEPENDENT
MR. JOSÉ MANUEL LLADÓ ARBURÚA	MEMBER	PROPRIETARY
MR. FRANCISCO JAVIER GÓMEZ-NAVARRO NAVARRETE	MEMBER	INDEPENDENT
MR. DIEGO DEL ALCÁZAR Y SILVELA	MEMBER	INDEPENDENT

% executive directors	0.00%
% proprietary directors	20.00%
% independent directors	80.00%
% other external directors	0.00%

C.2.2 Complete the following table with information on the number of members on each Board Committee over the last four years:

	Financial year 2013		Financial year 2012		Financial year 2011		Financial year 2010	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	0	0.00	0	0.00	0	0.00	0	0.00
APPOINTMENTS AND COMPENSATION COMMITTEE	0	0.00	0	0.00	0	0.00	0	0.00
EXECUTIVE OR DELEGATE COMMITTEE	0	0.00	0	0.00	0	0.00	0	0.00

C.2.3 Indicate whether the following functions are vested in the Audit Committee.

Monitoring the preparation process and the integrity of the financial information on the company and, where applicable, the group, verifying compliance with legal requirements, proper delimitation of the scope of consolidation and correct application of accounting criteria.	**YES**
Periodically revising the internal control and risk management systems, so that the main risks are adequately identified, managed and made known.	**YES**
Ensuring the independence and efficacy of the internal audit function; proposing the selection, appointment, reappointment and dismissal of the head of the internal audit service; proposing the budget for this service; receiving periodic information on its activities; and checking that senior management takes the conclusions and recommendations of its reports into account.	**YES**
Establishing and overseeing a mechanism that enables employees to communicate – confidentially and, when considered appropriate, anonymously – any possible irregularities they may observe within the company, especially financial and accounting ones.	**YES**
Presenting to the Board of Directors proposals for the selection, appointment, reappointment and replacement of the external auditor, as well as the conditions under which it is contracted.	**YES**
Regularly receiving, from the external auditor, information on the audit plan and the results of its implementation, and checking that senior management takes its recommendations into account.	**YES**
Ensuring the independence of the external auditor.	**YES**

C.2.4 Describe the rules governing organization and functioning, as well as the responsibilities of each of the Committees attached to the Board of Directors.

AUDIT COMMITTEE

The rules for the organisation and functioning of the Audit Committee are those that are detailed below and that are established in Articles 29 of the Articles of Association and 13 of the Board of Directors Regulations:

a) Composition:

The Audit Committee will consist of a minimum of three (3) and maximum of five (5) directors, with a non-executive majority, named by the Board of Directors. The Chairman of the Audit Committee will be elected among the non-executive directors, and should be substituted every four years, and may be re-elected once one year has passed from the date of his cessation.

b) Competences:

Without prejudice to any other tasks that may be assigned at any time by the Board of Directors, the Audit Committee will perform the following basic functions:

- To inform the General Shareholders Meeting on matters that are raised there by shareholders in matters of its competence.

- To propose to the Board of Directors, for its submission to the next General Shareholders Meeting, the appointment of the external auditors.

- To supervise the internal audit systems; assuring their independence and efficacy.

- To revise the Company accounts.

- To supervise the process of preparation and the integrity of financial information related to the Company and, as necessary, the group.

- Regular monitoring of the effectiveness of internal control systems.

- To handle the relationships with the external auditors.

- To supervise compliance with the audit contract.

The Audit Committee shall also ensure that the existing rules related to non-audit services are complied with, and the limits on the concentration of the auditor's, and annually receive a written confirmation by auditors of their independence from the Company.

- To revise the regular financial information that should be supplied by the Board of Directors to the market.

- To examine compliance with the Internal Conduct Regulation, with this present Regulation and, in general, with the governance rules of the Company and to make suggestions necessary for its improvement.

- Issue an annual report expressing an opinion with respect to the independence of the financial auditors.

- Maintain awareness of the tax policies employed by the Company.

- Carry out any other reporting duty or proposal entrusted to the Board of Directors in general or by specific mandate, or any other duty stipulated by the regulations in force at the time.

- To inform the Board of Directors on

a) the creation or acquisition of holdings in special purpose vehicles or entities resident in tax havens, as well as any other type of transactions or operations of a similar nature that because of their complexity might impinge upon the transparency of the group, and

b) Linked operation.

Operation and functioning:

The Audit Committee will meet, ordinarily, quarterly. In addition, it will meet any time its Chairman calls upon it, and this should be always when the Board or its Chairman requests the issue of a report or the adoption of a proposal by the Audit Committee and, in any case, anytime it is so requested by any of the Members of the Audit Committee.

The Audit Committee will prepare and annual report on its functioning highlighting the principal incidents, if any. This report will be included in the annual report on corporate governance of the Company.

The members of the management team or personnel of the Company and its group and the finance auditors will be obliged to attend meetings of the Audit Committee and to give their collaboration and access to the information that they have when the Committee requests this.

APPOINTMENTS AND REMUNERATION COMMITTEE

In accordance with Article 14 of the Board Regulation, within the Board of Directors an Appointments and Remuneration Committee will be formed under the following rules:

a) Composition:

The Appointments and Remuneration Committee will consist of a minimum of three (3) and a maximum of five (5) directors, the majority non-executive, named by the Board of Directors. The

President of the Appointments and Remuneration Committee will be elected among these non-executive directors, and should be substituted every four years, and may be re-elected when a year has passed since the date of cessation.

b) Competencies:

Without prejudice to other functions that the Board of Directors may assign, the Appointments and Remuneration Committee has the following basic responsibilities:

- To formulate and revise the criteria that should be applied to constitute the company's management team and that of its subsidiaries and for the selection of candidates

- To inform the General Meeting or, the Board of Directors, in the case of cooption, on the appointment of Directors prior to their designation.

- To inform the Board of Directors on the appointment of the internal positions of the Board of Directors.

- To present to the Board of Directors the proposals for appointment of senior managers.

- To regularly analyse, formulate and revise the proposals for policies for hiring, loyalty creation and dismissal of managers.

- To regularly analyse, formulate and revise the proposals for policies for Remuneration of managers.

- To inform the Board of Directors annually on the evaluation of performance of Company upper management.

- To inform the Board of Directors on the systems and amounts of the annual Remuneration of the directors and upper management.

- To ensure transparency in the Remuneration.

- To inform the Board of Directors on the transactions that imply or might imply conflicts of interests.

- Report the appointment and dismissal of senior management.

Operation and functioning.

The Appointments and Remuneration Committee will meet, normally once a year to prepare the information on the remuneration of the directors that are to be approved and applied by the Board of Directors. Likewise, it will meet each time is called by the President, who should do so whenever the Board or its President request the issue of a report or the adoption of proposals and, in any case, always when it is convenient for the adequate performance of its functions. The request for information from the Appointments and Remuneration Committee should be made by the Board of Directors or its Chairman.

C.2.5 Indicate, where applicable, the existence of regulations governing the Committees attached to the Board, the place where they are available for consultation and any amendments that may have been made during the financial year. Likewise indicate whether an annual report on the activities of each Committee has been voluntarily prepared.

The organisation and functioning norms of the Audit Committee and the Appointments and Remuneration Committee are reflected in the Board of Directors Regulations, which is at the disposal of all to consult on the Company web page (www.tecnicasreunidas.es).

The Audit Committee and the Appointments and Remuneration Committee have issued a report about operation and functioning in the fiscal year.

C.2.6 Indicate whether the composition of the Executive Committee reflects the participation on the Board of the different categories of directors:

YES

D - RELATED PARTY TRANSACTIONS

D.1 Identify the competent body and explain the procedure for approving related party and intragroup transactions.

Competent body for approving related party transactions

THE BOARD OF DIRECTORS

Procedure for approving related parties

Article 13 of the Rules of the Board of Directors states:

(…)

2. Notwithstanding any other functions that may be assigned to it by the Board of Directors at any given time, the basic functions of the Audit Committee consist of :

(…)

- Informing the Board, prior to the adoption of the corresponding decisions, of the following matters:

a) The creation or acquisition of shares in special purpose vehicles or entities resident in tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group and

b) Related party transactions.

