TECNICAS REUNIDAS, S.A.

Independent Auditor´s Report on Annual Accounts,
Annual Accounts for the year ended December 31, 2016
and 2016 Directors´ Report

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.

Report on the Annual Accounts

We have audited the accompanying annual accounts of Técnicas Reunidas, S.A. (the "Company"), which comprise the balance sheet as at December 31, 2016, 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.

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

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, 2016, 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.

Report on Other Legal and Regulatory Requirements

The accompanying directors' Report for 2016 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 2016. 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
Goretty Álvarez

February 28, 2017

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TÉCNICAS REUNIDAS, S.A.

Annual accounts for the year ended 31 December 2016
and 2016 Director's Report

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2016 DIRECTORS' REPORT

TÉCNICAS REUNIDAS, S.A.

BALANCE SHEET AT 31 DECEMBER 2016
(Figures in Euro thousand)

ASSETS	Note	As of December 31 2016	2015
NON CURRENT ASSETS		**225,452**	**281,853**
Intangible assets	5	4,553	63,649
Property, plant and equipment	6	46,709	46,395
Equity investments in group companies and associates – long term	8	87,909	91,622
Financial assets	7	22,740	19,640
Shares and non-current equity holdings		590	685
Loans to third parties		1,298	1,764
Derivatives	7-11	2,780	4,112
Other financial assets		17,772	12,879
Deferred tax assets	26	63,541	60,547
CURRENT ASSETS		**3,181,414**	**2,947,509**
Non-current assets held for sale	12	59,039	-
Inventories	13	11,868	16,165
Advances to suppliers	14	272,939	289,785
Trade and other receivable accounts	7-10	1,720,149	1,779,968
Investments in group companies and associates – short term	8	592,692	488,438
Financial assets		58,719	58,473
Financial assets at fair value	7-9	41,311	40,488
Loans to third parties		94	94
Derivatives	7-11	13,749	12,905
Other financial assets		3,565	4,986
Cash and cash equivalents	15	466,518	314,678
TOTAL ASSETS		**3,406,866**	**3,229,362**

Notes 1 to 35 and Exhibit I are an integral part of these annual accounts.

TÉCNICAS REUNIDAS, S.A.

BALANCE SHEET AT 31 DECEMBER 2016
(Figures in Euro thousand)

EQUITY AND LIABILITIES	Note	As of December 31 2016	2015
EQUITY		**384,318**	**296,707**
Capital and reserves		**408,746**	**337,965**
Capital	16	5,590	5,590
Registered capital		5,590	5,590
Share premium	16	8,691	8,691
Reserves	17	344,199	279,126
Legal reserves		1,137	1,137
Capitalization reserves		3,056	-
Other reserves		340,006	277,989
(Treasury shares and equity holdings)	16	(72,623)	(74,150)
Profit for the year	18	158,741	154,537
(Interim dividend)	16	(35,852)	(35,830)
Adjustments for changes in value		**(24,428)**	**(41,791)**
Hedging transactions	15	(19,125)	(30,330)
Translation differences	19	(5,303)	(11,461)
Grants, donations and bequest received	20	-	**534**
NON-CURRENT LIABILITIES		**259,784**	**244,536**
Long-Term Provisions		93,428	86,682
Long-term Employee benefit obligations	22	-	984
Other provisions	21	93,428	85,698
Long-Term Debts	23	159,094	157,690
Debts to credit institutions		151,040	155,584
Derivatives	11	3,843	-
Other financial liabilities		4,211	2,106
Deferred tax liabilities	25	7,262	164
CURRENT LIABILITIES		**2,762,764**	**2,688,118**
Liabilities related to non-current assets held for sale	12	24,474	-
Short-Term Provisions	21	898	267
Current borrowings	23	175,654	131,819
Debts to credit institutions		64,837	15,759
Derivatives		77,823	80,001
Other financial liabilities		35,094	35,909
Borrowings from related parties	24	96,143	51,217
Trade and other payables	26	2,465,595	2,504,815
TOTAL EQUITY AND LIABILITIES		3,406,866	3,229,362

Notes 1 to 35 and Exhibit I are an integral part of these annual accounts.

