pwc

TÉCNICAS REUNIDAS, S.A.

Audit report, Annual Accounts and
Directors' Report at 31 December 2014

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

INDEPENDENT AUDITOR'S REPORT ON ANNUAL ACCOUNTS

To the Shareholders of Técnicas Reunidas, S.A. at the request of Management

Report on the Annual Accounts

We have audited the accompanying annual accounts of Técnicas Reunidas, S.A., which comprise the balance sheet as at December 31, 2014, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

Directors' Responsibility for the Annual Accounts

The company´s directors are responsible for the preparation of these annual accounts, so that present fairly the equity, financial position and financial performance of Técnicas Reunidas, S.A., in accordance with the financial reporting framework applicable to the entity in Spain, as identified in Note 2 to the accompanying annual accounts, and for such internal control as directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with legislation governing the audit practice in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the annual accounts taken as a whole.

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

Opinion

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of Técnicas Reunidas, S.A. as at December 31, 2014, and its financial performance and its 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.

pwc

Report on Other Legal and Regulatory Requirements

The accompanying directors' Report for 2014 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 2014.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

26 February 2015

This version of the annual accounts is a free translation from the original, which is 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 the annual accounts takes precedence over this translation.

TÉCNICAS REUNIDAS, S.A.

Annual accounts for the year ended 31 December 2014
and 2014 Director's Report

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

TÉCNICAS REUNIDAS, S.A.
BALANCE SHEET AT 31 DECEMBER 2014 AND 2013
(Figures in Thousands of Euros)

	Note	2014	2013
NON-CURRENT ASSETS		**232,428**	**172,491**
Intangible assets	**5**	59,345	68,406
Property, plant and equipment	**6**	35,147	28,076
Equity investments in group companies, jointly-controlled entities and associates	**8**	79,987	54,183
Financial assets	**7**	16,125	7,823
Shares and non-current equity holdings		885	885
Loans to third parties		1,534	833
Derivatives	**7 & 11**	1,681	2,679
Other financial assets		12,025	3,426
Deferred tax assets	**25**	41,824	14,003
CURRENT ASSETS		**1,949,236**	**1,691,022**
Inventories	**12**	19,826	19,843
Advances to suppliers	**13**	158,013	210,638
Trade and other receivable accounts	**7 & 10**	1,130,839	924,040
Investments in group companies, jointly-controlled entities and associates	**8**	295,976	136,429
Financial assets		81,726	62,659
Financial assets at fair value	**7 & 9**	39,711	38,175
Loans to third parties		94	94
Derivatives	**7 & 11**	32,394	16,402
Other financial assets		9,527	7,988
Cash and cash equivalents	**14**	262,856	337,413
TOTAL ASSETS		**2,181,664**	**1,863,513**

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

TÉCNICAS REUNIDAS, S.A.
BALANCE SHEET AT 31 DECEMBER 2014 AND 2013
(Figures in Thousands of Euro)

	Note	2014	2013
EQUITY		**202,282**	**120,524**
Capital and reserves		**252,359**	**137,894**
Capital	**15**	5,590	5,590
Registered capital		5,590	5,590
Share premium	**15**	8,691	8,691
Reserves	**16**	161,869	150,173
Legal reserve		1,137	1,137
Other reserves		160,732	149,036
(Treasury shares and equity holdings)	**15**	(73,371)	(73,371)
Profit for the year	**17**	185,426	82,657
(Interim dividend)	**17**	(35,846)	(35,846)
Adjustments for changes in value		**(50,611)**	**(17,904)**
Hedging transactions	**14**	(39,182)	(8,434)
Translation differences	**18**	(11,429)	(9,470)
Grants, donations and bequest received	**19**	**534**	**534**
NON-CURRENT LIABILITIES		**119,148**	**78,739**
Long-Term Provisions		78,701	43,980
Long-term Employee benefit obligations	**21**	7,969	6,901
Other provisions	**20**	70,732	37,079
Long-Term Debts	**22**	35,896	34,595
Debts to credit institutions		23,414	25,610
Finance lease obligations		-	26
Derivatives	**11**	11,813	8,642
Other financial liabilities		669	317
Deferred tax liabilities	**25**	4,551	164
CURRENT LIABILITIES		**1,860,234**	**1,664,250**
Short-Term Provisions	**20**	544	13,837
Current borrowings	**22**	126,556	55,580
Debts to credit institutions		3,559	4,475
Derivatives		86,990	15,054
Other financial liabilities		36,007	36,051
Borrowings from related parties	**23**	32,860	23,394
Trade and other payables	**24**	1,699,738	1,570,828
Accruals and deferred income		536	611
TOTAL EQUITY AND LIABILITIES		**2,181,664**	**1,863,513**

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 2014 AND 2013
(Figures in Thousands of Euro)

	Note	2014	2013
CONTINUING OPERATIONS			
Revenue	**26**	1,873,356	1,489,039
Sales and services rendered		1,873,356	1,489,039
Changes in inventory of finished goods and work in progress		(1,574)	(1,214)
Work carried out by the company for assets		-	126
Supplies		(980,410)	(771,861)
Consumption of goods purchased for resale		(980,410)	(771,861)
Other operating income		4,074	3,084
Non-trading and other operating income		2,374	1,269
Operating grants taken to income		1,700	1,815
Employee expenses	**26**	(257,161)	(232,529)
Wages and salaries		(213,601)	(193,573)
Staff welfare expenses		(42,905)	(38,205)
Impairment provisions		(655)	(751)
Other operating expenses	**26**	(600,629)	(451,186)
External services		(588,903)	(430,514)
Taxes other than income tax		(3,634)	(5,326)
Losses on, impairment of, and change in provisions for trade receivables			(14,406)
Otros gastos de gestión corriente		(8,170)	(940)
Depreciation and amortisation	**5 & 6**	78	(6,596)
Overprovisions		(8,019)	-
Impairment of and gains (losses) on disposal of non-current assets		(65)	5
OPERATING PROFIT (LOSS)		**29,572**	**28,868**
Finance income		157,087	65,615
Finance cost		(2,789)	(2,251)
Change in fair value of financial instruments		1,568	3,195
Net exchange differences		13,341	(1,558)
Impairment of and gains (losses) on disposal of financial instruments		-	(4,468)
NET FINANCE INCOME	**27**	**169,207**	**60,533**
PROFIT BEFORE INCOME TAX		**198,779**	**89,401**
Income tax	**25**	(13,353)	(6,744)
PROFIT FOR THE YEAR		**185,426**	**82,657**

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 2014 AND 2013

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

	Note	2014	2013
Profit for the year as per income statement		**185,426**	**82,657**
Income and expense recognized directly in equity			
On cash flow hedges	**11**	(17,290)	(29,887)
On actuarial gains and losses and other adjustments		(1,774)	(5,958)
Tax effect	**25**	(55)	69
Total income and expense recognised directly in equity		**(19,119)**	**(35,776)**
Amounts transferred to income statement			
On cash flow hedges	**11**	(13,458)	4,170
Tax effect		-	-
Total amounts transferred to income statement		**(13,458)**	**4,170**
TOTAL RECOGNISED INCOME AND EXPENSE		**152,849**	**51,051**

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 2014 AND 2013

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 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						-				(75,000)
- Dividend payment	-	-	27,284	-	(39,154)	(102,284)	(35,846)	-	-	-
Other changes in equity	-	-	(4,169)	-	39,154	-	35,846	-	-	(4,169)
BALANCE AT 31 DECEMBER 2013	**5,590**	**8,691**	**150,173**	**(73,371)**	**-**	**82,657**	**(35,846)**	**(17,904)**	**534**	**120,524**
BALANCE AT 1 JANUARY 2014	**5,590**	**8,691**	**150,173**	**(73,371)**	**-**	**82,657**	**(35,846)**	**(17,904)**	**534**	**120,524**
Total recognized income and expense	-	-	160	-	-	185.426	-	(32,707)	-	152,849
Transactions with shareholders and owners										
- Dividend payments	-	-	-	-	(39,154)	-	(35,846)	-	-	(75,000)
Other changes in equity										
- Distribution of 2013 results	-	-	7,657	-	39,154	(82,657)	35,846	-	-	-
- Other changes	-	-	3,909	-	-	-	-	-	-	3,909
BALANCE AT 31 DECEMBER 2014	**5,590**	**8,691**	**161,869**	**(73,371)**	**-**	**185,426**	**(35,846)**	**(50,611)**	**534**	**202,282**

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 2014 AND 2013
(Figures in Thousands of Euro)

	Note	2014	2013
Cash flows from operating activities			
1. Profit for the year		198,779	89,401
2. Adjustments for non-cash income and expense:			
- Depreciation and amortisation of PPE and intangible assets	**5 & 6**	8,019	6,648
- Change in provisions for contingencies and charges (net)		20,360	14,303
- Impairment losses		1,175	4,468
- Gains (losses) on fixed asset disposals/derecognitions		-	5
- Finance income	**27**	(157,087)	(65,615)
- Finance cost	**27**	2,789	2,251
- Change in gains/losses on derivatives		29,365	(691)
- Exchange gains/losses		(13,341)	1,558
- Change in fair value of financial instruments		-	(3,195)
- Other gains (losses)		9,732	-
3. Changes in working capital			
- Inventories and advances to suppliers		52,642	(45,693)
- Trade and other receivables		(200,643)	186,022
- Other accounts receivable		(2,240)	706
- Financial assets at fair value through profit or loss		-	-
- Trade payables		106,001	(88,514)
- Current tax liabilities		-	-
- Other changes		(278)	(178)
4. Other cash flows from operating activities			
- Interest paid		-	(262)
- Dividends received		1,057	13,382
- Interest received		-	1,446
- Income tax received paid		(13,118)	(10,335)
- Other amounts paid (received)		11,236	**-**
5. Net cash flows from (used in) operating activities		**54,448**	**105,707**
Cash flows from investing activities			
6. Payment on investments			
- Purchases of property, plant and equipment	**5**	(13,559)	(9,685)
- Purchases of intangible assets	**6**	(1,338)	(1,015)
- Investment in group companies and associates		(26,979)	(16,932)
- Other financial assets		-	(2,881)
7. Proceeds from disposals			
- Other financial assets		-	2,814
8. Net cash flows used in investing activities		**(41,876)**	**(27,699)**
Cash flows from financing activities			
10. Proceeds from and repayments of financial liabilities			
a) Issuance of:			
- Borrowings from related parties		21,729	41,389
b) Repayment of:			
- Bank loans		(2,582)	(1,482)
- Borrowings from related parties		(31,276)	(31,796)
11. Dividends paid and payments on other equity instruments			
- Dividends paid		(75,000)	(75,000)
12. Net cash flows used in financing activities		**(87,129)**	**(66,889)**
Net increase/(decrease) in cash and cash equivalents		**(74,557)**	**11,119**
Cash and cash equivalents at beginning of year		**337,413**	**326,294**
Cash and cash equivalents at end of the year		**262,856**	**337,413**

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

TÉCNICAS REUNIDAS, S.A.
NOTES TO THE 2014 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 26 February 2015, the Company's Board of Directors authorised the 2014 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 2014 stood at €455,832 k (2013: €438,520 k), a figure which includes Group profit for 2014 of €134,459 k (2013: €128,464 k).