Explain whether the approval of related party operations has been delegated to other persons or bodies.

The approval of these transactions has not been delegated.

D.2 Give details of any relevant operations involving a transfer of assets or liabilities between the company or Group entities and significant shareholders in the company:

D.3 Give details of any relevant operations involving a transfer of assets or liabilities between the company or Group entities and the company's administrators or directors:

Name or corporate name of the directors or managers	Name or corporate name of the related party	Link	Type of operation	Amount (thousand Euros)
BANCO SANTANDER, S.A.	TECNICAS REUNIDAS, S.A.	Guarantees and Other Finance Costs	Other	643
BANCO SANTANDER, S.A.	TECNICAS REUNIDAS, S.A.	Finance Income	Other	237

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.	TECNICAS REUNIDAS, S.A.	Guarantees and Other Finance Costs	Other	1,405
BANCO BILBAO VIZCAYA ARGENTARIA, S.A.	TECNICAS REUNIDAS, S.A.	Other Finance Income	Other	1,257
EXECUTIVE DIRECTORS	TECNICAS REUNIDAS, S.A.	Contractual	Other	1,385
MR WILLIAM BLAINE RICHARDSON	TECNICAS REUNIDAS, S.A.	Contractual	Other	136

D.4 Give details of relevant operations carried out by the company with other companies belonging to the same group, provided they are not eliminated during the process of preparing the consolidated financial statements and do not form part of the normal business of the company in terms of their subject and applicable terms and conditions:

In any case, shall be informed of any group transaction carried out with entities established in countries or territories considered tax haven.

D.5 Indicate transactions performed with other related parties.

(In Euro Thousands)

D.6 Give details of the mechanisms in place to detect, determine and resolve possible conflicts of interest between the company and/or its group and its Board members, executives or significant shareholders.

The Regulation of the Board of Directors and the Internal Conduct Regulation regulate the mechanisms established to detect and regulate possible conflicts of interests.

In relation to directors the mechanism established to detect possible conflicts of interest are regulated in the Board of Directors Regulations. Article 29 of the Board Regulation establishes that the Director should communicate the existence of any conflicts to the Board of Directors and abstain from attending or interfering in deliberations that affect matters in which he is personally interested. It is also considered that there are personal interests by the director when the matter affects any of the following persons:

- The spouse or a person with a similar affective relationship, except when the operations affect his/her exclusive patrimony;

- Parents, children and siblings and their respective spouses or persons with a similar affective relationship;

- Parents, children and siblings of the spouse or the person with similar affective relationship; and

-Concerted persons and companies or entities over which any of the persons in the above sections may exercise a significant influence.

When the Director is a legal entity, the following persons will be considered related parties:

-The partners that are, in relation to the legal entity Director in any of the situations contemplated in article 4 of Law 24/1988, of 28 July, on the Securities Markets.

- The directors, through fact or by law, the liquidators and the empowered with general powers of the legal entity Director.

- The companies that are part of the same group, such as is defined in Article 4 of 24/1988, of 28 July on the Securities Market and their partners.

- The persons that in relation to the representative or the legal entity Director are considered as linked persons.

The director may not perform directly or indirectly professional or commercial transactions with the Company unless he informs in advance of the conflict of interests situation and the Board approves the transaction.

In the case of transactions in the normal course of business, which are habitual and recurring and are under market conditions, the generic authorisation of the Board of Directors will suffice.

Article 32 of the Board Regulation also establishes that the director cannot avail in his own benefit or of a person that is linked in the terms established in Article 29 above, a business opportunity of the Company, unless he previously offers it to the company and this desists from exploiting it. For the purposes of the above, a business opportunity is understood as any possibility to make an investment or undertake a commercial operation that has arisen in connection to the exercise by the director, or through the use of information means of the Company, or under circumstances such as would be reasonable to think that the offer of a third party was in reality directed to the Company.

Additionally, the director must inform the Company of the positions he holds on the Board of Directors of other quoted companies and, in general, of any facts, circumstances or situations that might be relevant in relation to his performance as an administrator of the Company in line with the content of this regulation.

The body that settles conflicts of interest of the directors is the Audit Committee.

Regarding upper management the mechanisms established to detect and regulate possible conflicts of interests are addressed in the Internal Conduct Regulation which is also applicable to the directors. Article 10 of the Internal Conduct Regulation establishes that persons subject to this should act with freedom of judgement on all occasions, with loyalty to the Company, and its shareholders and independently of their own or other's interests. Consequently, they will abstain from rewarding their own interests at the expense of those of the Company and those of some investors at the expense of others and from intervening in or influencing decision making that may affect the persons or entities with which there is a conflict of interests and to access confidential information that affects this conflict.

Additionally the subject persons should inform the First Vice-Chairman of possible conflicts of interests in which they find themselves because of their activities outside the Company, their family relationships, the personal patrimony, or for any other reason, with (i) the Company or any of the companies integrated into Técnicas Reunidas Group; (ii) significant suppliers or customers of the Company or any of the companies Técnicas Reunidas Group; o (iii) entities engaged in similar business or competing with the Company or any of the companies in the Técnicas Reunidas Group. Any doubt on the possibility of a conflict of interests should be consulted with the First Vice-Chairman, and the final decision rests with the Audit Committee.

Similarly, article 16 of the Company Bylaws stipulates that in the event that an administrator, or a third party acting on behalf or in the interest of any administrator(s), requests representation by proxy, the person receiving it may not exercise the right to vote corresponding to the represented shares with respect to the items on the Agenda that constitute a conflict of interest, unless he or she has received precise voting instructions for each of the items in accordance with applicable regulations.

D.7 Is more than one Group company listed in Spain?

NO

Identify any subsidiaries which are listed:

E - RISK CONTROL SYSTEMS:

E.1 Explain the scope of the Company's Risk Management System.

The Group, on the recommendation of the Audit Committee, has created a catalogue of key risks which are described in part E.3 and which was prepared according to the COSO II methodology. Técnicas Reunidas ("TR") has implemented risk management policies that include the following measures, among others:

Procedures designed to mitigate project-related risks

- Careful selection of projects that begins with a detailed analysis of each customer, market, and country, establishment of a local presence before making offers, and an exhaustive analysis of interests, margins and risks. TR rejects projects when it considers that the margin might not cover the risks identified and regularly contracts CESCE policies and other products to reduce the commercial risk.

- Implementation of diversification policies: The geo-political risks in certain emerging markets are measured against a policy of geographic diversification, and also diversification in the type of customers and in the type of products or projects that are undertaken and a policy of selective agreements with local partners or international contractors

Técnicas Reunidas considers that it has succeeded in diversifying the is commercial activities among national oil companies -NOCs- such as Saudi Aramco, Enap, KOC, PDO, Tüpras, Pemex, Sonatrach, Sinopec, ADNOC or Petroperú; major multinationals such as Shell, BP, General Electric, BASF, Exxon, GALP, Total, Lukoil, Sabic or Canadian Natural; major Spanish groups such as Repsol-YPF, Endesa, Gas Natural or Cepsa, and with Spanish government bodies.

- Implementation of policies intended to share the risk with third parties to spread the risks inherent to a project or to combine the financial capacity (access to guarantees, financing, etc.), the technological capacity and the efficient use of human resources and other resources to achieve the adjudication of other projects.

Técnicas Reunidas participates in numerous joint ventures (JVs) with other engineering companies that are usually formed for the sole purpose of undertaking major projects that are of such a magnitude as to make it advisable to diversify risks or take on construction partners. Since these joint ventures tend to be structured in such a way that each of the participants responds jointly to the customer Técnicas Reunidas carefully analyses the possible participants and its possible responsibilities before reaching agreements Técnicas Reunidas normally assumes a leadership position in project management. In the exceptional cases where this does not occur, Técnicas Reunidas tries to control the risks by ensuring that its own trusted personnel occupy positions of leadership in the JV.