TÉCNICAS REUNIDAS, S.A.
INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016
(Figures in Euro thousand)

	Note	Year ended December 31 2016	2015
CONTINUING OPERATIONS			
Revenue	27	2,977,104	2,615,252
Sales and services rendered		2,977,104	2,615,252
Changes in inventory of finished goods and work in progress		(3,478)	(1,626)
Supplies		(1,853,253)	(1,382,522)
Consumption of goods		(1,853,253)	(1,382,522)
Other operating income		1,712	5,441
Non-trading and other operating income		233	3,543
Operating grants taken to income		1,479	1,898
Employee expenses	27	(296,010)	(278,328)
Wages and salaries		(244,431)	(232,499)
Staff welfare expenses		(52,563)	(48,829)
Provisions		984	3,000
Other operating expenses	27	(671,396)	(774,352)
External services		(663,057)	(728,762)
Taxes other than income tax		(3,086)	(1,632)
Losses on impairment of and change in provisions for trade receivables		(4,101)	(636)
Other operating expenses		(1,062)	94
Amortization and depreciation	5 y 6	(13,187)	(10,383)
Excess provisions		-	8,725
Gains (losses) on disposal of non-current assets		(327)	(7)
OPERATING PROFIT (LOSS)		**149,184**	**225,416**
Finance income		70,370	9,543
Finance cost		(4,841)	(2,037)
Change in fair value of financial instruments		836	516
Net exchange differences		14,422	(10,158)
Gains (losses) on disposal of financial instruments		(13,024)	(43,198)
NET FINANCE INCOME	28	**73,769**	**(45,034)**
PROFIT BEFORE INCOME TAX		**214,934**	**180,383**
Income tax	25	(45,181)	(25,846)
PROFIT FROM CONTINUING OPERATIONS		**169,753**	**154,537**
DISCONTINUED OPERATIONS			
Loss from discontinued operations, net of income tax	12	(11,014)	-
PROFIT FOR THE PERIOD		**158,741**	**154,537**

Notes 1 to 35 and Exhibit I are an integral part of these annual accounts.

TÉCNICAS REUNIDAS, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED DECEMBER 31, 2016
(Figures in Euro thousand)

	Note	Year ended December 31	
		2016	2015
Profit for the year as per income statement		158,741	154,537
Income and expense recognized directly in equity			
On cash flow hedges	11	(79,676)	(30,223)
On actuarial gains and losses and other adjustments	19	6,158	(32)
Tax effect	26	5,826	6,499
Total income and expense recognised directly in equity		(16,692)	(23,724)
Amounts transferred to income statement			
On cash flow hedges	11	42,562	40,720
Tax effect	26	(8,507)	(8,144)
Total amounts transferred to income statement		34,055	32,576
TOTAL RECOGNISED INCOME AND EXPENSE		176,104	163,357

Notes 1 to 35 and Exhibit I are an integral part of these annual accounts.

TÉCNICAS REUNIDAS, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

B) TOTAL STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2016
(Figures in Euro thousand)

	Share capital	Share Premium	Reserves	Own shares and equity holdings	Prior periods' profit and loss	Profit for the period	Interim dividend	Valuation adjustments	Grants, donations and bequests received	TOTAL
BALANCE AT 1 JANUARY 2015	**5,590**	**8,691**	**161,869**	(73,371)	-	185,426	(35,846)	(50,611)	534	202,262
Total recognised income and expense	-	-	-	-	-	154,537	-	8,820	-	163,357
Transactions with equity holders or owners										
- Distribution of dividends	-	-	-	-	(39,154)	-	(35,846)	-	-	(75,000)
- Other transactions with equity holders or owners	-	-	-	(779)	-	-	-	-	-	(779)
Other changes in equity										
- Distribution of income	-	-	110,426	-	39,154	(185,426)	35,846	-	-	-
- Other changes	-	-	6,831	-	-	-	16	-	-	6,847
BALANCE AT 31 DECEMBER 2015	5,590	8,691	279,126	(74,150)	-	154,537	(35,830)	(41,791)	534	296,707
BALANCE AT 1 JANUARY 2016	5,590	8,691	279,126	(74,150)	-	154,537	(35,830)	(41,791)	534	296,707
Total recognized income and expense	-	-	-	-	-	158,741	-	17,363	-	176,104
Transactions with shareholders and owners										
- Dividend payments			-	-	(39,170)	-	(35,852)	-	-	(75,022)
-Other operations with partners or equity holders	-	-	(171)	1,527		-	-	-	-	1,356
Other changes in equity										
- Distribution of income	-	-	70,537	-	39,170	(154,537)	35,830		-	-
- Other changes	-	-	(14,293)	-					(534)	(14,827)
BALANCE AT 31 DECEMBER 2016	5,590	8,691	344,199	(72,623)	-	158,741	(35,852)	(24,428)	-	384,318

Notes 1 to 35 and Exhibit I are an integral part of these annual accounts.