2. Basis of presentation

a) Fair presentation

The 2014 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 nor 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.

Service concession arrangements

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

Interest income

Interest income is recognised using the effective interest rate method.

Dividend income

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

3.15 Foreign currency transactions

Functional and presentation currency

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

Transactions and balances

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 differs 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

The activities of the Company are exposed to various financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The program's overall risk management of the Company focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Risk management is controlled by the Treasury Department of the Company that identifies, evaluates and hedges financial risks under policies approved by the Board of Directors. The Board of Directors provides written for overall risk management policies, as well as for specific areas such as exchange rate risk, interest rate risk, liquidity risk, use of derivative and non-derivative and investment of excess liquidity.

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 roubles (RUB) and, to a lesser extent, currencies tied to the USD. There is residual exposure to suppliers operating in other currencies (principally yen, 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, 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 2014, leaving all other variables constant, profit before tax for the year would have been €23,401k higher / lower (2013: €13,277k 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 2014, equity would have been €64,628k lower / higher (2013: €38,457k 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:

	2014			2013		
	Referenced to Euribor	**Other benchmarks**	**Total**	**Referenced to Euribor**	**Other benchmarks**	**Total**
Borrowings (Note 22)	(26,973)	-	(26,973)	(30,085)	-	(30,085)
Interest-earning cash and cash equivalents (Note 14)	121,227	141,629	262,856	107,573	229,840	337,413
Net cash position	**94,254**	**141,629**	**235,883**	**77,488**	**229,840**	**307,328**

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 €525k (2013: €768k).

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 75% of total "Trade receivables" (within Trade and other receivables) at 31 December 2014 (2013: 74%) 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	
	2014	**2013**
Debts to credit institutions (Note 22)	(26,973)	(30,085)
Cash and cash equivalents (Note 14)	262,856	337,413
Net cash balance	235,883	**307,328**
Undrawn credit lines (Note 22)	31,000	35,000
Total liquidity reserves	**266,883**	**342,328**

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 2014				
Borrowings	3,559	3,559	10,677	9,178
Derivative financial instruments	86,990	11,813	-	-
Trade and other payables	1,699,738	-	-	-
Total	**1,790,287**	**15,372**	**10,677**	**9,178**
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**

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.

	2014	2013
Borrowings (Note 22)	(26,973)	(30,085)
Net cash position	235,883	307,328
Equity	**202,282**	**120,524**
% Borrowings / Equity	**(13.33)%**	**(24.96)%**

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 favorable for the Group, a stochastic model is used to simulate the derivative's behavior 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 01/01/2013					
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**
Additions	42	-	-	1,296	1,338
Decreases	-	-	-	-	-
Transfers	(8,778)	-	-	-	(8,778)
Amortisation charge	(686)	-	-	(1,340)	(2,026)
Amortisation decreases	-	-	-	-	-
Other movements	384	-	-	21	405
Impairment charge	-	-	-	-	-
Balance at 31/12/2014					
Cost	60,447	-	13	9,565	70,025
Accumulated amortisation	(1,489)	-	-	(6,991)	(8,480)
Accumulated impairment losses	(2,200)	-	-	-	(2,200)
Carrying amount	**56,758**	**-**	**13**	**2,574**	**59,345**

‘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’.

During 2014 the concessions for the Huercal-Overa Sports Complex in Almeria and the Pulpí underground car park amounting to 7,534 thousand euro and 845 thousand euro, respectively, were transferred to Accounts receivable and other assets. These concessions were transferred on the understanding that following the relinquishment reported regarding their continuation, the amount recoverable is a receivable with the Public Authorities. There have been no changes in the other service concession arrangements in which the Group has an interest. All the above listed concessions are governed by the Contracting with Public Authorities Act.

In 2014 and 2013 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 €27,200k (2013: €30,040k).

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

At 31 December 2014, there were fully-amortised intangible assets still in use with an original cost of €3,659k (2013: €5,351k) 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	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 €3,640k in 2014 (2013: €825k).

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 1/01/2013			
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**
Additions	100	13,459	13,559
Decreases	-	(685)	(685)
Depreciation charge	(92)	(5,901)	(5,993)
Derecognition of accumulated depreciation	-	190	190
Balance at 31/12/2014			
Cost	2,636	74,333	76,969
Accumulated depreciation	(701)	(41,121)	(41,822)
Carrying amount	**1,935**	**33,212**	**35,147**

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 2014 or 2013.

b) Property, plant and equipment located abroad

At 31 December 2014, the carrying amount of items of property, plant and equipment located outside Spain (plant and other PPE) was €538k (2013: €314k). Accumulated depreciation on these assets stands at €498k (2013: €556k).

c) Fully-depreciated assets

At 31 December 2014, there were fully depreciated items of property, plant and equipment still in use with an original cost of €17.050k (2013: €16,704k).

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	
	2014	**2013**
Capitalised finance lease cost	6,805	6.805
Accumulated depreciation	(6,758)	(6,396)
Carrying amount	**47**	**409**

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 2014 income statement recognises operating lease expense related to office rentals in the amount of €19,964k (2013: €19,385k).

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 amount 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 2014	**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	-	-	-	1,681	-
Other financial assets	-	-	13,559	-	-
Non-current	**885**	**-**	**13,559**	**1,681**	**-**
Debt securities	-	39,711	-	-	-
Derivatives	-	-	-	32,394	-
Other financial assets	-	-	1,390,369	-	262,856
Current	**-**	**39,711**	**1,390,369**	**32,394**	**262,856**

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)
					Thousand euro
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**

b) Financial liabilities:

				Thousand euro
	2014		**2013**	
	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)	23,414	-	25,610	-
Derivatives	-	11,813	-	8,642
Other financial liabilities	669	-	343	-
Non-current	**24,083**	**11,813**	**25,953**	**8,642**
Debts to credit institutions (Note 20)	3,559	-	4,475	-
Derivatives	-	86,990	-	15,054
Other financial liabilities	1,736,687	-	1,603,138	-
Current	**1,740,246**	**86,990**	**1,607,613**	**15,054**

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	
	2014	**2013**
Non-current assets - Equity investments in group companies, jointly-controlled entities and associates (a)	79,987	54,183
Current assets - Investments in group companies, jointly-controlled entities and associates (b)	295,976	136,429

(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 2014, dividends received amounted to €151,057k (2013: €60,297k) and are recognised as finance income in the income statement (Note 27).

In 2014, the following companies were incorporated:

- Tecnicas Reunidas of Talara, S.A.C.
- TR Peru Ingeniería y Construcción, S.A.C.
- Tecnicas Reunidas Malaysia SDN. BHD
- TR Tecreun República Dominicana, S.R.L.
- Empresarios Agrupados S.R.L. de C.V.

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.

The breakdown of investments in group companies, jointly-controlled entities and associates at year-end 2014 and 2013 is follows:

Company	Address	Business	Direct ownership	Indirect ownership	Net carrying amount	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	1,770	44	-
Técnicas Reunidas Australia Pty.	MELBOURNE	ENGINEERING SERVICES	100,00%	-	-	1	2,157	822	-
Termotécnica, S.A.	MADRID	WHOLESALE MACHINERY	99,98%	-	300	781	1,102	(195)	-
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	1,383	21	-
Técnicas Reunidas Metalúrgicas, S.A.	MADRID	ENGINEERING SERVICES	100,00%	-	60	120	2,490	(17)	-
Técnicas Reunidas Trade Panamá, S.A.	PANAMA	COMMERCIAL DEVELOPMENT	100,00%	-	46	46	45	-	-
Española de Investigación y Desarrollo S.A.	MADRID	ENGINEERING SERVICES	100,00%	-	438	90	7,945	3,436	-
TR Proyectos Internacionales, S.A.	MADRID	DEVELOPMENT AND CONTRACTI	100,00%	-	-	1,503	392	(38)	-
Técnicas Reunidas Venezuela S.A	CARACAS	COMMERCIAL DEVELOPMENT	100,00%	-	9	-	-	-	-
Layar, S.A.	MADRID	BUSINESS MANAGEMENT	100,00%	-	6,057	1,085	4,294	103	-
Initec Plantas Industriales, S.A.	MADRID	ENGINEERING SERVICES	100,00%	-	4,613	6,600	118,565	15,770	(150,000)
Initec Infraestructuras, S.A.	MADRID	ENGINEERING SERVICES	100,00%	-	1,322	1,800	5,463	66	-
Técnicas Reunidas Ecuador S.A.	QUITO	ENGINEERING SERVICES	100,00%	-	3	-	-	-	-
Técnicas Reunidas Gulf L.T.D.	JEDDAH	ENGINEERING SERVICES	100,00%	-	30,376	550	51,011	(1,258)	-
ReciclAguilar, S.A.	MADRID	ENGINEERING SERVICES	80,00%	-	-	60	(324)	-	-
Técnicas Reunidas Hellas S.A.	ATHENS	ENGINEERING SERVICES	100,00%	-	60	60	1,857	3,455	-
Técnicas Reunidas Netherlands B.V	THE HAGUE	ENGINEERING SERVICES	100,00%	-	18	18	1,037	(124)	-
TR De Construcao Unip. LDA	LISBON	ENGINEERING SERVICES	100,00%	-	-	3,500	(23,781)	(7,708)	-
TR SNG Alliance Ltd.	LA PAZ	ENGINEERING SERVICES	30,00%	-	38	-	-	-	-
TR Algerie S.A.	ALGERIA	ENGINEERING SERVICES	100,00%	-	2	-	-	-	-
Servicios Unidos S.A.	CARACAS	ENGINEERING SERVICES	100,00%	-	74	-	-	-	-
TR Hungary Dufi CCGT Kft	HUNGARY	ENGINEERING SERVICES	80,00%	20,00%	2	2	653	(16)	-
TR Rup Insaat Ve TaahhüT L.S.	TURKEY	ENGINEERING SERVICES	80,00%	20,00%	32	40	27,999	43,024	-
TR Brasil Participaçoes Ltd.	BRAZIL	ENGINEERING SERVICES	50,00%	-	7	-	-	-	-
TR Tec Ltda	BOLIVIA	ENGINEERING SERVICES	15,00%	85,00%	-	24,840	(16,245)	(4,365)	-
TR Canada INC	CANADA	ENGINEERING SERVICES	15,00%	85,00%	6	39	4,295	11,863	-
TR Engineers India Private LTD	INDIA	ENGINEERING SERVICES	100,00%	-	10	7	210	207	-
TR Saudi Arabia LLC	JEDDAH	ENGINEERING SERVICES	50,00%	50,00%	-	479	(795)	(6)	-
Al Hassan Técnicas Reunidas Project LLC	OMAN	ENGINEERING SERVICES	100,00%	-	19	-	-	-	-
TR Saudia for Services and Contracting Co. Limited	AL-KHOBAR	ENGINEERING SERVICES	50,00%	50,00%	25,013	504	26,553	6,692	-
Treunidas Mühendislik ve İnsaat A.S	ISTANBUL	ENGINEERING SERVICES	100,00%	-	905	905	2	95	-
TSGI Mühendislik İnşaat Limited Şirketi	ISTANBUL	ENGINEERING SERVICES	30,00%	-	75	203	2,169	5,679	-
Tecnicas Reunidas of Talara, S.A.C.	PERU	ENGINEERING SERVICES	100,00%		449	528	(8)	800	-
TR Tecreun República Dominicana, S.R.L.	REP. DOMIN.	ENGINEERING SERVICES	100,00%		2	2	1	16	-
Tecnicas Reunidas Malaysia SDN. BHD	MALASIA	ENGINEERING SERVICES	100,00%		207	243	(7,119)	1,398	-
Total shareholdings in Group companies					**70,403**				
ASSOCIATES AND JOINT VENTURES									
Heymo Ingeniería, S.A.	MADRID	ENGINEERING SERVICES	39,98%	-	517,00	903	3,212	(1,644)	-
Layar Castilla, S.A.	MADRID	REAL ESTATE DEVELOPMENT	25,39%	-	(147,00)	685	984	14	-
Empresarios Agrupados, A.I.E.	MADRID	BUSINESS SERVICES	34,40%	8,60%	69,00	162	588	-	-
Empresarios Agrupados Internacional, S.A.	MADRID	BUSINESS SERVICES	34,40%	8,60%	264,00	1,202	9,901	1,760	-
KJT Engehnaria Materiais	MADEIRA	ENGINEERING SERVICES	33,33%	-	-	5	1,856	7	-
Ibérica del Espacio	MADRID	ENGINEERING SERVICES	39,09%	9,78%	2,451	3,147	2,219	217	-
Master S.A. de Ingeniería y Arquitectura	MADRID	ENGINEERING SERVICES	40,00%	-	-	152	870	(1,737)	-
Proyectos Ebramex S. de R.L. de C.V.	MEXICO D.F.	ENGINEERING SERVICES	33,33%	-	-	21,639	(28,270)	(941)	-
Minatrico, S. de R.L. de C.V.	MEXICO D.F.	ENGINEERING SERVICES	33,33%	-	5,991	41,289	(24,212)	898	-
Other					369				
Total interest in associate enterprises and joint ventures					**9,544**				
Total					**79,987**				

Interests in group entities, joint ventures and assoc. 2013

Company	Address	Activity	Direct ownership%	Indirect ownership %	Net carrying amount	Capital	Reserves	Results	Dividends
								Equity	
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	75.00%	25.00%	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**				

Accumulated impairment losses on investments at 31 December 2014 totalled €42,020k (year-end 2013: €40,845k).

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	
	2014	**2013**
Loans and receivables	145,224	82,064
Other financial assets	150,752	54,365
Total	**295,976**	**136,429**

At 31 December 2014, loans to Group companies includes €30,043k (2013: €27,198k) 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 (2013: Euribor + 300bp).

At year-end 2014, "Other financial assets" corresponding to dividend 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	
	2014	**2013**
- Investments in short-term fixed income securities	18,258	26,977
- Investments in listed equity securities	21,453	11,198
	39,711	**38,175**

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 2014, investments totalled €2,139k and disinvestments totalled €2,162k. In 2013, investments totalled €2,881k and disinvestments totalled €2,814k.

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 2014 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	
	2014	2013
Trade receivables for sales and provision of services	835,387	757,441
Trade receivables, related parties	138,758	113,577
Sundry receivables	115,892	18,001
Receivable from employees	760	744
Current income tax assets	14,084	9,822
Other tax receivables	31,983	30,362
Impairment provisions	(6,025)	(5,907)
	1,130,839	**924,040**

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

At year-end 2014, trade receivables include €633,818k (2013: €531,245k) 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	
	2014	2013
Opening balance	**5,907**	**5,907**
Provision for receivables impairment	118	-
Receivables written off during the year as uncollectible	-	-
Closing balance	**6,025**	**5,907**

The balance of trade receivables past due but not impaired at 31 December 2014 was €37,481k and primarily correspond to amounts past due by more than one year (2013: €26,452k, 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
	2014	2013
Euro	369,467	336,125
USD	112,443	53,607
Other currencies	15,111	3,063
Subtotal	**497,021**	**392,795**
Completed work pending certification	633,818	531,245
Total	**1,130,839**	**924,040**

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 2014 and 2013 are as follows:

				Thousand euro
	2014		2013	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange forwards – cash flow hedges	33,665	98,487	19,081	23,442
Inventory forward	410	316	-	254
Total	**34,075**	**98,803**	**19,081**	**23,696**
Less non-current portion:				
Foreign exchange forwards – cash flow hedges	1,681	11,813	2,679	8,642
Non-current portion	**1,681**	**11,813**	**2,679**	**8,642**
Current portion	**32,394**	**86,990**	**16,402**	**15,054**

Set out below is a maturity schedule for the contracts in force at 31 December 2014 and 2013:

	Fair value (in euro thousands):	**Notional currency**	**Notional maturity (thousands)**			
Type of instrument	**2014**		**2015**	**2016**	**2017**	**Total**
Foreign currency forwards						
USD / JPY	14	USD	1,941	-	-	1,941
USD / EUR	27,644	USD	423,865	20,753	-	444,618
RUB / EUR	5,992	RUB	1,665,000	-	-	1,665,000
CAD / EUR	15	CAD	207	103	-	310
Raw material forwards						
Copper derivative (584 TN)	368					
Copper derivative (65 TN)	42					
Assets	**34,075**					
Raw material forwards						
Copper derivative (584 TM)	50					
Copper derivative (65 TM)	266					
Foreign currency forwards						
USD / AUD	3,452	USD	21,380	-	-	21,380
USD / EUR	47,892	USD	1,077,539	32,587	-	1,110,126
USD / JPY	5,795	USD	87,553	1,298	-	88,850
USD / GBP	29	USD	1,038	-	-	1,038
USD / TRY	51	USD	2,321	-	-	2,321
RUB / EUR	41,268	RUB	4,538,571	1,757,720	-	6,296,291
Liabilities	**98,803**					
Net balances	**(64,728)**					

	Fair value (in euro thousands):	Notional currency	Notional maturity (thousands)			
Type of instrument	2013		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)**					

Set out below is a maturity schedule in fair value terms for the contracts in force at 31 December 2014 and 2013:

	2014	2015	2016	2017	Total Valor razonable
Total assets, 2014	-	32,394	1,681	-	**34,075**
Total liabilities 2014	-	86,990	11,813	-	**98,803**
Total assets, 2013	16,402	2,679	-	-	**19,801**
Total liabilities 2013	15,054	7,135	1,507	-	**23,696**

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 2014 amounted to a gain of €39,182k (2013: a loss of €8,434k) 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 2014 or 2013. 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	
	2014	**2013**
Ongoing and finished construction projects	6,980	5,805
Bid presentation costs	12,775	13,967
Materials	71	71
	19,826	**19,843**

’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	
	2014	**2013**
Group	115,627	140,376
Non Group	42,386	70,263
Advances to suppliers	**158,013**	**210,639**

14. Cash and cash equivalents

	Thousand euro	
	2014	**2013**
Cash	204,704	246,221
Cash equivalents	58,152	91,192
	262,856	**337.413**

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 2014 the effective average interest rate earned on short-term deposits at banks was 0.60% on euro deposits (2013: 1.32%) and 0.61% on US dollar deposits (2013: 0.75%) and the average deposit term was 15 days (2013: 15 days).

Of total cash and cash equivalents at 31 December 2014, €164,528k (2013: €178,176k) 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 2014. 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 2013	5,590	8,691	(73,371)	(59,090)
Other movements	-	-	-	-
Balance at 31 December 2013	5,590	8,691	(73,371)	(59,090)
Other movements	-	-	-	-
Balance at 31 December 2014	5,590	8,691	(73,371)	(59,090)

a) Capital

At 31 December 2014 and 2013 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 38.59% 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:

	2014	2013
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	0.52%	1.03%
BBVA Elcano Empresarial, SCR, S.A.	0.49%	0.99%
BBVA Elcano Empresarial II, SCR, S.A.	0.49%	0.99%
Rest of the stakeholder (including floating capital)	52.56%	51.05%
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 2014 or 2013:

	2014		2013	
	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 2014 treasury shares represented 3.85% of the parent company's share capital acquired at an average price of €34.33 per share (€34.33 per share in 2013).

On 26 June 2014, 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	
	2014	**2013**
- Legal reserve	1,137	1,137
- Other reserves	160,732	149,036
	161,869	**150,173**

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 2014 profit to be put before the shareholders in general meeting and the ratified distribution of 2013 profit is set forth below:

	2014	2013
Basis of appropriation		
Profit for the year	185,426	82,657
	185,426	**82,657**
Appropriation to:		
Other reserves	110,426	7,657
Dividends	75,000	75,000
	185,426	**82,657**

b) Interim dividend

As agreed by the Board of Directors on 18 December 2014, the Company paid an interim dividend against 2014 profit totalling €35,846k (€0.667 per share) on January, 15 2015.