- Ensuring adequate technical capacity to undertake the projects, providing the employees assigned to the project with the training required to design, engineer and manage the project.

- Maintaining a strong balance sheet and the financial solvency to undertake projects with full guarantees of success.

- Developing contracting policies mitigate the risks assumed by Técnicas Reunidas For example, encouraging an "Open Book" project contracting model and including clauses that exonerate Técnicas Reunidas from liability in cases of force majeure. The contracts with suppliers and sub-contractors generally include suitable clauses deriving responsibility especially with regard to materials, civil works, assembly and construction.

- Taking out appropriate and specialized insurance policies to cover the financial risks design risks and construction risks and liability for accidents, damage to equipment and materials, etc., with a total of €760 million in coverage.

- Providing an information system that allows the status of a project to be monitored to ensure that it is running smoothly. Procedures related to economic project management.

Procedures related to the financial management of the projects:

- Exchange risk management: TR has diversified its suppliers geographically, it often happens that the currency in which the customer pays is different than the currency in which the company pays its suppliers. To deal with this, the Company continuously monitors exchange rate risks from the time a project is awarded and takes out the exchange rate insurance policies needed to mitigate these risks early on in the project.

- Liquidity management: TR makes sure to have corporate or associated lines of financing available for certain projects to protect itself in the event of unforeseen cash requirements.

- Technical contingencies: TR includes a contingency item in its project budgets to cover the budget deviations which could potentially occur during the execution of the projects.

- Tax risks: The Company requires the advice of tax experts who collaborate in establishing the taxation criteria to be followed by the different Group companies located in Spain and abroad.

Safety management system.

The manner in which the Group plans the future, conceives, designs and implements the programmes and controls the results in safety with a view to continued improvement. It includes the following aspects:

- A safety policy integrated with health and respect for the environment which is a priority for Técnicas Reunidas.

- Planning the objectives and procedures to identify and evaluate risks and implement control measures.

- Implementation of safety plans through documentation communicated to the personnel.

- Regular checking and measurement of the execution of safety plans with procedures to investigate and mitigate accidents and to take preventive and corrective actions, all of which are recorded and audited periodically.

- Regular system review.

E.2 Identify the corporate bodies responsible for preparing and implementing the Risk Management System.

Article 5 of the Board of Directors Regulations states that the Board is responsible for approving the risk management and control policy and the policy for regularly monitoring internal reporting and control systems.

E.3 Indicate the main risks that can affect the achievement of the business objectives

The main risks that can have an impact on the Group achieving its objectives are as follows:
. Demand for the services of Técnicas Reunidas is closely related to the level of investment in the gas and oil industry, which is not easy to predict.
. Técnicas Reunidas depends on relatively small number of contracts and clients.
. Técnicas Reunidas does part of its business abroad. This business is exposed to a certain degree of economic, social and political uncertainty. Unexpected, adverse changes in the countries where Técnicas Reunidas does business could result in its projects being paralysed, increased costs and potential losses.
. Técnicas Reunidas depends on its key executive personnel.
. The success of associations, consortia, and joint ventures depends on our partners' complying with their respective obligations.
. A failure of information technology systems could have a negative impact on the business of Técnicas Reunidas.
. Técnicas Reunidas employs the legal structure in each country most suited to the projects contracted
. The future business success of Técnicas Reunidas is contingent upon new contract being awarded.
. Técnicas Reunidas may be exposed to claims for the errors or omissions of its professionals.
. The warranty liability to clients could have a negative effect on Técnicas Reunidas' profits.
. Técnicas Reunidas is not exempt from the risk of being involved in litigation.

E.4 State whether the entity has a risk tolerance level.

For each contract in the negotiation or execution phase, risk assessment measures are applied systematically within the framework of internal risk control and management procedures.
a) Analysis phase of projects and offers (i) the procedure begins with a process of identification of the risks in which the budget department and the technical office identify and evaluate the technical risks in the engineering, supply and construction activities, and the contracts department revises the draft customer contracts and prepares a report on the problematic points or omissions; the corporate development team takes a first decision regarding the modifications needed in the offer; (ii) after this, the evaluation process begins, and if approved, the evaluation of the contingencies, in which the corporate development team revises the technical offer and the report on the contracts, adjusts the risks and contingencies from the commercial risk perspective and prepares a draft of the offer; the executive committee revised the draft offer, validates it and sets the final price; (iii) the next step is the negotiation process for the final contract, in which the customer is sent the offer and the comments on the draft contracts, new versions of the contracts are reviewed and discussed with the customer and, finally, the final versions of the contracts are submitted to the executive committee; the executive committee revises these and, as the case may be, accepts the final versions of the contracts and approves the offer.
b) Project execution phase: (i) during the execution of a project there is a process to monitor the risks in which the team in charge of the project controls the evolution of the risks identified in the contractual documentation and identifies any new risks that may arise; the team and the project leader decide on what information is to be sent to Group management, and it the responsibility of the project leader to inform management of the project progress and the monitoring of the risks; (ii) the following step is the process of analysis of deviations in which the project team analyses the probability that the risks may occur
and their possible impact applying flexible non-homogeneous criteria; likewise, the project team orders the risks by their probability level and identifies those that require the application of decisions or corrective measures; (iii) finally, the corrective measure process is applied in which the project team identifies and analyses the cause behind the probable contingencies, evaluates alternative measures, estimates the cost of each measure and selects the concrete measure to adopt.

E.5 State whether any of these risks have materialized during the year.

None of these risks has materialized.

E.6 Explain the plans in place for responding to and supervising the main risks faced by the entity.

Técnicas Reunidas is organised into different divisions, each one with its own responsibilities for managing risks affecting the Company.
With the Corporate Operations Department, the Planning, Cost Control and Risk and Opportunity Management Area is in charge of establishing the processed for the execution of Risk and Opportunity Management (R&OM). 1) the

proposal phase of a project until it is awarded; 2) the "OBE" phase of a project until it is converted; 3) the execution phase of a project, from the time the contract is signed until the project is complete (per the contractual terms). Project R&O management includes the processes related to R&O planning; identification, analysis and response; and tracking, supervising and controlling risks during the project.

The Finance Department is responsible for the implementation of SCIIF, which is intended to control the process of preparing the individual and consolidated financial statements contained in published reports and to ensure that they are accurate, reliable, complete and clear. According to article 13 of the Rules of the Board of Directors, the Audit Committee is responsible for supervising the efficacy of internal control and risk management systems. In addition, it is responsible for supervising the process of preparing and presenting of regulated financial information and for supervising the efficacy of internal audit services of the Company and the risk control system In the performance of its functions, the Audit Committee may be assisted by internal and external auditors.

The Company's risk control systems are considered to be sufficient related to the activities performed.

F - INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS IN RELATION TO FINANCIAL REPORTING (SCIIF)

Describe the main characteristics of the internal control and risk management systems with regard to financial reporting (SCIIF).

F.1 Control environment.

Describe the main characteristics of:

F.1.1. What bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective SCIIF; (ii) implementation; (iii) supervision.

Article 5 of the Rules of the Rules of the Board of Directors of Técnicas Reunidas, S.A. (the "Company" or "Técnicas Reunidas") establishes that one of the Board's responsibilities is to approve the risk management and control policy and to periodically check the internal reporting and control systems. Therefore, the Board of Directors is ultimately responsible for the existence of an adequate and effective Financial Reporting Internal Control System.

According to article 13 of the Rules of the Board of Directors, the Audit Committee is responsible for supervising the efficacy of internal control and risk management systems. In addition, it is responsible for supervising the process of preparing and presenting of regulated financial information and for supervising the efficacy of internal audit services of the Company and the risk control system in the performance of its functions, the Audit Committee may be assisted by internal and external auditors.