TÉCNICAS REUNIDAS, S.A.

CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2016
(Figures in Euro thousand)

	Notes	Year ended December 31 2016	2015
Cash flows from operating activities			
1. Profit for the year before income tax		**203,922**	**180,383**
2. Adjustments to profit from the year			
- Depreciation and amortization of PPE and intangible assets	5&6	14,262	10,382
- Change in provisions for contingencies and charges (net)		21,124	(8,725)
- Impairment losses		11,496	44,033
- Gains (losses) on PPE disposals/derecognitions			7
- Finance income	27	(73,376)	(9,643)
- Finance cost	27	4,941	2,037
- Change in gains/losses on derivatives and translation differences		42,345	17,356
- Change in fair value of financial instruments		(929)	(616)
- Other gains (losses)		(3,668)	(1,374)
3. Changes in working capital			
- Inventories and advances to suppliers		21,140	(128,113)
- Trade and other receivables		66,322	(549,129)
- Other accounts receivable		2,577	4,541
- Trade payables		(42,793)	804,509
- Other changes		(31,084)	353
4. Other cash flows from operating activities			
- Interest paid		(4,941)	(2,037)
- Dividends received		61,458	151,236
- Interest received		14,918	9,543
- Income tax paid		(76,544)	(11,236)
- Other amounts collected and paid		-	(3,888)
5. Net cash flows from (used in) operating activities		**229,822**	**408,514**
Cash flows from investing activities			
6. Payment on investments			
- Purchases of property, plant and equipment	5	(12,650)	(20,634)
- Purchases of intangible assets	6	(562)	(7,014)
Investment in group companies and associates		(114,401)	(25,657)
- Other financial assets		7,092	
7. Proceeds from disposals			
- Other financial assets		-	1,906
8. Net cash flows from investing activities		**(120,921)**	**(50,898)**
Cash flows from financing activities			
9. Collections and payments for equity instruments			
- Acquisition of own equity instruments		1,527	(779)
10. Proceeds from and repayments of financial liabilities			
a) Issuance of:			
- Borrowings from financial entities		182,099	114,420
- Borrowings from related parties		46,926	1,561
b) Repayment of			
- Bank loans		(113,991)	(2,872)
- Borrowings from related parties		-	(344,843)
11. Dividends paid and payments on other equity instruments			
- Dividends paid		(75,022)	(75,000)
12. Net cash flows from financing activities		**42,439**	**(306,693)**
Net increase/(decrease) in cash and cash equivalents		**151,340**	**51,622**
Cash and cash equivalents at beginning of year		**314,678**	**262,856**
Cash and cash equivalents at end of the year		**466,018**	**314,678**

Notes 1 to 35 and Exhibit I are an integral part of these annual accounts.

TÉCNICAS REUNIDAS, S.A.

NOTES TO THE 2016 ANNUAL ACCOUNTS
(Thousand euro)

1. Company information

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

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

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

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

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

As indicated in Note 8, the Company is the parent of a Group of companies. The acCompanying financial statements were drawn up on an unconsolidated basis. On 27 February 2017, the Company's Board of Directors authorised the 2016 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 2016 stood at €441,826k (2015: €397,520k), a figure which includes Group profit for 2016 of €129,187 k (2015: €60,196k).

2. Basis of presentation

a) Fair presentation

The 2016 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, by Royal Decree 602/2016 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 custumers 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. Regarding uncertain tax positions, the Company's management, as the head of the consolidated tax group, evaluates the probabilities and quantifies the amounts based on past experience with similar operations, consulting with tax advisers and other experts as needed.

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 3.5.d. 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 amortization 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 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) Research and development expenses

Research expenses are recognized as an expense in the reporting period in which they are incurred, while development cost related to a project are recognized as intangible assets if it is feasible from a technical and commercial perspective, sufficient technical and financial resources are available to complete it, costs incurred can be determined reliably and the generation of profit is probable.

Other development expenses are recognized as an expense when incurred. Development cost previously recognized as an expense are not recognized as an asset in the subsequent period. The development costs with a finite useful life that are capitalized, they are amortized in a straight-line basis during their estimated useful life for each project, without exceeding 5 years.