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	**2014**	**2013**
Estimated profit for the year	166,000	157,000
Estimated income tax	(31,500)	(21,000)
Maximum possible payout	**134,500**	**136,000**
Proposed payout	(35,846)	(35,846)
Surplus	**98,654**	**100,154**
Cash balance prior to payout	560,000	550,000
Interim dividend	(35,846)	(35,846)
Cash surplus	**524,154**	**514,154**

The €75,000k dividend charged against 2014 profits consisted of the following:

- A €35,846k interim dividend approved by the Board of Directors on 18 December 2014 and paid on 15 January 2015.
- A dividend of €39,154k pending to be approved at the AGM that will ratify the 2014 annual accounts.

The €75,000k dividend charged against 2013 profits consisted of the following:

- A €35,846k interim dividend approved by the Board of Directors on 14 December 2013 and paid on 16 January 2014.
- A dividend of €39,154k approved as complementary dividend corresponding to 2013 profit, in addition to the interim dividend approved by the Board of Directors on 14 December 2013.

18. Translation differences

	Thousand euro	
	2014	**2013**
Accumulated translation difference	(11,429)	(9,470)

The breakdown of the cumulative translation difference by branch at the 2014 and 2013 year ends is as follows:

	Thousand euro	
	2014	2013
Abu Dhabi branch	(493)	(1,465)
Khabarovsk branch	(9,796)	(5,234)
Australia branch	(769)	(2,485)
Ankara branch	1.221	224
Moscow branch	(1,845)	(347)
Others	253	(163)
	(11,429)	**(9,470)**

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	
	2014	2013
Opening balance	534	534
Additions	-	-
Released to income	-	-
Other decreases	-	-
Closing balance	**534**	**534**

20. Provisions

	Thousand euro	
	2014	2013
Long-term employee benefit obligations (Note 21)	7,969	6,901
Other provisions	70,732	37,079
Non-current	**78,701**	**43,980**
Short-term provisions	544	13,837
Current	**544**	**13,837**

In 2014 the Company recognised provisions amounting to €6,063k (2013: €18,390k) and reversed/used provisions amounting to €118k (2013: €4,088k).

a) Other provisions (non-current)

This balance breaks down as follows:

	Thousand euro	
	2014	2013
Provision for project completion	2,000	1,000
Other provisions	68,732	36,079
Non-current	**70,732**	**37,079**

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	
	2014	**2013**
Balance sheet commitments:		
Pension and retirement benefits	7,969	6,901
	7,969	**6,901**
Income statement charges for:		
Pension and retirement benefits	1,025	947
	1,025	**947**

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 2014 and 2013 there are no assets linked to the defined benefit commitments with employees.

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

	2014	**2013**
Present value of obligations at 1 January	6,901	6,433
Cost of services for the current year	798	751
Interest cost	227	196
Benefits paid	(143)	(250)
Actuarial (gains) / losses recognised in equity	185	(229)
Balance sheet liability	**7,969**	**6,901**

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

	2014	**2013**
Opening balance	6,901	6,433
Income statement charge	1,025	947
Actuarial (gains) / losses charged to equity	185	(229)
Contributions paid	(143)	(250)
Closing balance	**7,969**	**6,901**

The amounts recognised in the income statement are as follows:

	2014	**2013**
Cost of services for the current year (Note 26.c)	798	751
Finance cost of discounting provision to present value (Note 27)	227	196
Total income statement charge	**1,025**	**947**

The principal actuarial assumptions used are as follows:

	2014	**2013**
Annual discount rate	1.97%	3.50%
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 years	65 years

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

Sensitivity to interest rates:

31/12/2014	1.47%	1.97%	2.47%
Current value of the obligation	8,575	7,968	7,425
Assets attached to the plan	-	-	-
Limitations on assets	-	-	-
Liabilities (active)	8,575	7,968	7,425
Current FY service cost (excluding interest)	1,083	989	906

Sensitivity to inflation (CPI/wage increases):

	CPI/Salaries		
31/12/2014	1.0%	1.5%	2.0%
Current value of the obligation	7,400	7,969	8,598
Current FY service cost (excluding interest)	903	989	1,086

Benefits to be paid in the coming years:

	Thousand euro
2014	26
2015	16
2016	24
2017	24
2018	16
2019-2023	280

22. Long-Term and Short-Term Debts

	Thousand euro	
	2014	2013
Debts to credit institutions	23,414	25,610
Finance lease obligations	-	26
Derivatives (Note 11)	11,813	8,642
Other financial liabilities	669	317
Non-current borrowings	**35,896**	**34,595**
Debts to credit institutions	3,559	4,475
Derivatives (Note 11)	86,990	15,054
Other financial liabilities	36,007	36,051
Current borrowings	**126,556**	**55,580**

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 2014 and 2013:

	2014	2015	2016	2017 and over	Total
2014	-	3,559	3,559	19,855	**26,973**
2013	4,475	4,475	21,135		**30,085**

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 1.48% (2013: 1.63%).

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	
	2014	2013
– Maturing in less than one year	31,000	35,000
– Maturing in more than one year	-	-
	31,000	**35,000**

b) Other financial liabilities (current)

This heading primarily reflects the Board-approved €35,846k dividend payable at year-end (2013: €35,846k) (Note 16).

23. Borrowings from related parties

	Thousand euro	
	2014	2013
Group companies	23,165	13,699
Associates	9,695	9,695
	32,860	**23,394**

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

	Thousand euro	
	2014	2013
Engineering services payable	16,184	5,334
Current loans	6,981	8,365
Group companies	**23,165**	**13,699**
Engineering services payable	-	-
Consolidation of UTEs	9,695	9,695
Associates	**9,695**	**9,695**

In 2014, the balances payable to Group companies carried interest at an average rate of Euribor + 300bp (2013: Euribor + 300bp).

24. Trade and other payables

	Thousand euro	
	2014	2013
Due to suppliers	944,695	683,176
Trade payables, related parties	196,247	233,117
Sundry payables	1,659	4,565
Employee benefit obligations payable	600	887
Other taxes payable	31,918	27,135
Customer prepayments	524,619	621,948
	1,699,738	**1,570,828**

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	
	2014	2013
USD	40,791	119,464
Other currencies	14,029	7,929
	54,820	**127,393**

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 2014 and 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 2014 is set forth below:

						Thousand euro
						2014
		Income statement				**Income and expense recognised directly in equity**
Recognised income and expense		185,426	185,426			
	Increases	**Decreases**		**Increases**	**Decreases**	
Income tax expense	13,353	-	13,353	-	-	-
Permanent differences	50,793	(198,153)	(147,359)	-	-	-
Temporary differences:	63,267	-	63,267	-	-	-
Taxable income (tax loss)			**144,687**			

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

	Thousand euro	
	2014	**2013**
Current tax	32,334	10,837
Deferred tax	(18,980)	(4,030)
Other adjustments	-	(63)
	13,353	**6,744**

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

	Thousand euro	
	2014	**2013**
Losses of permanent establishments	-	47,967
Non-deductible expenses	1,163	510
Provisions recognised	49,630	18,865
Double taxation dividend deduction (art 32)	-	3,332
	50,793	**70,674**

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

	Thousand euro 2014	2013
Profits generated abroad	47,970	64,786
Double taxation deduction	150,000	63,474
Other	182	378
	198,152	**128,638**

Deferred tax

	Thousand euro 2014	2013
Deferred tax assets		
- to be recovered after more than 12 months	41,824	14,003
- to be recovered within 12 months	-	-
	41,824	**14,003**
Deferred tax liabilities		
- to be recovered after more than 12 months	4,551	164
- to be recovered within 12 months	-	-
	4,551	**164**

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

	2014		2013	
	Assets	**Liabilities**	**Assets**	**Liabilities**
At 1 January	**14,003**	**164**	**10,190**	**164**
Reversals / Utilisations	(1,456)	-	-	-
Additions	29,277	4,387	3,813	-
At 31 December	**41,824**	**4,551**	**14,003**	**164**

The deferred taxes relate to the following items:

Deferred tax assets	Thousand euro 2014	2013
- Pensions Plans	2,330	1,920
- Hedging reserve	11,983	203
- Deferred tax related to permanent establishments	62	3,013
- Tax losses carried forward related to permanent establishments	18,716	-
- Provisions for liabilities and charges	8,733	8,867
	41,824	**14,003**

Deferred tax liabilities	Thousand euro 2014	2013
Hedging reserve	164	164
Taxes related to permanent establishments	4,387	-
	4,551	**164**

There are no unused recognised tax losses at year-end 2014 and 2013.

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.

Due to the amendment introduced by Law 27/2014, according to which the general corporate income tax rate falls from 30% to 28% for the tax periods starting on and after 1 January 2015, and to 25% for the tax periods starting on and after 1 January 2016, at 31 December 2014 deferred tax assets and liabilities have been adjusted on the basis of the amount expected to be recovered or paid, respectively. The impact of these adjustments has increased the corporate income tax expense by 1,456 thousand euro.

On 28 June 2013 the tax agency informed Técnicas Reunidas, S.A., as the Tax Group's parent, of the start of inspection proceedings in connection with corporate income tax for the years 2008-2011. These proceedings were subsequently extended to include VAT 2012 and 2013.

For all the years inspected, the Tax Group has applied the transfer pricing study which was completed together with its tax advisors and which was based on the content of the assessments agreed by the Tax Group and Tax Agency in 2010.

During the inspection proceedings, the chief inspector expressed his disagreement with the criteria upheld in the transfer pricing study, mainly with respect to the location where the services were delivered and their valuation. Although his conclusions are under review by the Tax Agency's technical office, if they are upheld, this could result in assessments for significant amounts.

In the opinion of Company management and their tax advisors, there are solid grounds to uphold the Tax Group's position. The final decision is therefore expected to be favourable to the Group's interests.