Management, through the Finance Department is responsible for the implementation of SCIIF, which is intended to control the process of preparing the individual and consolidated financial statements contained in published reports and to ensure that they are accurate, reliable, complete and clear.

F.1.2. In particular, with regard to the process for preparing financing information, whether there are:

- Departments and/or mechanisms are responsible for (i) designing and reviewing the organisational structure; (ii) clearly defining the lines of responsibility and authority and the appropriate distribution of tasks and functions and (iii) ensuring that there are procedures in place for distributing them.

  The Board of Directors is responsible for designing and reviewing the Group's organisational structure. This organisational structure contains mechanisms for defining the internal control structure where the Group's Corporate Finance and Operations areas are responsible for implementing internal control systems for key processes involving operations and financial reporting.

  The Director of Operations, through the Standardization and Procedures Department, issues the procedures that regulate the different processes associated with project management, including engineering, procurement, construction and cost control. The Cost Control area is responsible for coordinating the information received from the different corporate areas. Audits are conducted periodically to ensure that these procedures are properly implemented.

  Corporate Finance is responsible for the different transition processes from the time the information is reported by Corporate Operations until the time the financial and accounting information is prepared to ensure the accuracy and integrity of the information. Audits are conducted periodically to ensure the proper implementation of the procedures.

- Code of conducts, approval body, level of dissemination and instruction, principles and values contained in the code (indicate whether there are specific references to accounting procedures and financing reporting), body in charge of analysing non-compliance and proposing corrective/disciplinary actions.

The Code of Conduct of Técnicas Reunidas (the "Code of Conduct") is expected to be approved by the Board of Directors in 2014. In 2013, the details of its approval and distribution were discussed with a view to ensuring the broadest possible distribution and implementation.

The principles and values which are the basis of the Code of Conduct and which are meant to inspire the conduct of Técnicas Reunidas in respect of its stakeholders include integrity, professionalism, observance of the law, human rights and civic values, quality and innovation, customer orientation, professional development, non-discrimination, equal opportunities and a respect for the environment, among others.

- A reporting system which allows employees to report financial and / or accounting irregularities, breaches of the Code of Conduct and irregular activities within the organisation to the Audit Committee.

  The Code of Conduct will include a reporting system that will allow employees to report financial and/or accounting irregularities. All such reports will be treated confidentially.

- Training programmes and periodic refresher courses for the personnel involved in preparing and reviewing financial information and evaluating the internal control systems which cover the accounting, auditing, internal control and risk management areas.

  Annually, there are plans to offer refresher courses to the staff involved in preparing and reviewing the financial information to keep them abreast of accounting standard updates and other processes related to the management of financial information. In 2013, numerous in-person training sessions were offered specifically for the people involved in generating financial information.

  Also, as part of the Group's global training program implemented by the Corporate HR Department, special courses are offered to relevant personnel in the operational areas who are involved in process that can have an impact on the Company's and the Group's financial information.

F.2 Risk assessment with regard to financial information

Provide the following information:

F.2.1. What are the main characteristics of the process of identifying risks, including error or fraud, in terms of:

• Whether the process exists and is documented.

The Group, at the request of the Company's Audit Committee, has a catalogue of key risks which includes those that can have an impact on the internal control of financial information. This catalogue was prepared using the COSO II (Committee of Sponsoring Organizations for the Commission of the Treadway Commission) methodology.

The uniformity of the projects carried out over time and the existence of a relatively small number of contracts affords a certain stability to the catalogue of key risks in relation to the internal control of financial information.

In the process of adapting SCIIF to the recommendations of the Comisión Nacional del Mercado de Valores (CNMV) (National Securities Commission), the traceability between the Group's catalogue of key risks with an impact on financial information and the key business processes that can affect the financial statements was observed and it was verified that most of the key risks impact and/or are sufficiently managed by the processes.

• Whether the process covers all financial reporting objectives (existence and occurrence; integrity; evaluation; presentation, disclosure and comparability; rights and obligations), whether it is regularly updated and how frequently.

The Group has defined the activities and processes that cover the transactions which can affect the financial statements, as well as the objectives and risks associated therewith, the existing controls and the procedures associated with those controls.

The process covers all financial reporting objectives (existence and occurrence; integrity; evaluation; presentation, disclosure and comparability; rights and obligations).

• The existence of a process for identifying the scope of consolidation, bearing in mind the existence of complex business structures, instrumental entities or special purpose vehicles, among others.

The consolidated Group has no complex business structures, instrumental entities or special purpose vehicles. Consequently, these are no factors that are deemed to pose a risk to financial reporting. However, Corporate Finance review the consolidation parameters quarterly and the external auditors review it every six months.

The classification of the different Group enterprises as subsidiaries, associates or jointly controlled entities for accounting purposes is in keeping with the Group's policies and is reviewed by Corporate Finance and the external auditors.

• Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.), to the extent that they affect the financial statements.

The internal control of business operations requires the evaluation of different types of risks (legal, technical, environmental, etc.). The financial reporting process takes the evaluation of these risks into account.

• Which governing body supervises the process

The Company's Corporate Finance and Corporate Operations Departments are responsible for supervising the process.

Transactions not associated with regular operations are analysed in detail by the Group's management, who may request assistance from outside experts as needed.

F.3 Control activities

State whether the following exists and, if so, describe the main characteristics:

F.3.1 Procedures for reviewing and authorising financial information and description of the SCIIF to be reported to the stock markets, and persons responsible for the documentation that describes the activity flows and controls (including those relative to the risk of fraud) of the different types of transactions that can have a material effect on the financial statements, including closing procedures and special reviews of the most relevant judgments, estimates and forecasts.

Executive management, through Corporate Finance primarily, is responsible for reviewing the financial information. The individual and consolidated annual accounts and interim financial statements are reviewed by the Audit Committee, in collaboration with the external auditors who give their recommendations. The Chairman and the Vice President review and approve the annual accounts, which are then drafted by the Board of Directors.

The financial information for Q1 and Q3 is also reviewed by the Audit Committee.

The Audit Committee is responsible for supervising SCIIF, with the assistance of the Company's internal and external auditors.

The Group has procedures and controls in place to cover the main transactions that can affect the financial statements, including:

• Project estimates and execution, including engineering design, procurement management, construction and cost control:

o Estimate of results;
o Determination of project progress; and
o Currency control.

• Cash management
• Billing and collections management
• Taxation
• Reporting and consolidation process

Procedures that are considered essential contain a detailed description of the activities and sub-activities and the manner in which they are to be performed. The different levels of responsibility associated with the performance of the different activities are also defined.

The General Work Instructions (GWIs) or procedures prepared by the Company for internal control purposes are available on the Company's corporate intranet.

The Group's annual accounts report on the relevant areas that require judgments and estimates, most of which are associated with the activities of Corporate Operations and are established according to the approved policies and procedure. Corporate Finance reviews these estimates, using specific procedures that are in line with the policies and standards contained in the Accounting Policy Handbook, the contents of which are consistent with International Accounting Standards and have been reviewed by the external auditors.

In 2013, the Group concluded the process of formalizing and documenting the risk control activities in relation to the financial reporting of key business processes in order to adapt the internal control process to the recommendations of the CNMV.

F.3.2. Internal control policies and procedures for information systems (safe access, change control, operations, continuity of operation and segregation of functions, among others) that support the entity's relevant processes in relation to the preparation and publication of financial information.

The financial reporting system used by Técnicas Reunidas is SAP ("Systems, Applications and Products in Data Processing"). The SAP system falls within the scope of the Company's Information Safety Management System, which is certified according to the IOS/IEC 27001.2005 international standard. System access is by password-protected with individual passwords that must be changed quarterly.

We are currently running SAP in the Development, Testing and Production environments. Any changes to system programs or parameters are carried out in the Development environment and then transported to the Test environment. Once validated, they are transferred to the Production environment. This way, every system change is registered in the transport process to the Production environment.