When the book value of an asset exceeds its estimated recoverable amount, its value is immediately reduced to its recoverable amount (note 3.4).

In case of changes in the favorable circumstances of the project that allowed to capitalize the development expenses, the part still to be amortized is translated into income in the year in which those circumstances change.

b) 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 acquisition cost plus costs incurred to get it ready 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 development costs and an appropriate portion of relevant overhead.

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

c) 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 amortized over this term on a straight-line basis.

d) Concession arrangements, regulated assets

Concessions refer to the administrative authorizations 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 recognized as revenue, operating expenses are expensed currently, while the intangible assets are amortized 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 recognized in the income statement. No liabilities were recognized 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 adding 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%-25%
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:

<u>a) Loans and receivables:</u> 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 amortized 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.

<u>b) Held-to-maturity investments:</u> 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 3.12).

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.

They are valued at their fair value, recording the changes that occur directly in the equity until the asset is disposed of or impaired, at which time the losses and accumulated gains in equity are charged to the income statement, provided that it is possible to determine the aforementioned fair value. Otherwise, recorded at cost less impairment losses.

In the case of available-for-sale financial assets, corrections are made if there is objective evidence that its value has been impaired as a reduction or delay in future estimated cash flows in the case of debt or due to the lack of recoverability of the asset's carrying amount in the event of investments in equity instruments. Valuation correction is the difference between its cost or amortized cost less, if any, any valuation correction previously recognized in the profit and loss account and the fair value at the time of carrying out the assessment. In the case of equity instruments valued at cost as its fair value cannot be determined, the value adjustment is determined on the same basis as for investments in the equity of group, multi-group and associated companies.

If there is objective evidence of impairment, the Company recognizes in the accumulated losses previously recognized in equity decrease in fair value. Impairment losses recognized in the account of gains and losses on equity instruments are not reversed through the profit and loss account.

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 classified as hedged items are subject to hedge accounting measurement rules (note 3.12).

3.6 Assets and liabilities classified as non-current (disposal groups) held for sale and discontinued operations.

Non-current assets (or disposal groups) are classified as held for sale if their amount is going to be recovered mainly through a sale transaction, instead of its continuing use, and their sale is considered highly probable. They are valued at the lowest value between its carrying amount and its fair value less the costs of sales, except for assets such as deferred tax assets, assets related to employee benefits, financial assets and investment properties that are recorded at fair value and contractual rights from insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent reduction of value of the asset (or disposal group) to fair value less the costs of sales. A gain is recognized for any subsequent increase in fair value less the costs of sales an asset (or disposable group), but not above the impairment loss that would have been recognized previously. The loss or gain not previously recognized on the date of sale of a non current asset (or disposable group) is recognized on the date it is written off accounts.

Non-current assets (including those that are part of a disposal group) are not amortized while classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue being recognized.

Non-current assets classified as held for sale and assets of a group classified as held for sale are presented separately from other assets on the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been transferred or has been classified as held for sale, and which represents a line of business or a geographical area of significant and separate exploitation, is part of an individual and coordinated plan for to dispose of such business line or operating area, or is an acquired subsidiary exclusively for the purpose of reselling it. The results of the discontinued operations were presented separately in the income statement.

3.7 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.

The costs related to the submission of tenders for the award of works in the national territory and abroad are charged to the income statement at the time of incurrence when it is not probable or is not known, on the date they are incurred, that the contract will be obtained. The costs of submission to tenders are recognized as inventories where it is probable or known that the contract will be obtained or when it is known that such costs will be reimbursed or included in the revenue of the contract.

3.8 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.

3.9 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 treasury 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.

3.10 Financial liabilities

Financial liabilities at amortized cost:

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 amortized 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.

3.11 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.

3.12 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.

Nevertheless, 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.

3.13 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.

3.14 Provisions and contingent liabilities

The Company recognises provisions when it has a present 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 29.

3.15 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 cannot 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.

Administrative agreements: 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.

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. Otherwise, profits are recognised during the term of the contract according to the stage of completion of the project.

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.

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).

The Group occasionally negotiates and signs two or more contracts with the same customer. They are usually contracts in which the cost and turnaround times of one affect the conditions of the other. They are performed simultaneously or overlapping one another for part of the time in the same industrial area. In these cases, they are treated by the Group as a single contract.