Tax	**Years**
Corporate income tax	2010 to 2014
Value added tax	2010 to 2014
Withholding tax	2010 to 2014
Other taxes	Last four years

Other information

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 2014 and 2013 is as follows:

Market	Thousand euro	
	2014	2013
Spain	39,788	62,865
European Union	183,193	75,530
OECD (excl. Spain and EU)	306,505	366,694
Other	1,343,870	983,950
	1,873,356	**1,489,039**

The revenue split by operating segment was as follows:

Business	Thousand euro	
	2014	2013
Oil & Gas	1,729,862	1,353,965
Power	115,828	60,158
Other	27,666	74,916
Total	**1,873,356**	**1,489,039**

b) Foreign currency transactions

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

	Thousand euro	
	2014	2013
Sales	891,137	511,998
Purchases	164,228	77,543
Services received	27,995	127,855

c) Employee benefit expense

	Thousand euro	
	2014	2013
Wages and salaries	212,851	192,665
Termination benefits	750	908
Staff welfare expenses	42,905	38,205
Charge for employee benefit obligations (Note 21)	655	751
	257,161	**232,529**

Average headcount by job category:

	2014	2013
Directors and senior management	25	25
Graduates, diploma holders and administrative staff	2,370	2,150
Skilled workers	996	904
Sales staff	23	19
	3,414	**3,098**

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

	2014			2013		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Directors and senior management	23	2	25	23	2	25
Graduates, diploma holders and administrative staff	1,736	725	2,461	1,553	644	2,197
Skilled workers	603	432	1,035	540	383	923
Sales staff	15	9	24	12	8	20
	2,377	**1,168**	**3,545**	**2,128**	**1,037**	**3,165**

Figures above include 780 subcontracted employees (2013: 758 employees)

None of the workforce presented disabilities of a severity of 33% or higher in either 2014 or 2013.

d) Other expenses

The breakdown of the income statement heading is as follows:

	Thousand euro	
	2014	**2013**
Services	401,032	299,917
Rent and fees	27,412	26,199
Independent professional services	61,219	40,776
Transport expense	11,830	10,475
Repairs and maintenance	3,336	3,929
Insurance premiums	34,151	2,384
Banking and similar services	23,876	11,443
Other	26,047	35,393
External services	**588,903**	**430,514**
Taxes other than income tax	3,634	5,326
Losses on, impairment of and change in trade provisions (Note 20)	8,170	14,406
Other operating expenses	(78)	940
	600,629	**451,186**

27. Finance income and finance cost

	Thousand euro	
	2014	**2013**
Finance income:		
From equity investments:		
In group companies and associates (Note 8)	151,057	60,297
In third parties	-	-
From marketable securities and other financial instruments:		
In group companies and associates	3,911	2,300
In third parties	2,119	3,018
	157,087	**65,615**
Finance cost:		
Borrowings from related parties	(68)	(262)
Third-party borrowings	(2,494)	(1,793)
Discounting of provisions (Note 19)	(227)	(196)

	(2,789)	**(2,251)**
Change in fair value of financial instruments:		
Held for trading and other securities	1,568	3,195
	1,568	**3,195**
Exchange differences	**13,341**	**(1,558)**
Financial asset impairment and disposal gains/(losses)		
Impairment charges and losses (Note 8)	-	(4,468)
	-	**(4,468)**
Finance income and finance cost	**169,207**	**60,533**

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 €2,283,670k (2013: €1,388,614k) 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:

	2014	**2013**
Less than 1 year	16,185	15,541
Between 1 and 5 years	17,298	15,700
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:	**2014**	**2013**
Non-current assets	58,133	37,968
Current assets	900,604	521,860
	958,737	**559,828**
Liabilities:		
Non-current liabilities	30,062	22,270
Current liabilities	954,708	471,274
	984,771	**493,544**
Net assets (liabilities)	**(26,033)**	**66,284**
Revenue	1,141,866	330,295
Expenses	(1,124,054)	(264,248)
Profit after tax	**17,812**	**66,047**

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 2014 and 2013:

- Board meeting attendance fees received by all board members: €1,082k (2013: €1,159k).
- Wages and salaries: €1,121k (2013: €1,371k).
- Insurance premiums and pension plans: €13k (2013: €14k).
- Services provided to the company: €134k (2013: €136k).

b) Senior management compensation

Total compensation paid in 2014 to key management personnel was €2,788k (2013 comparative: €4,101k).

- Advances: €0k (2013: €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.

During 2014 the BBVA Group sold 1.5% of its stake in the Company and therefore ceased to be a significant shareholder.

Set out below are details of these transactions at 31 December 2014 and 2013:

	Thousand euro	
	2014	**2013**
Credit facilities	5,000	5,000
Drawn balances	-	-
Guarantees furnished	163,940	226,410

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 USD130,615k (2013: USD114,585k).

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 2014 or 2013, 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	
	2014	**2013**
Credit facilities	19,000	19,000
Drawn balances	-	-
Guarantees furnished	221,678	408,114

The Company also arranged forward foreign currency sale contracts with the Santander Group, with notional amounts totalling USD23,900k, (2013: USD51,298k, AUD92,000k and JPY20,868k).

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:

2014	**Group companies**	**Jointly-controlled entities and associates**
Services received	171,842	-
Finance costs	5	25
Total expenses	**171,847**	**25**
Services rendered	248,961	-
Finance income	1,698	-
Dividends received (Note 25)	150,265	792
Total revenue	**400,924**	**792**

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**

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 2014 are detailed below:

<u>The fees for services:</u>

.Audit services: €229k (2013: €269k).
.Other work required under prevailing regulations: €56k (2013: €21k).
.PwC Firms: €178k (2013: €66k).

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:

			2014
Name	**%shareholding**	**Name**	**% shareholding**
CONSORCIO VIETNAM	20%	UTE TR/INITEC P.I. JV TR RABIGH DP	85%
TR FRANCIA BRANCH	100%	UTE TR/INITEC PROYECTO DGC CHILE	15%
TR KHABAROVSK BRANCH	100%	UTE TR/INTERCONTROL VARIANTE PAJARES	80%
TR MOSCU BRANCH	100%	UTE TR/IONICS RAMBLA MORALES	40%
TR ABU DHABI BRANCH	100%	UTE TR/IONICS/TCOSA/CHSA DEP.OROPESA	25%
TR AUSTRALIA BRANCH	100%	UTE TR/IPI ELEFSINAS	65%
TR ANKARA BRANCH	100%	UTE TR/IPI KHABAROVSK	15%
TR OPTARA BRANCH	100%	UTE TR/IPI REFINERIA SINES GALP	85%
TR VOLGOGRADO BRANCH	100%	UTE TR/KV CON.PL.Y URB.ZALIA	50%
TR ALGERIA BRANCH	100%	UTE TR/LOGPLAN A.T.AENA	55%
TR QATAR BRANCH	100%	UTE TR/PAI URBANIZACION CALAFELL	55%
TR OMAN	100%	UTE TR/RTA VILLAMARTIN	50%
TR POLONIA	100%	UTE TR/SEG PROY.NT AENA	70%
TR MARRUECOS BRANCH	100%	UTE TR/SENER PROEYCTO HPP GEPESA	60%
UTE ALQUILACION CHILE	15%	UTE TR/SERCOAL CENTRO DE DIA	50%
UTE EP SINES	80%	UTE TR/SERCOAL EDIFICIO SERVICIOS MULTIPLES	50%
UTE HDT/HDK FASE II	15%	UTE TR/SOLAER I.S.F. MORALZARZAL	90%
UTE HYDROCRACKER HUNGARY	15%	UTE TR/TECNORESIDUOS PT VALDEMINGOMEZ	90%
UTE INITEC/TR JU'AYMAH GPE	15%	UTE TR/TREC OPER.DESALADORA R.MORALES	50%
UTE INITEC/TR MEJILLONES	15%	UTE TR/TRIMTOR DEP.CAÑADA GALLEGO	50%
UTE INITEC/TR PLANTAS HDT Y HCK	15%	UTE TR/TRIMTOR EDAR LIBRILLA	50%
UTE INITEC/TR RKF ARGELIA	15%	UTE TR/TT HORNOS RUSIA	95%
UTE INITEC/TR SAIH RAWL	15%	INT.VALORIZA	50%
UTE INITEC/TR TFT ARGELIA	15%	UTE TR RUP TURQUIA	80%
UTE PEIRAO XXI	50%	UTE TR YANBU REFINERY - TRYR	80%
UTE TR POWER	85%	UTE TR ABU DHABI SHAH I	15%
UTE TR/ALTAMARCA COMPLEJO LA VIÑA	80%	UTE MARGARITA	15%
UTE TR/ALTAMARCA PISCINA CUBIERTA	80%	UTE PERELLO tr/vialobra	50%
UTE TR/ALTAMARCA/HMF C.ALCOBENDAS	34%	UTE ENSA/TR CAMBIADORES TAISHAN	50%
UTE TR/ANETO RED NORTE OESTE	50%	UTE TANQUE MEJILLONES	15%
UTE TR/ARDANUY ALGECIRAS	70%	UTE TR/SEG PORTAS	50%
UTE TR/ASFALTOSY CONS.APARCAM.ALCOBENDAS	50%	UTE TR/ESPINDESA	25%
UTE TR/CTCI GUANDONG EO/EG	90%	UTE URBANIZACION PALMAS ALTAS SUR	40%
UTE TR/CTCI JIANGSU SERVICIOS	90%	UTE TSK TR ASHUGANJ NORTH	50%
UTE TR/CTCI JIANGSU SUMINISTROS	90%	UTE TR OPTARA	85%
UTE TR/ESPINDESA - PEL SINES	85%	UTE TR/ESPINDESA - AUGUSTUS	85%

UTE TR/ESPINDESA - TR AKITA	85%	UTE TR/SGS PISTA 18 R	50%
UTE TR/FERROVIAL LA PLANA DEL VENT	58%	UTE FORT HILLS	50%
UTE TR/GDF AS PONTES	50%	UTE TR-JJC	51%
UTE TR/GDF BARRANCO DE TIRAJANA	50%	UTE TR MINATITLAN	75%
UTE TR/GDF CTCC BESOS	50%	UTE TR Rapid	85%
UTE TR/GDF CTCC PUERTO DE BARCELONA	50%	UTE TR Integrated gas	85%
UTE TR/GEA COLECTOR PLUVIALES H.O.	80%	UTE STURGEON	15%
UTE TR/GEA/SANHER EL CARAMBOLO.	40%	UTE TR Talara	85%
UTE TR/GUEROLA CENTRAL TERMOSOLAR	50%	JV Sohar	50%
UTE TR/I.P.I. TR JUBAIL	85%	JV Darsait	50%
UTE TR/I.P.I. ABUH DABIH -SAS	15%	UTE PERLA VENEZUELA	15%
UTE TSGI SOCAR	33%	UTE TR DUFI HUNGRIA	80%
UTE TR/I.P.I. C.P.BIO BIO	15%	UTE TR INTEGRATED PROJECT (TRIP)	65%
UTE TR/I.P.I. FENOLES KAYAN	85%	UTE TR VOLGOGRAD	15%
UTE TR/I.P.I. OFFSITES ABU DHABI	85%	JAZAN REFINERY AND T	85%
UTE TR/INITEC DAMIETTA LNG	85%	UTE TR/INITEC INFRA CONSTRUCCI.PARCELA S	85%
UTE TR/INITEC EBRAMEX INGENIERIA	51%	UTE TR/INITEC JV HAWIYAH GPE	15%
UTE TR/INITEC INFRA CONS.COMP.LA VIÑA	85%	UTE TR/INITEC KJT PR. LNG	85%
UTE TR/INITEC INFRA CONS.PC.HUERCAL OVERA	85%	UTE TR/INITEC MINATRICO INGENIERIA	51%

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%

2014 INDIVIDUAL DIRECTORS' REPORT

1. Development of the business

In 2014 Técnicas Reunidas was able to distance itself from the prevailing environment in the sector in the past two years. Some sector players continued to face difficulties in completing their projects or had growth opportunities cut because of project delays or investment cuts by certain customers connected with exploration and production operations.