The documentation related to the SAP system that is part of the Information Safety Management System currently in effect is as follows:

- Information Safety Policy.
- Information Safety Management System handbook.
- The procedures for controlling change, access, operations, continuity and segregation of IT functions.

All of this documentation is available on the corporate intranet of Técnicas Reunidas.

The Group also uses specific applications for all or the processes in the life cycle of material management and procurement, operations, and financial statement planning and consolidation. There are safety, access control and continuity of operation policies in place for these applications.

F.3.3. Internal control policies and procedures intended to supervise the management of the activities outsourced to third parties and the evaluation and calculation responsibilities entrusted to independent experts which can have a material effect on the financial statements.

At the 2013 year end, there were activities or processes outsourced to third parties that could be considered relevant to the financial reporting process.

The services of independent experts have been engaged to perform evaluations, calculations or assessments that could have a material effect on the financial statements, fundamentally those related to the assessment of staff-related or litigation-related liabilities. In these cases, the services are rendered by reputable, specialized firms. Legal Department supervises the services performed by these third parties.

F.4 Reporting and communications

State whether the following exists and, if so, describe the main characteristics:

F.4.1. A specific function responsible for defining accounting policies and keeping them up to date (accounting policy area or department) and resolving questions or conflicts arising from their interpretation, keeping the lines of communication open with the people responsible for operations within the organisation as well as a manual of accounting policies that is kept up to date and distributed to the entity's operating units.

The Accounting and Consolidation Unit, which reports to the Director of Finance, is the area responsible for identifying, defining and keeping the Group's accounting policies up to date and for answering questions or settling conflicts in connection with their Interpretation. The Group has an Accounting Policy Handbook which is revised and updated periodically by the external auditors. The subsidiaries are informed of the accounting policies and any changes to them through regular internal meetings.

Corporate Finance is responsible for reporting any changes made to the Accounting Policy Handbook to the Audit Committee.

The Group's policy for controlling financing reporting includes both mandatory and voluntary external audits of virtually all consolidated subsidiaries (even when they are not considered material subsidiaries). The audits are conducted by reputable international auditing firms.

F.4.2. Mechanisms for gathering and preparing standardised financial information that apply to and are used by all business units and that support the primary financial statements and notes to the financial statements, as well as detailed information on SCIIF.

The process of consolidating and preparing the financial information is centralised.

The centralised financial reporting system, which is managed directly by the Group's Corporate Finance area, covers 80% of the Group's business volume. The remaining financial reporting comes form the financial statement previously reviewed by external auditors, after which they are standardised by Corporate Finance.

In addition, the Group has control mechanisms in place to ensure that the financial information includes all of the disclosures necessary to be properly interpreted by the markets.

F.5 Supervision of systems operations

Describe the main characteristics of:

F.5.1. State whether there is an internal audit function whose responsibilities include assisting the Audit Committee with the task of supervising the internal control system, including SCIIF. Also describe the scope of the SCIIF evaluation performed during the year and the procedure whereby the person responsible for the evaluation reports his or her findings, and whether the entity has an action plan with the corrective measures referred to in the evaluation, considering the impact on the financial information

The Group has an Internal Audit area that presents an audit plan each year along with the incidents identified during the audits conducts and a report on its activities. The functions of this area include reviewing the control systems of specific divisions or projects which are considered materially relevant to the fiscal year in progress, reporting periodically on the weaknesses detected during their audits and the measures proposed to correct them.

The Group's Corporate Finance area along with the Audit Committee agreed to adapt and adjust the existing internal control model for financial reporting to bring it in line with the specific recommendations of the CNMV in the guidelines for preparing the description of the financial reporting internal control system.
A schedule of actions to be taken in fiscal years 2011 to 2013 was devised, all of which were completed.

F.5.2. State whether there is a discussion procedure whereby the auditor (pursuant to the terms of NTA), the internal audit and/or other experts are able to report any serious weaknesses found in the internal control system to upper management and the Audit Committee during the year. Also, state whether there is an action plan for correcting or mitigating any weaknesses encountered.

In the performance of the functions entrusted to it by the Board of Directors, the Audit Committee meets at least once every three months prior to the publication of the Company's financial information to analyse the information. At those meetings, which are attended by the Director of Corporate Finance, the individual and consolidated annual accounts, quarterly and six-monthly financial reports, the notes forwarded to the CNMV and any other information that is deemed pertinent are reviewed by the attendees. At the meetings of the Audit Committee in which the annual accounts are reviewed, which are attended by the external auditors, the auditors present a set of recommendations regarding internal control based on their regular work as the Group's auditors. However, the external auditors are not charged with any specific work regarding the evaluation of financial reporting internal control systems.

F.6 Other relevant information

Técnicas Reunidas has not issued any shares that are not traded on a regulated EC stock exchange. All of the Técnicas Reunidas' shares (ISIN ES0178165017) are listed on the Madrid, Barcelona, Valencia and Bilbao stock exchanges through the Stock Market Interconnection System (Continuous Market)

All of the shares are ordinary, of the same class and series and all are represented by account entries.

The shares are indivisible and confer upon their legitimate owners the status of shareholder with the pertinent legal and statutory rights and powers, including (i) the right to receive a share of the company's profits, if any, and liquidation proceeds; (ii) pre-emptive rights to acquire new share issues or convertible bond issues; (iii) the right to attend the general meetings as established in the Articles of Association and the Rules of the General Meeting of Shareholders; (iv) the right to challenge business resolutions and (v) the right to information, among others.

As of the closing date, there are three agreements between the Company and members of senior management which provide for indemnities amounting to €4,781,000 under any of the circumstances mentioned above.

F.7 Report of the external auditors

Report on:

F.7.1. Whether the SCIIF information reported to the markets is reviewed by an external auditor, in which case the entity should include the auditor’s report. Otherwise, a reason should be given for not having done so.

The FRICS model prepared by Corporate Finance in collaboration with the external auditors during the 2011 to 2013 fiscal years in the implementation stages at this time, so it will be reviewed in the future.

G - DEGREE TO WHICH CORPORATE GOVERNANCE RECOMMENDATIONS ARE FOLLOWED

Indicate the degree to which the company follows the recommendations of the Unified Good Governance Code. If any of them are not complied with, explain the recommendations, regulations, practices or criteria that the company applies.

1. The Bylaws of listed companies should not limit the maximum number of votes a single shareholder can cast, nor contain other restrictions that make it difficult to take control of the company by means of the acquisition of its shares on the market.

See sections: A.10, B.1, B.2 C.1.23 and C.1.24

Compliant

2. When the parent company and a subsidiary company are both listed, the following should be precisely and publicly defined:

a) Their respective areas of activity and possible business relations between them, as well as those of the subsidiary listed company with other companies belonging to the same group;
b) The mechanisms in place to resolve any conflicts of interest that may arise.

See sections: D.4 and D.7

Not applicable

3. Even when not expressly required by applicable company law, any operations that involve structural modifications to the company should be presented for the approval of the General Shareholders' Meeting, including, in particular the following:

a) The conversion of listed companies into holding companies by means of subsidiarization, or the incorporation into subsidiary entities of core activities carried out by the company itself up to such time, even if the latter retains full ownership of such activities;
b) The acquisition or transfer of core operating assets, when this involves an effective modification of the corporate purpose;
c) Operations the effect of which is equivalent to winding-up the company.

Compliant

4. Detailed proposals of resolutions to be adopted at General Shareholders' Meetings, including the information referred to in recommendation 27, should be made public at the time the notification of the General Meeting is published.

Compliant

5. At the General Shareholders' Meeting, those matters deemed substantially independent should be voted on separately, such that shareholders can exercise their voting preferences separately. This rule should apply, in particular, to:

a) The appointment or ratification of directors, who must be voted on individually;
b) In the case of amendments to the Bylaws (for each article or group of articles deemed substantially independent).

Compliant

6. Companies should allow votes to be split so that financial intermediaries authorized to act as shareholders but who act on behalf of different clients are able to cast their votes in accordance with the instructions of the latter.