Other times, a single contract may have clearly differentiated parts with different budgets signed with the same customer. In these types of agreements, the customer benefits from each part of the contract while the Group has different performance obligations. If the income and costs of the different parts can be clearly identified, each part is treated as a separate entity.

Given the nature of the Company's business, contracts are often modified while in progress due to changes in the scope of the work that needs to be done under the terms of the contract. These changes can lead to increases or decreases in the revenue from the contract.
Changes are recognised as increases in the value of the contract when it is likely that the customer will approve the change in scope and the resulting price increase and when the amount of the additional income can be reliably calculated.

Situations may also arise while a contract is underway in which the contractor expects to be reimbursed by the customer or a third party for costs not included in the price of the contract. The grounds for such claims are related to and supported by the clauses of the contract and/or situations of force majeure. Income from claims filed under contracts is included as contractual income when the negotiations are in the advanced stages and there is good reason to believe that an agreement will be reached with the customer and the Group will receive the additional income. When evaluating the probability of a claim being successful, in addition to the technical analysis of each case, past experience in situations that are similar either because of the nature of the claim or the counterparty involved are also analysed, as well as the discussions with the customer in relation to the case.

Depending on the types of projects in the portfolio, negotiations with customers regarding claims may go on during the entire life of the project.

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

Dividend income: Dividend income is recognized as income in the income statement when the right to receive collection is established. Notwithstanding the foregoing, if dividends distributed come from results generated prior to the acquisition date, they are not recognized as income, reducing the book value of the investment.

Interest income is recognized using the effective interest rate method. When an account receivable suffers an impairment loss, the Company reduces the book value to its recoverable amount, discounting the estimated future cash flows at the effective interest rate of the instrument, and continues to carry the discount as less interest income. The interest income on loans that have suffered impairment losses are recognized using the method of effective interest rate.

3.16 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 and investment hedges.

3.17 Employee benefits

a) Pension commitments

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.

3.18 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.

3.19 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 the middle 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.

3.20 Jointly-controlled entities – UTEs and consortiums

The Company participates in a series of UTEs (see Exhibit I). The Company recognizes its proportionate share of the jointly controlled assets and the liabilities incurred jointly in proportion to the percentage of ownership, as well as the assets assigned to the joint operation that are under control and the liabilities incurred as a result of the joint business.

Likewise, in the income statement it is recognized by the corresponding portion of the income generated and the expenses incurred by the joint business. In addition, the expenses incurred in connection with the participation of the joint business are recorded.

Unrealized results arising from reciprocal transactions are eliminated in proportion to the share, as well as the amounts of assets, liabilities, income, expenses and cash flows.

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

Shares in jointly-controlled companies are recorded in accordance with the provisions for investments in equity of group, multi-group and associated companies (Note 3.5.d).

3.21 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).

3.22 Related party transactions

As a general rule, transactions between Group companies are initially accounted for at their fair value. In case, if the agreed price differs from its fair value, the difference is recorded taking into account the economic reality of the operation. Subsequent measurement is carried out in accordance with the provisions of the corresponding accounting rules.

3.23 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 15).

- 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). There is residual exposure to suppliers operating in other currencies (principally Turkish liras, Yen, Australian dollars, Malaysian ringgit, Peruvian Sol and Kuwaiti dinar). 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 (taking into account the risks derived from currencies linked to the USD, where the agreed hedge protects the USD risk). In addition, the Company tries to hedge exchange rate risk via "multicurrency" contracts with its customers, segregating the selling price in the various currencies from the foreseen expenses and preserving the projected margins in euro terms.

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

The nature of the Company's business operations means that it is very common to denominate customer transactions in US dollars, while the corresponding costs are habitually denominated in multiple currencies, albeit principally US dollars. If the euro had depreciated / appreciated against the US dollar by a hypothetical 10% in 2016, leaving all other variables constant, profit before tax for the year would have been €10,666k higher / lower (2015: €1,346k 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 2016, equity would have been €76,586k lower / higher (2015: €104,638k 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:

	2016			2015		
	Referenced to Euribor	Other benchmarks	Total	Referenced to Euribor	Other benchmarks	Total
Borrowings (Note 23)	(215,877)	-	(215,877)	(171,343)	-	(171,343)
Interest-earning cash and cash equivalents (Note 15)	335,918	130,100	466,018	61,168	253,510	314,678
Net cash position	**120,041**	**130,100**	**250,141**	**(110,175)**	**253,510**	**143,335**

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 €625k (2015: €419k).