Técnicas Reunidas continued to leverage the basics that underpin its business areas: sustained demand for energy worldwide, economic and demographic growth in certain geographical areas and the need to develop an appropriate energy infrastructure commensurate with country consumption levels. As a result, its operations grew markedly in 2014.

The company won new projects in key production markets with significant volumes of reserves such as Canada, Saudi Arabia and Mexico, which will help to sustain future growth in demand, in areas embarking on major development initiatives, such as Peru and Malaysia and in regions requiring investment to cover local energy consumption such as Bangladesh, Dominican Republic and Poland.

Also significant is the quality of the customers with whom Técnicas Reunidas works. Although there have been budget adjustments, mainly in integrated companies, the nature of the company's customers has enabled it to keep its investment commitments. Local oil companies such as Saudi Aramco, Petroperú, Pemex and Petronas, major integrated companies such as North West Redwater and Yara and leading electric utilities such as the AES Group, Fort Hills Energy, Enersur, Ashuganj Power Station Company and Polska Grupa Energetyczna, have offered Técnicas Reunidas the opportunity to repeat business or make initial contact on which to build an enduring business relationship in the future.

The equilibrium characterizing its order book can be attributed not only to its geographical distribution and customers but also to the type of products ordered. The contracts won in 2014 included the company's main business areas, covering refinery, petrochemical, and oil and gas production and energy generation operations.

At the 2014 year end, Tecnicas Reunidas had 3,145 employees. This number enabled it to complete the projects not yet executed in a controlled manner. Nonetheless, the company continued to actively assess the opportunities currently offered by the labor market and opted to recruit and invest in those resources who could deliver value to its operations. As a result, the company's headcount increased by 12% compared with the previous year end.

In 2014 the closing price of Tecnicas Reunidas shares registered a cumulative loss of 8%. Although the year was a success for the company in terms of new business, the share price was impacted by the uncertainty in the sector in the past few months. Until the end of the first half of the year, shares posted a positive performance, in line with the performance of the reference index. In the second half of the year, however, a number of events took place which had a negative impact on investor sentiment in the sector. Since 2013 some European and Korean competitors have had difficulties in completing projects. This situation continued throughout 2014, specifically in the second half of the year. The market has closely monitored the geopolitical tensions between Russia and the European Union and the effect of this could have an impact on both consumption and estimated demand for crude oil and gas and limit future investments. This situation had a direct impact on oil prices, further aggravated by OPEC's and the USA's production decisions. This in turn generated concern among some investors with projects in which exploitation is conditional on a minimum return, subject to the origin of the raw materials and technology needed. In the last two months of the year, the sharp fall in oil prices drove certain customers to review some investment budgets, triggering a drop in sector share prices. The situation of the sector filtered through and affected the Tecnicas Reunidas share price although the company was shored up by the type of products and customers on which it focuses.

The company paid out a total of 75 million euro in dividends against net profits for 2013, equal to 1,395 euro per share. This figure is similar to that paid out last year and represents 59% of profit in line with the company's dividend distribution policy (50% of net profit).

The performance of TR's lines of business was as follows:

Oil and gas

Despite the prevailing instability in the economic environment, the future outlook for the energy sector remains upbeat. Adaptation to the new environmental regulations, the need to renew infrastructures and social development are some of the more compelling reasons that have fuelled investments even during the economic downturn. According to the sector's leading official bodies, the International Energy Agency and OPEC, growth in oil and gas demand will continue in the next 26 years, driving the sector's future growth. The International Energy Agency in its annual World Energy Outlook 2014 report estimates total investment in energy infrastructures at 51,143 billion dollars over the next 26 years. This figure entails an average investment of 2,000 billion dollars a year, of which two thirds will be made in non-OECD countries. Specifically, for the oil and gas sector, the International Energy Agency has estimated total investment at more than 28,000 billion dollars for the period 2014 to 2040, which accounts for 56% of total estimated global energy investment. The strategic positioning of Técnicas Reunidas can be analysed on the basis of these figures. The company's business is long cycle on the key markets where it focuses it major investment plans, guaranteeing growth.

In line with the tendency in the past two years, Técnicas Reunidas has enhanced its global positioning thanks to both our new and recurring customers who view it as one of the leading engineering operators in the oil and gas sector. In 2014 the business was successful in the strategic regions where it is looking to roll out its ambitious investment plans. Canada, Mexico, Peru and Saudi Arabia are already familiar and have offered the company repeats experiences while Malaysia is the doorway to Asian markets offering far-reaching future opportunities.

The evolution of the segments during 2014 has been the following:

- In May TR and Petroperú entered into the final agreement for conversion to a turn-key contract for the project to upgrade the Talara refinery, in Peru. The agreement reached relates to the conversion contract awarded on an "open book" basis in 2010. The project includes the detailed design and engineering, the supply of all equipment and materials and construction and assistance with commissioning the facilities in a 55 month period. The project's aim is to produce fuel, diesel and petrol, in accordance with Peruvian environmental requirements (maximum sulphur content of 50 ppm), at competitive prices. The upgrade project will also enable the refinery's processing capacity to be increased. The project will also contribute to reducing the environmental impact and the production of better quality fuels while increasing heavy crude processing capacity to enhance operational flexibility. TR will handle the extension and alteration of existing process units, the building of new process units and the extension and upgrade of auxiliary services. The awarding of this contract has strengthened TR's position in Latin America as the benchmark contractor and technological know-how provider on the most complex refinery projects worldwide.

- In August Malaysia's Petroliam Nasional Berhad (PETRONAS) awarded TR a turn-key contract for engineering services, supplies. Construction and commissioning of all hydro-treatment, interconnection and torch units un the Integrated Refinery and Petro-chemical Project (RAPID) in Pengerean, Johor, Malaysia. The project completion period is 50 months through to its start-up. The refinery forms part of PETRONAS's ambitious plans for a refinery with capacity for 300,000 barrels a day and a petrochemical complex with a combined production capacity of 7.7 million tonnes a year of various types of products, including distinct and specialised chemical products such as synthetic rubber and top quality polymers. This project is important for TR as it is the start of a relationship with a global oil and gas major like PETRONAS, with which it plans to build a long-term relationship, it is the doorway into a new strategic country for TR where it aims to establish an on-going presence and it paves the way to its participation in the leading infrastructure project of national interest to Malaysia.

- In September TR was selected by Pemex Refinación to carry out the low sulphur diesel project at the General Lázaro Cárdenas de Minatitlán refinery in Mexico. The scope of the contract includes the engineering services, supply, construction and commissioning of three new refinery units and the upgrade of the existing hydro-sulphurisation unit and integration of facilities beyond the annual battery limits for these plants. The contract was awarded on "an open book" basis. This project forms part of the development and upgrade plans which Pemex Refinación will carry out with investments amounting to 5,500 million dollars, as part of the Fuel Quality Project at its refineries throughout the country. The aim is to produce and supply diesel with a maximum sulphur content of 15 parts per million (ppm), entailing a 97% reduction in order to comply with environmental regulations. This project follows on from TR's experience in Mexico where it has already carried out other major refinery projects for Pemex Refinación at that same refinery. Pemex is planning a major energy reform in the next few years and TR is looking to form part of it.

- In December Yara Norge SA chose TR to build the nitric acid plant included in its plans for the expansion of the Heroya Industrial Park in Porsgrunn in Norway. Yara re-selected TR as its main contractor for the entire project not only thanks to its previous engineering work but also to its nitric acid technology and know-how, under the licence of its wholly-owned subsidiary ESPINDESA. The plant's production capacity will amount to 1,050 metric tonnes a day. This is the second EPC contract awarded by Yara following the nitric acid and ammonium nitrate project which is currently being completed in Australia using TR's own technology. Yara is a leading Norwegian company in the chemical market, present in 50 countries. This project is an example, allowing TR to be identified as a benchmark in this area worldwide. TR has been developing its own chemical technology for 40 years, using it to build more than 60 plants to produce fertilizers, nitric acid and ammonium nitrate (civil explosive grade), which has positioned it among the best worldwide.

Progress on the other projects awarded continued at the usual rate. At the year end the projects that most contributed to the division's revenues were: the Volgogrado refinery for Lukoil in Russia, the modernisation of the Izmit refinery for Tüpras in Turkey, the TAN nitric acid plant for Yara/Orica/Apache in Australia, the petrochemical complex in Sadara 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, the Optara refinery for Total in Belgium and the Talara refinery modernisation project for Petroperu in Peru.

In 2014 several major projects were completed, delivery of which met customer specifications and timelines. In some cases, safety and satisfaction certificates were received, bearing out the quality of the work carried out by Tecnicas Reunidas. Specifically, the projects connected with the Yanbu refinery for Saudi Arabia and Sinopec in Saudi Arabia were completed, together with the Normandy refinery for Total in France and the modernisation of the Khabarovsk refinery for OC Alliance in Russia.

Energy

The energy division had been feeling the effects of the downturn more profoundly for years. Because of the shorter duration of its projects and their closer connection to economic growth and consumption, customers were able to downsize investments more quickly in light of the situation. Some investors may have seen their investments conditioned by access to financing or preferred to wait for an economic recovery that ensures the project viability. Técnicas Reunidas has made a major commercial effort in the past few years outside Spain given the absence of significant prospects in the local market. The company which has been looking into this sector's potential and the countries offering the greatest demand for some years, managed to turn the division's business around thanks to its correct positioning and international recognition by the main technological providers.