Compliant

7. The Board should perform its functions with unity of purpose and independence of judgement, provide equal treatment to all shareholders and be guided by the company's interests, understood as maximising the economic value of the company in a sustainable manner.

It should likewise ensure that in its relations with stakeholders the company respects applicable laws and regulations, fulfils its obligations and contracts in good faith, respects the good practices and uses of the sectors and territories in which it operates, and observes any additional principles governing social responsibility it may have voluntarily accepted.

Compliant

8. As the core of its mission, the Board should be responsible for approving the company's strategy and the precise organisation for putting it into practice. It should likewise oversee and control the Management as it fulfils the objectives set and ensure that the latter respects the company's corporate purpose and interests. For such purposes, the plenary session of the Board should reserve the power to approve:

a) The general policies and strategies of the company, and in particular:

i) The strategic or business plan, as well as the annual management objectives and budget;
ii) The investments and financing policy;
iii) The definition of the structure of the business group;
iv) The corporate governance policy;
v) The corporate social responsibility policy;
vi) The policy on the remuneration and assessment of the performance of senior executives;

vii) The risk control and management policy, as well as the periodic monitoring of the internal information and control systems.
viii) The dividends and treasury stock policy and, in particular, limits thereto.

See sections: C.1.14, C.1.16, and E.2

b) The following decisions:

i) Upon the proposal of the company's chief executive, the appointment and eventual cessation of senior executives, as well as their compensation clauses.
ii) The remuneration of Board members, plus, in the case of executive members, the additional remuneration for their executive functions and other conditions set forth in their contracts of employment.
iii) The financial information the company must periodically make public due to its status as a listed company.
iv) Any kinds of investments or operations deemed strategic due to their special characteristics or the high sums of money involved, unless the approval thereof falls upon the General Shareholders' Meeting;
v) The creation or acquisition of equity holdings in entities with special purposes or those established in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature which, due to their complexity, could negatively affect the transparency of the group.

c) The transactions that the company carries out with directors, significant shareholders or shareholders represented on the Board, or with people related to them ("related transactions").

This Board authorisation will not, however, be necessary in those related transactions that simultaneously meet the following three conditions:

1st. The transactions must be carried out under contracts whose terms and conditions are standardized and applied en masse to many clients;

2nd. they must be carried out at the generally applicable prices or rates of the supplier of the goods or services in question;

3rd. The amount thereof may not exceed 1% of the company's annual revenue.

It is recommended that the Board should approve related transactions following a favourable report from the Audit Committee or, where applicable, any other committee entrusted with that function; and that the directors they affect, in addition to not exercising or delegating their voting rights, leave the meeting room while the Board deliberates and votes on it.

It is recommended that the powers attributed here to the Board be non-delegable, save those mentioned in letters b) and c), which may be adopted for reasons of urgency by the Delegate Committee, with subsequent ratification by the plenary session of the Board.

See sections: D.1 and D.6

Partially compliant

Article 14.2 of the Regulation of the Board of Directors provides as follows:

2. Without prejudice to any other functions the board of directors may assign to it the Appointments and Remuneration Committee has the following responsibilities

- Formulate and review the criteria to be followed in the composition of the management team of the Company and its subsidiaries and for the selection of candidates and inform the board of directors of the appointment or removal of executives coming immediately under the board of directors.

- Inform the General Meeting or, in cases of co-opting, the board of director son the appointment of directors prior to their appointment by the General Meeting or by the board of directors by the co-opting procedure.

- Inform the board of directors on appointments to internal positions (chairman, vice chairmen, managing director if any and secretary and vice secretary if any) on the board of directors.

- Refer to the board of directors proposals for the appointment of senior executives answering directly to the board for it to proceed to make the appointment.

- Analyse, formulate and regularly review proposed policies on hiring, loyalty and removal of directors.

- Analyse, formulate and regularly review proposed policies on executive remuneration weighting suitability and performance.

- Report annually to the board of directors on the assessment of the performance of the Company's senior executives.

- Report to the board of directors on the systems and amount of the annual remuneration of directors and senior executives and prepare the information to be included in the annual public information on directors' remuneration.

- Ensure the transparency of remuneration.

- Report to the board of directors on transactions which involve or may involve conflicts of interest.

- Report on appointments and removals of Company senior executives and propose the basic terms of any contracts entered into with them.

Therefore, it meets most of the functions that should be attributed to the Board.

9. The Board should be the right size to ensure efficient functioning and participation, which makes it advisable, that it should not be composed of less than five nor more than fifteen members.

See section: C.1.2

Compliant

10. External independent directors and those representing significant shareholders should constitute the broad majority of Board members, with the number of executive directors being kept to the required minimum, taking into account the complexity of the group and the percentage of the company's share capital held by executive Board members.

See sections: A.3, and C.1.3.

Compliant

11. Among external Board members, the relation between the number of independent Board members and those representing significant shareholders should mirror the existing weighting between the company capital represented by directors representing significant shareholders and the rest of the capital.

This criterion of strict proportionality may be attenuated in the following cases such that the weighting of directors representing significant shareholders is greater than that which corresponds to the total percentage of capital they represent:

1. In companies with high capitalization in which there are none, or very few, shareholding stakes which are legally considered significant, but there are shareholders with shareholding stakes of high absolute value.

2. In the case of companies in which there is a plurality of shareholders represented on the Board, and they are not related to each other.

See sections: C.1.3, A.2 and A.3

Compliant

12. The number of independent Board members should represent at least one third of the total number of Board members.

See section: C.1.3

Compliant

13. The Board should explain the nature of each director to the General Shareholders' Meeting, which must execute or ratify the appointment. The nature of the post should likewise be confirmed or, where applicable, reviewed each year in the Annual Corporate Governance Report, following prior verification by the Appointments Committee. The report should also explain the reasons why directors representing significant shareholders have been appointed at the request of shareholders whose shareholding stake amounts to less than 5% of the share capital. Reasons should also be provided for any rejections of formal requests for presence on the Board made by shareholders whose shareholding stake is equal to or greater than that of others upon whose request Board members representing significant shareholders have been appointed.

See sections: C.1.3 and C.1.8

Compliant

14. If there are no or very few female directors, the Board should explain the reasons and the initiatives adopted in order to correct this situation. In particular, and when new vacancies arise, the Appointments Committee must ensure that:

a) The selection processes do not suffer from implicit bias which hamper the selection of female directors;
b) The company deliberately seeks and includes among the potential candidates women who meet the required professional profile.

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2, and C.2.4

Explain

There is no bias hindering the selection of female directors in Técnicas Reunidas. Article 18 of Board of Directors Regulations related to the external directors, provides the Board of Directors shall ensure that the choice of candidates are people of recognized solvency, competence and experience, care being taken in relation to those calls be appointed as independent directors. Although not expressly provided for in the internal regulations of the Company, in practice, the Appointments and Remuneration Committee shall ensure that where there are vacancies on the Board of Directors, the selection procedures are not affected by the gender bias selection of female directors.

15. The Chairman, as the person responsible for the efficient functioning of the Board, should ensure that Board members receive sufficient information in advance, stimulate debate and the active participation of members during the sessions of the Board and uphold their right to take any stance and express any opinion they deem fit. He or she must likewise organise and coordinate the periodic evaluation of the Board with the Chairs of the relevant committees, as well as, where applicable, that of the managing director or chief executive.

See section: C.1.19 and C.1.41

Compliant

16. When the Chairman of the Board also acts as the company's chief executive, one of the independent directors should be authorized to request that a meeting of the Board be convened or that new items be included on the agenda, the aim being to coordinate and echo the concerns of external directors, and also to head the evaluation of the Chairman by the Board.

See section: C.1.22

Compliant

17. The Secretary of the Board should take special care to ensure that the actions of the Board:

a) Are in keeping with the letter and the spirit of applicable laws and regulations, including those approved by regulatory bodies;
b) Are in accordance with the company's Bylaws, and with the Regulations of the Shareholders' Meeting, those of the Board and any others the company may have;
c) Take into account the recommendations on good governance contained in this Unified code, which the company has accepted.