In 2014 business expectations were met and 6 new turn-key projects were won, diversified in terms of geography, customers and products. In some cases, the projects were in new markets and added new customers to the company's already extensive reference list (Bangladesh, Poland and the Dominican Republic). In others, however, projects were won with customers and in markets where the company already had experience (Saudi Arabia, Canada and Peru). In terms of products, the company secured projects involving different technologies, enabling it to liaise with the leading market providers. The projects won in 2014 include combined cycle, conversion from simple to combined cycle, coal fuelled and co-generation plants.

The company identified major short and medium term opportunities in the sector. Markets such as Canada, USA and Mexico have significant investment plans where the company wants to be present.

The most important contracts won in the period were:

- In February, Ashuganj Power Station Company Ltd (APSCL) chose TR, as the consortium leader together with TSK, in relation to the engineering, equipment and material purchases, construction and commissioning of a new electricity generation plant in Ashuganj, Bangladesh. The contract was awarded on a turn-key basis in order to build a new combined cycle natural gas based facility to generate electricity which will be exported to the local grid. It will have a generation capacity of 380 MW. This is the company's first project in Bangladesh and addresses the investment needs of a new Asian customer who can open up new opportunities in the area.
- In April, Saudi Aramco chose TR to carry out the Utilities & Common Area project in the Integrated Gasification Combined Cycle (IGCC) Jazan complex in south-east Saudi Arabia. The project was awarded as a turn-key contract, including engineering services, equipment supplies, construction and pre-commissioning and commissioning support in relation to the units which will be started up in 2017. The plant's electricity capacity will stand at approximately 2,400 MW, which will largely be exported to the local grid. The IGCC Jazan complex will convert vacuum waste obtained from the neighbouring refinery into syngas. This complex will be the largest gasification plant in the world and

its award bears out the confidence that the customer, Saudi Aramco, an oil major, has in TR with whom it has been working non-stop since 2003. This customer has once again involved TR in one of its most significant investments.

- In July AES Dominicana, through Dominican Power Partners (DPP), awarded TR the execution of the work to convert the Los Mina power plant to a combined cycle plant in Santo Domingo in the Dominican Republic. The project was awarded on a turn-key basis, including engineering services, supplies of equipment and materials, construction and commissioning of the plant. The project completion timescale will be 27 months. The new plant will enable generation capacity to be increased by an additional 114 MWe compared with the present open cycle 210 MWe. This is the first contract that TR formalises with the US multinational AES Group which is strongly positioned in America. This project is the doorway into the US electricity generation market which is the company's short-term aim.
- Also in July, Polska Grupa Energetyczna (PGE) awarded the consortium made up of TR, Mitsubishi Hitachi Power Systems Europe (MHPSE) and Budimex a turn-key contract for the construction of new coal unit at the Turów plant in Bogatynia, south- east Poland. MHPSE will be responsible for the supply of the basic technology with a 55.4% stake in the consortium while TR and Budimex with a 22.3% stake each will supply the rest of the equipment and handle the assembly and construction. The new power plant will be far more efficient than conventional coal fuelled plants. The plant's total production capacity will be 450 Mwe. It will be operational 56 months after the execution order. This project positions TR among the leading players in the coal efficient and environmental market. Poland's electricity is the most active in Europe in terms of the construction of new power plants and this contract offer TR the opportunity to work with a major investor.
- In July EnerSur, one of the leading electric utilities in Peru and part of the GFG Suez Group, chose TR together with the Peruvian JJC to execute the contract for the design and construction of a new power plant in llo, southern Peru. The project scope includes engineering services, supply, construction and commissioning through to its commercial operation. The plant will be operational within 23 months of the final execution order. The new plant provides for the installation of three gas and dual fuel turbines with net total power of 500 MWe ±20%. Thanks to this contract TR has strengthened its relationship with the GDF Suez group following the completion of the Montoir de Bretagne combined cycle plant in France ,the Mejillones LNG terminal in Chile and the Touat Gaz project in Algeria.
- In late August, TR was selected by Fort Hills Energy L.P. to build the co-generation plant connected with its Fort Hills oil sands mining project, located in the region of Athabasca in Alberta, 90 km to the north of Fort McMurray in Canada. Fort Hills Energy L.P. is owned by Suncor Energy (40.8%), Total E&P Canada Ltd. (39.2%) and Teck Resources Limited (20.0%) and they are jointly carrying out the Fort Hills oil sand mining project, which is expected to produce 180,000 barrels of bitumen a day. The scope of the work awarded to TR, which will be carried out on a turn-key basis, includes engineering, purchases, construction and pre-commissioning, through to mechanical completion, of a facility with two gas turbines (nominal 85 MW each), two heat recovery furnaces to produce steam and all the auxiliary systems for interconnection with the Fort Hills mine services system. The project will be completed within approximately 31 months. This is TR's first energy generation EPC contract in North America although it is the fifth in the region. The project represents a new step aimed at consolidating TR's presence in Canada with noteworthy customers such as Suncor Energy and Total, that are major investors in the innovative oil sands and shale gas market in the region.

Técnicas Reunidas also has extensive experience in other kinds of energy generation such as nuclear energy. The Fukushima disaster in 2011 had a negative impact on immediate investment at that time. This event, however, evidenced the need to increase investment in order to meet safety requirements. In its latest report (World Energy Outlook 2014), the International Energy Agency predicted that nuclear energy production will rise by an average of 2.3% a year, from 2.461 TWh in 2012 to 4.650 TWh in 2040. This growth is associated with an estimated investment of 1,533 billion dollars in new plants and the upgrade of existing plants over the next 26 years, which would account for 3% of total estimated investment in the energy sector.

In 2014 Técnicas Reunidas, through its investee Empresarios Agrupados, continued providing engineering operational support services to nuclear powers plants in operation in Spain. During this year Técnicas Reunidas participated in the following major nuclear project:

- Detailed design and engineering for the preparation of the location and preliminary work at the Akkuyu nuclear plant in Turkey for the construction of four VVER 1200MW nuclear units. The work was carried out for NIAEP-ASE, which is the Russian consortium responsible for the construction of the entire nuclear plant owned by Rosatom.

- Work connected with the final phase of the project for the design and supply of all heat exchangers in the emergency refrigeration of the nuclear islands at the Taishan nuclear plant in China, units 1 and 2 (Areva 1600 MW reactors), owned by China Guangdong Nuclear Power Corporation.

- Thermal and mechanical design, supply, assembly supervision and start-up of an electrical warming system for the boric acid mix tanks at the Almaraz nuclear plant, units 1 and 2.

- Engineering work at the Centralised Temporary Warehouse for high level radioactive waste to be built in Villar de Cañas, Cuenca, awarded by Enresa, as part of a Consortium with Westinghouse.

- Engineering work at the Centralised Temporary Warehouse Laboratories for high level radioactive waste to be built in Villar de Cañas, Cuenca, awarded by Enresa, as part of a Consortium with Westinghouse.

- Supporting ENRESA on the Monitoring of the Decommissioning Work at the José Cabrera nuclear plant

- Engineering and completion of design changes for the Almaraz nuclear plant (units 1 and 2) and resulting from the Stress Testing Reports carried out at the Spanish nuclear plants in the wake of Fukushima, aimed at analysing the emergency refrigeration system's capacity to resist earthquakes which are more powerful than those envisaged in the design bases, such as the Filter Venting System of the Containment Buildings and the Alternative Emergency Operations Centre, both for the Almaraz power plant, units 1 and 2.

- Property engineering as the "Architect Engineer" for ITER, a major facility and Fusion Project located in Cadarache, France, through the ENGAGE consortium, formed by Atkins, Assystem, IOSIS and Empresarios Agrupados.

- Grading of Safety System Instrumentation at the ITER fusion reactor in Cadarache, France.

Infrastructures

In keeping with the trend in the last few years, the company's infrastructure division focused on the international sphere. Since the start of the crisis, the Spanish market has failed to offer significant growth prospects linked to government investment plans. However, for the past few years the Company has endeavoured to be recognised as a contractor of reference in the water processing market internationally. Areas such as Australia and the Middle East, where the company has already worked, offer new potential business opportunities.

- In August Oman Wastewater Services Company awarded TR a turn-key contract for the design and construction of the drainage system of the new waste water processing plant in Darsait and the Auzaibah central pumping station in Oman. The project will run for 20 months.
- In October Jordan Industrial Ports Company (JIIPC) chose TR to carry out a turn-key project consisting of the engineering, purchase and construction of the renovation and extension of the industrial terminal at the port in southern Aqaba in Jordan. The contract duration is 22 months.
- In that same month, the Turkish Ministry for Silviculture and Water Matters chose Técnicas Reunidas to carry out the engineering work on the conversion of the action plans for Ankara river basin in Turkey in light of the EU's basin management plans. The project will run for 36 months.

The division's largest project, the second phase of the Southern Seawater desalination plant for Water Corporation in Australia, was completed and delivered to the customer. Work on other smaller projects, such as airports, industrial facilities, desalination plants and water processing and government projects, was on schedule. The division's revenues are expected to reflect the downturn in business compared with previous years until it secures a volume of business similar to that contributed by the major project completed.

2. Financial highlights.

The Group prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).

In 2014 the Group's net sales amounted to 1,873 million euro, up 26% on the previous year, reflecting the contribution of the sharp growth in business in the past two years. Operating profit amounted to 30 million eur. Profit after tax amounted to 185 million euro, due to dividends received from related parties.

3. Research and development activities

Técnicas Reunidas continued making a major R&D effort in order to develop new technologies to build turn-key plants in new markets, setting us apart from the competition in current markets and offering us a competitive advantage.

In the past year, the Technological Centre extension was completed with new laboratories and pilot plant areas, converting it into one of the most modern and well-equipped facilities in Spain in the areas on which TR focuses its R&D projects. Investments made in the past five years bear out TR's clear and firm commitment to R&D, through a strategy based on the consolidation of mature technologies and the development of new technologies in different fields, based on the organisation's know-how and a clear diversification drive.

R&D expenditure in 2014 was equal to the previous year and exceeded 3 million euro, in line with the Group's R&D investment policy.

During 2014 Técnicas Reunidas participated in the following projects in Spain and on a European level, individually or as a member of strategic consortia:

- Innpronta ITACA in which TR develops new technologies for water processing and waste valuation with a budget of 2.7 million euro.
- The European GREENLION project in which we develop battery recycling technology based on lithium chemistry and where TR has a budget of 0.63 million euro.
- The European CERAMPOL project, developing next generation water processing membranes, with a budget of 0.65 million euro.
- The European RECLAIM project, where TR will develop new technologies for the recovery of rare earth stocks and other high value added metals from electrical waste from photovoltaic panels and fluorescent tubes. TR's budget amounts to 1 million euro.
- The European DAPhNE project in which we participate developing microwave oven technology for high energy consumption industrial sector applications. TR's budget amounts to 1.37 million euro.
- The European NECOBAUT project in which TR collaborates in developing iron / air batteries for the automotive sector, with a budget of 0.6 million euro.
- The European STEP project, in which TR participates in the upgrade of new microwave oven technology applied to the natural stone industry with a budget of 0.2 million euro.
- Project SAMER which consists of developing more durable parts for zinc/ air flow batteries for mass energy storage with a budget of 1.65 million euro.
- The European WALEVA project involving the upgrade of technology to obtain levulinic acid from biomass in order to analyse its technical-financial feasibility with a budget of 1.04 million euro
- The European ZAESS project involving the upgrade of technology for zinc/ air flow batteries developed at laboratory level in order to analyse its technical-financial feasibility, with a budget of 0.67 million euro???.
- Project SDIL (Direct Lixiviation of Zinc Sulphurs) with a budget of 0.84 million euros for the development of new technology enabling the field of application of Zincex technology already in place at industrial level to be expanded.

As a result of its R&D investment, TR has a portfolio of own technologies which have already been developed and implemented worldwide as ZINCEX used to recover zinc and ECOLEAD to recover lead and silver. In this respect, Horsehead in USA has been the last to implement these technologies.

4. Significant post-balance sheet events

In the first few months of 2015 the circumstances affecting the 2014 year end continued to be relevant. The uncertainty concerning the economic recovery of the Eurozone persists while there is a feeling of scepticism in the oil and gas sector. Apart from the problems experienced by several competitors in executing their projects, in the second half of 2014 the sector was adversely affected by the sharp fall in oil prices and the geo-political tension with Russia. Although decisions concerning investment in a project are taken by weighing up different factors and not only the economic aspects, when faced with a sharp fall in prices, projects involving the most costly technology because the reserves to be accessed are located in a more complex environment (such as exploration and production activity: deep water, oil sands or heavy oils) are reviewed in detail and in some cases, scrapped. Depending on the origin of the reserves and type of investor, there are projects which may be negatively affected by this environment unless their completion assures a certain return.

Taking into account that the sector to which Técnicas Reunidas belongs is characterised by the fact that it is long-cycle in nature and offers a vision of the future where estimated demand for oil and gas entailing major investment in the next few years is maintained, global economic conditions and possible investment cuts by oil companies could lead to delays in the awarding of contracts.

However, after the year end, the company signed a new turn-key project with Abu Dhabi Gas Industries LTD. (GASCO), a consortium formed by ADNOC, Shell, Total and Partex, for engineering, supply of equipment and materials, pre-commissioned construction and start-up of the gas processing package, gas pipelines, condensate recovery pipes and interconnections under the plans for the expansion of the Integrated Gas Development in Abu Dhabi, EAU. The contract is valued at approximately 700 million dollars and is for 40 months. This project is significant for the company since it is TR's fourth large- scale project in Abu Dhabi, involving important customers such as ADNOC, Total and Shell.

5. Acquisition of treasury shares

There was no trading in treasury shares in 2014.

6. Financial risk management and use of financial instruments

The main financial risks and risk management procedures are detailed in note 3 to the accompanying financial statements.

7. Other exposures

Demand for Técnicas Reunidas services is closely linked to the level of investment by the gas and oil industry. This is not something easy to predict.

Similarly, fluctuations in crude oil and gas prices indirectly impact our suppliers' prices and the way in which they and our customers handle agreements for on-going projects.

- TECNICAS REUNIDAS' future business performance depends on the awarding of new contracts.
- TECNICAS REUNIDAS relies on a relatively small number of contracts and customers, some of whom are located in the same country.
- TECNICAS REUNIDAS carries out part of its operations abroad. Such activities are exposed to economic, social and political uncertainties. Unexpected and adverse changes in those countries in which TR operates could lead to projects being suspended, costs increasing and potential losses.
- TECNICAS REUNIDAS relies on its key management personnel.
- The success of the associations, consortia, joint operations or joint ventures depends on our shareholders correctly complying with their respective obligations.
- A failure in the information technology systems could have a negative impact on the business of TECNICAS REUNIDAS.
- TECNICAS REUNIDAS may be exposed to claims on the grounds of errors or omissions by its professionals.
- Liability vis-á-vis customers under warranties could have a material and negative impact on TR's profits.
- TECNICAS REUNIDAS is not exempt from the risk of being involved in litigations.

8. Average number of Group employees by category

Category	2014	2013
Directors	2	2
Senior managers	23	23
Qualified and technical personnel	2,461	2,197
Semi-skilled workers	1,035	923
Sales staff	24	20
TOTAL	**3,545**	**3,165**

9. Environment.

The environment is a priority for Técnicas Reunidas. Técnicas Reunidas reports the company's carbon footprint annually to the CDP (Climate Disclosure Project). In 2014 it scored 94 out of 100. Environmental indicators are similarly followed up in the Annual Sustainability Report.

The company has certain environmental targets for cutting C02 emissions and is required to adopt certain actions to achieve them. During 2015 the most noteworthy action in this respect will be the investment in IT equipment with Green IT technology.

External certification audits are conducted in order to verify the degree of implementation of the Environmental Management System in all the Company's operations.

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

Share capital consists of 55,896,000 shares with a par value of 0.10 euro per share. All shares are of the same class and therefore all shares carry equal rights and obligations. There are no restrictions on the transfer of the shares.

The most significant shareholdings are as follows:

Company		No. of shares	% shareholding
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

In accordance with Article 16 of the by-laws, General Meeting attendance is contingent on owning at least 50 shares.

12. Shareholder agreements.

On 23 May 2006, under the agreement signed between Aragonesas Promoción de Obras y Construcción, S.L. and BBVA Elcano Empresarial I, SCR and BBVA Elcano Empresarial II, SCR, the following pacts were entered into:

- Commitment to join votes in the Company's governing bodies, with respect to the shares controlled by Mr José Lladó Fernández Urrutia (Araltec, S.L. and Aragonesas Promoción de Obras y Construcciones, S.L.), with the shares held by BBVA Elcano Empresarial, SCR and BBVA Elcano Empresarial II, SCR, in order to ensure a majority of the votes in favour of the companies controlled by Mr José Lladó Fernández Urrutia.

- Commitment of BBVA Elcano Empresarial I, SCR and BBVA Elcano Empresarial II, SCR to stay for a period of close to 9 years. A timeline is also established for the gradual and optional exclusion of the shares subject to joining and permanent pacts for the period 2010 to 2015 and a preferential acquisition right by Mr José Lladó Fernández Urrutia.

13. Rules applicable to the appointment and replacement of the members of the Board of Directors and the amendment of the Company's by-laws

The Annual Corporate Governance Report describes these rules for the Board of Directors in detail. The most significant aspects are:

Articles 17 to 22 of the Regulations of the Board of Directors govern the appointment and dismissal of the directors of Técnicas Reunidas and establishes that:

1. Following the report of the Appointments and Remuneration Committee, the Directors shall be designated by the General Shareholders' Meeting or by the Board of Directors in accordance with the Spanish Companies Act 2010.

2. The Board of Directors shall attempt to ensure that the candidates elected are persons of recognised solvency, competence and experience.

3. The Board of Directors may not propose or designate as an independent director persons holding an executive position in the company or group or who for family and / or professional reasons are related to the executive directors, other senior managers and / or shareholders of the Company or group.

4. The Directors shall hold office for five (5) years without prejudice to the possibility of their being dismissed earlier by the General Shareholders' Meeting. At the end of their mandate, they may be re-elected one or several times for equal periods.

5. Independent directors shall resign when they have held such position uninterruptedly for a period of 12 years from the time the Company's shares are quoted on the stock market.

6. The Directors shall report their resignation to the Board of Directors and formalise, if considered appropriate by the same, their resignation in the following cases:

-Where they cease to hold the executive posts with which their appointment as Board directors was associated.
-When they are involved in any legally stipulated conflict of interest or prohibition.
-When seriously reprimanded by the Board of Directors for failing to discharge their obligations as Directors.

- When their remaining on the Board may jeopardise the Company's interests or when the reasons for which they were appointed cease to apply (eg, when a nominee director disposes of his stake in the Company).

14. Powers of attorney of the members of the Board of Directors and, in particular, those relating to the possibility of issuing or repurchasing shares.

The Board of Directors holds the usual powers of management and attorney as provided by the Spanish Companies Act 2010 and is the Company's ultimate decision-making body except in those matters reserved to the General Meeting.

Additionally, the Chairman holds the same powers as the Board of Directors (except those stipulated in Article 25) and is considered the Company's most senior executive in accordance with Article 28 of the Company's by-laws.

With respect to those powers connected with the possible issue or repurchase of shares, Article 5 of the Board Regulations provides that the Board's functions are as follows:

- To execute the treasury share policy within the framework of the authorisation of the General Shareholders’ Meeting.
- To approve the Company's general policies and strategies, including the treasury share policy, and specifically, its limits.
- To approve the company's most important operational decisions relating to investments and interests in other companies, financial operations, contracts and personnel remuneration.

15. Significant agreements concluded by the Company that may come into effect, may be amended or terminated in the event of a change in control in the Company as a result of takeover bid.

There are no signed agreements of this kind.

16. Agreements between the Company and its administration and management officers that provide for indemnities upon their resignation or unfair dismissal or termination of the relationship as a result of a take-over bid.

There are agreements with three senior managers according to which, in the event of unfair dismissal, the indemnity would be established by the courts while, in the event of dismissal for objective reasons, redundancy proceedings or any other cause deriving from the company's decision , the indemnity would amount to 2,452 thousand euro.

17. Corporate Governance Report

The Annual Corporate Governance Report of Técnicas Reunidas for 2013 forms part of the Directors’ Report and since the publication of the annual accounts is available on the website of the National Securities Market Commission and the website of Técnicas Reunidas.