In order to safeguard the independence, impartiality and professionalism of the Secretary, his/her appointment and cessation must be recommended by the Appointments Committee and approved by plenary session of the Board. Moreover, this appointment and cessation procedure must figure in the Board Regulations.

See section: C.1.34

Compliant

18. The Board should meet as often as required to perform its functions efficiently, following the schedule of dates and matters established at the start of the financial year. Each Director must be able to propose other items on the agenda not initially envisaged.

See section: C.1.29

Compliant

19. Non-attendances by Board members should only occur in exceptional cases and be listed in the Annual Corporate Governance Report. If representation proves essential, it should be conferred with specific instructions.

See sections: C.1.28, C.1.29 and C.1.30

Compliant

20. When the Board members or Secretary express concerns regarding a proposal or, in the case of the Board members, concerning the functioning of the company and these concerns are not resolved at the Board meeting, they should be recorded in the minutes upon the request of the person that raised them.

Compliant

21. Once a year, the plenary session of the Board should evaluate:

a) The quality and efficiency of the functioning of the Board;
b) The degree to which the Chairman of the Board and the company's Chief Executive have performed their duties, based on the report presented to the Board by the Appointments Committee;
c) The functioning of its Committees, based on the reports submitted by the latter.

See section: C.1.19 and C.1.20.

Compliant

22. All Board members should be able to exercise their right to obtain any additional information they judge necessary on any matters within the Board's sphere of competence. Unless the Bylaws or the Board Regulations establish otherwise, this request should be made to the Chairman or the Secretary of the Board.

See section: C.1.41

Compliant

23. All Board members should be entitled to obtain from the company any consultancy required for the performance of their functions. The company should likewise establish adequate channels to enable members to exercise this right, which in special circumstances may include external consultancy paid for by the company.

See section: C.1.40

Compliant

24. The companies should establish an orientation programme to provide new Board members with rapid and sufficient overview of the company, including its rules on corporate governance. They should also offer Board members refresher programmes when circumstances make this advisable.

Compliant

25. The companies should require Board members to dedicate the necessary time and effort to their functions as such, thereby ensuring that they are carried out effectively, and consequently:

a) Board members should inform the Appointments Committee of their other professional obligations, in case these could interfere with the required dedication;

b) The companies should establish rules on the number of Boards their directors can form part of.

See sections: C.1.12, C.1.13 y C.1.17.

Partially Compliant

Article 26 of the Board of Directors Regulations establishes that the directors will be obliged to gather information and prepare themselves for the meetings of the Board and, if applicable, of the delegated bodies to which they pertain and Article 34 of the Board of Directors Regulations establishes within the duties of the directors, to inform the Company of the positions that they occupy on the Board of Directors of any other quoted companies and , in general of the events, circumstances or situations that could be relevant for their functions as administrator of the Company in accordance with the content of this Regulation. Although there are no other additional approved regulations related to the number of boards on which they may perform as directors.

26. Proposals concerning appointments or reappointments of Board members that the Board submits to the General Shareholders' Meeting, including interim appointments via co-optation, should be approved by the Board:

a) At the proposal of the Appointments Committee in the case of independent directors.
b) Following a report from the Appointments Committee in the case of all other directors.

See section: C.1.3

Compliant

27. The companies should publish the following information on their Board members through their websites and keep it updated:

a) Professional profile and biography;

b) Other Boards of Directors to which they belong, whether or not they are listed companies;

c) Indication of the category of director in question, indicating, in the case of directors representing significant shareholders, the shareholder they represent or have connections with.

d) Date of first appointment as company Board member, as well as subsequent ones, and;

e) Company shares and share options they own.

Compliant

28. Directors representing significant shareholders should tender their resignations when the shareholders they represent sell their entire shareholding. The corresponding number of members should likewise do so when their shareholder reduces its shareholding to a level that requires the reduction in the number of its members on the Board.

See sections: A.2, A.3 y C.1.2

Compliant

29. The Board of Directors should not propose the cessation of any independent director prior to expiry of the term of office for which he/she has been appointed pursuant to the Bylaws, except for just cause upheld by the Board following a report from the Appointments Committee. In particular, just cause will be understood to exist when the Board member fails to fulfil the duties attached to the post, or falls within any of the circumstances described in section III, point 5 (Definitions) of this Code.

The cessation of independent directors may also be proposed as a result of takeover bids, mergers or other similar operations that entail a change in the company's capital structure, providing the changes in the structure of the Board arise from the proportionality criterion indicated in Recommendation 12.

See sections: C.1.2, C.1.9 and C.1.19 and C.1.27

Compliant

30. The companies should establish rules obliging Board members to report and, where appropriate, resign, in cases that could harm the good image and reputation of the company and, in particular, obliging them to inform the Board of any criminal lawsuits brought against them, as well as subsequent trial proceedings.

If a Board member is brought to trial, or served with formal notice of an impending trial against him or her, for any of the offences indicated in article 124 of the Spanish Public Limited Companies Act (Ley de Sociedades Anónimas), the Board should examine the case as soon as possible and, in view of the specific circumstances, decide whether or not the director should remain in office. The Board should likewise provide a duly grounded description of the foregoing in the Annual Corporate Governance Report.

See sections: C.1.42 y C.1.43

Compliant

31. All Board members should clearly express their opposition when they consider that any proposal presented to the Board may run contrary to corporate interests. In particular, independent members and other members not affected by any potential conflict of interests should do the same in the case of decisions that could prejudice the shareholders not represented on the Board.

When the Board makes significant or reiterated decisions concerning which a Board member has already raised serious reservations, he/she should draw the appropriate conclusions and, should he or she opt to resign, explain the reasons in the letter referred to in the following recommendation.

This Recommendation also applies to the Secretary to the Board, even if he or she is not a Board member.

Compliant

32. When, due to resignation or any other reason, a Board member leaves the post before the end of the mandate, they must explain their reasons in a letter to be sent to all Board members. Without prejudice to the fact that the departure must be reported as a relevant event, the reason for the departure should also be explained in the Annual Corporate Governance Report.

See section:C.1.9

Not Applicable

33. Only executive Board members should receive remuneration in the form of shares in the company or Group companies, share options or other instruments pegged to the value of shares, variable Remuneration pegged to the performance of the company or benefit plans.

This recommendation will not apply to shares delivered on the condition that Board members retain them until they leave office.

Partially Compliant

Besides of directors, other managers also receive variable remuneration pegged to the performance of the company

34. The remuneration of external Board members should adequately reflect the dedication, qualification and responsibility the position requires, but should not be so high as to compromise their independence.

Compliant

35. The remuneration related to the company's results should take into account any possible qualifications in the report of the external auditor that may lower these results.

Not Applicable

36. In the case of variable remuneration, the remuneration policies should incorporate the necessary technical precautionary clauses to ensure that such remuneration is in keeping with the professional performance of the beneficiaries, and does not simply derive from the general evolution of the markets, the company's sector of activity or other similar circumstances.

Compliant

37. When there is a Delegated or Executive Committee (hereinafter, "Executive Committee"), the structure of participation of the different categories of members should be similar to that of the Board itself, and the Secretary to the Board should also serve as Secretary to the committee in question.

See sections: C.2.1 and C.2.6

Not Applicable

38. The Board should always be aware of the matters dealt with and the decisions taken by the Executive Committee, and all Board members should receive a copy of the minutes of the Executive Committee's sessions.

Not Applicable

39. The Board of Directors should create – in addition to the Audit Committee required by the Spanish Securities Market Act (Ley del Mercado de Valores) – a committee, or two separate committees, for Appointments and Remuneration.

The rules governing the composition and functioning of the Audit Committee and the Appointments and Remuneration Committee or Committees should figure in the Board Regulations and include the following:

a) The Board will be responsible for appointing the members of these Committees, taking into account the knowledge, skills and experience of the members and the tasks of each Committee, and shall likewise deliberate on their proposals and reports. The Committees must report to the Board on their activities and the work performed at the first plenary Board meeting following their respective Committee meetings;

b) These Committees must be composed exclusively of external directors, with a minimum of three. The foregoing is without prejudice to the right of executive directors or senior executives to attend when this is expressly agreed by the members of the Committee.

c) The Chairs must be occupied by independent directors.
d) They will be entitled to seek external consultancy when they consider it necessary for the performance of their functions.
e) Minutes of their meetings must be drawn up and a copy given to each Board member.

See sections: C.2.1 and C.2.4

Compliant

40. The task of overseeing compliance with the internal codes of conduct and with the rules on corporate governance should rest with the Audit Committee, the Appointments Committee, or to the Compliance or Corporate Governance Committee should the latter exist as a separate committee.

See sections C.2.3 and C.2.4

Compliant

41. Members of the Audit Committee, and in particular its chairman, should be appointed taking into account their knowledge and experience in relation to accountancy, auditing and risk management.

Compliant

42. Listed companies should have an internal audit function which, under the supervision of the Audit Committee, ensures the correct functioning of the internal control and information systems.

See section C.2.3.

Compliant

43. The head of the internal audit department should present its annual work plan to the Audit Committee, inform of any incidents that may have occurred in its development, and present an activities report at the end of each financial year.

Compliant

44. The risk management and control policy should identify at least:

a) The different types of risk (operating, technological, financial, legal, image-related, etc.) facing the company, including, among financial or economic risks, contingent liabilities and other risks off the balance sheet;

b) The level of risk that the company considers acceptable;

c) The measures envisaged to mitigate the impact of the risks identified, if they materialise;

d) The internal control and information systems that will be used to control and manage the aforementioned risks, including contingent liabilities or risks off the balance sheet.

See sections: E

Compliant

45. The Audit Committee should be entrusted with the following:

1. In relation to the internal control and information systems:

a) Periodically revising the internal control and risk management systems, so that the main risks are adequately identified, managed and made known.
b) Ensuring the independence and efficacy of the internal audit function; proposing the selection, appointment, reappointment and cessation of the head of the internal audit service; proposing the budget of this service; receiving periodic information on its activities; and checking that senior management takes the conclusions and recommendations of its reports into account.
c) Establishing and overseeing a mechanism that enables employees to communicate – confidentially and, if considered appropriate, anonymously – any potential irregularities, especially financial ones, they may observe within the company.

2. In relation to the external auditor:

a) Regularly receiving from the external auditor information on the audit plan and the results of its implementation, and verifying that senior management takes its recommendations into account.
b) Ensuring the independence of the external auditor and, to this end:

i) Ensuring that the company communicates the change of auditor to the Spanish Securities and Exchange Committee (CNMV) as a relevant event, attaching a statement on any disagreements with the outgoing auditor, if any, and details thereof.
ii) In the event that the external auditor rejects the engagement, it must examine the underlying grounds for the decision.

See sections: C.1.36, C.2.3, C.2.4, and E.2.

Compliant

46. The Audit Committee should be able to summon any company employee or executive, and even have them attend without the presence of any other executive.

Compliant

47. The Audit Committee should inform the Board, prior to the adoption by the latter of the corresponding decisions, of the following matters indicated in Recommendation 8:

a) The financial information that the company must periodically publish due to its status as a listed company. The Committee must ensure that the interim accounts are prepared with the same accountancy criteria as the annual accounts and, to such end, decide upon the desirability of a limited audit by the external auditor.
b) The creation or acquisition of equity holdings in entities with special purposes or those established in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature which, due to their complexity, could negatively affect the transparency of the group.
c) Related transactions, unless this prior reporting function has been attributed to another supervisory and control committee.

See sections: C.2.3 and C.2.4

Compliant

48. The Board of Directors should seek to present the accounts to the General Shareholders' Meeting without reservations or provisos in the audit report. In exceptional cases when these do exist, both the Chairman of the Audit Committee and the auditors must clearly explain to shareholders the content and scope of such reservations or provisos.

See section: C.1.38

Compliant

49. The majority of the members of the Appointments Committee – or the Appointments and Remuneration Committee if both functions are combined – should be independent directors.

See section: C.2.1

Compliant

50. In addition to the functions indicated in the above Recommendations, the following duties should also correspond to the Appointments Committee:

a) Evaluating the skills, knowledge and experience necessary on the Board, and consequently defining the required functions and aptitudes of candidates to fill each vacancy, and evaluating the time and dedication necessary to perform their work properly.
b) Examining or organizing, in the manner it considers appropriate, the succession of the Chairman and the chief executive and, where appropriate, making proposals to the Board, so that this succession takes place in an orderly, well-planned manner.
c) Giving its opinion on the appointments and cessations of senior executives that the chief executive proposes to the Board.
d) Informing the Board about the matters of gender diversity indicated in Recommendation 14 of this Code.

See section: C.2.4

Compliant

51. The Appointments Committee should consult the company's Chairman and chief executive, especially on matters related to executive directors.

Any director should be able to request the Appointments Committee to consider any potential candidates that may be considered ideal for the purpose of filling vacant positions as Board member.

Compliant

52. In addition to the functions outlined in the above Recommendations, the following should also correspond to the Remuneration Committee:

a) Proposing the following to the Board of Directors:

i) The policy of remuneration of directors and senior executives;
ii) The individual remuneration of executive directors and other conditions of their contracts.
iii) The basic conditions of senior executives' contracts.

b) Ensuring observance of the Remuneration policy established by the company.

See sections: C.2.4

Compliant

53. The Remuneration Committee should consult the company's Chairman and chief executive, especially on matters related to executive directors and senior executives.

Compliant

H - OTHER INFORMATION OF INTEREST

1. If it is considered that any relevant principles or significant aspects relating to the corporate governance structure and practices applied by the Company or the Group have not been addressed in this report, describe and explain them below.

2. Please also include any additional information or clarifications relative to the preceding sections of the report, to the extent that they are relevant and non-repetitive. In particular, please indicate whether the company's corporate governance is bound by any law other than Spanish law and, if so, indicate any information the company is obligated to submit which is not covered in this report.

3. The company should also indicate whether it voluntarily adheres to other codes of ethics or good practices at the international or other levels and, if so, state the name of the code and the date of accession.

Note to part C.1.14

The Board of directors is responsible for the functions described in this section, pursuant to the terms of Article 5 of the Rules of the Board of Directors. However, these powers are not part of the powers that are not eligible for delegation according to article 12.2 of the Rules of the Board.

Note to part C.1.17

José Lladó Fernández-Urrutia is the Director of Araltec and the Co-Director of Aragonesas Promoción de Obras y Construcciones. However, in part C.1.17 his position in these entities is listed as "Director" since the application does not offer any other possibility.

Note to part F.24

When they join the Board of Directors, the new members receive a copy of the Articles of Association, the Rules of the Board of Directors and the Rules of the General Meeting, among others.

The Secretary stays abreast of any information that could be relevant to the Company, making sure that it is transmitting to the directors.

Note to part F.42

The Company has an internal audit function in place under the supervision of the Audit Committee to ensure the proper operation of internal reporting and control systems. The Company has had an internal auditor since 2008 who is included on the list of the Company's senior executives.

Note to part F.53

Although it is not specifically regulated in the Articles of Association or the Rules of the Board, the Appointments and Compensation Committee consults with the Chairman, especially on matters relative to executive directors and senior management.

The Company's corporate governance policies are not bound by any laws other than Spanish law.

The Company signed the UN Global Compact in November 2011 and renewed its accession commitment in 2012 and 2013.

This annual corporate governance report was approved by the Board of Directors of the company at its meeting held on 27/02/2014

Indicate whether there were any directors who voted against or abstained in relation to the approval of this report.

NO