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 15).
- 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 73% of total "Trade receivables" (within Trade and other receivables) at 31 December 2016 (2015: 55%) 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 Central Treasury Department aims to maintain funding flexibility by keeping credit lines available.

Because of the status of contracts with customers to include tighter cash flows and the difficulty of passing these payment terms on to suppliers, the Group has had to increase its external financing.

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	
	2016	**2015**
Debts to credit institutions (Note 23)	(215,877)	(171,343)
Cash and cash equivalents (Note 15)	466,018	314,678
Net cash balance	250,141	143,335
Undrawn credit lines (Note 23)	488,604	275,943
Total liquidity reserves	**738,745**	**419,278**

Additionally, on December 23, 2016, the Company signed a syndicated credit facility for an amount of 350 million euro. This line of credit is not included in the epigraph "Undrawn credit lines" since the year-end had not yet entered into force as the previous conditions were still pending.

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 not significant.

Figures in Euro thousand	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2016				
Borrowings	64,837	151,040	-	-
Derivative financial instruments	72,823	2,489	1,354	-
Trade and other payables	2,465,595	-	-	-
Total	**2,603,218**	**153,529**	**1,354**	**-**
At 31 December 2015				
Borrowings	15,759	136,730	-	18,854
Derivative financial instruments	80,091	-	-	-
Trade and other payables	2,504,815	-	-	-
Total	**2,600,665**	**136,730**	**-**	**18,854**

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 to be 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 annual accounts.

	2016	2015
Borrowings (Note 23)	(215,877)	(171,343)
Net cash position	250,141	143,335
Equity	**384,317**	**296,708**
% Borrowings / Equity	**(56,17%)**	**(57,75%)**

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. 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 between independent parts. The quoted market price used for the financial assets held by the Company is the current buyer price. These instruments are mainly investments in equity securities classified as trading securities or available for sale.

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.

Specific valuation techniques used to value financial instruments include.

Quoted market prices or dealer quotes for similar instruments

The current value of the FX futures is calculated using the futures exchange rate on the balance sheet date, discounting the result from the current value. Other techniques, such as analysing discounted cash flows, are used to analyse the fair value of other 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 Derivatives contracted by the Company correspond to currency futures and commodity 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 and changes of the various items comprising 'Intangible assets' is provided below.

	Concession arrangements, regulated assets	Patents, licenses and trademarks	Computer software	Total
				Thousand euro
Balance at 01/01/2015				
Cost	60,447	13	9,565	70,025
Accumulated amortization	(1,489)	-	(6,991)	(8,480)
Accumulated impairment losses	(2,200)	-	-	(2,200)
Carrying amount	**56,758**	**13**	**2,574**	**59,345**
Additions	4,522	-	2,492	7,014
Decreases	-	-	-	-
Transfers	(522)	-	(2,188)	(2,710)
Amortization charge	-	-	-	-
Amortization decreases	-	-	-	-
Impairment charge	-	-	-	-
Balance at 31/12/2015				
Cost	64,969	13	12,057	77,039
Accumulated amortization	(2,011)	-	(9,170)	(11,180)
Accumulated impairment losses	(2,200)	-	-	(2,200)
Carrying amount	**60,758**	**13**	**2,876**	**63,649**
Additions	-	-	1,017	1,017
Decreases	-	-	(55)	(55)
Transfers	(73,407)	359	(89)	(73,207)
UTEs incorporation	9,775	-	-	9,775
Amortization charge	(2,243)	-	(375)	(2,618)
Amortization and impairment transfers	6,431	-	75	6,506
Amortization decreases	-	-		-
Other cost movements	(366)	-	60	(306)
Other amortization movements	(282)	-	74	(208)
Balance at 31/12/2016				
Cost	891	372	13,000	14,263
Accumulated amortization	(305)	-	(9,405)	(9,710)
Accumulated impairment losses	-	-	-	-
Carrying amount	**586**	**372**	**3,595**	**4,553**

The 'Concession arrangements, regulated assets' epigraph includes concessions for the operation of underground parking in Huercal-Overa (Almeria), the underground parking in Alcobendas.

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

Concession	Term	Remuneration	Redemption
Underground car park at Huercal - Overa (Almeria)	30 years	User charges	Subject to successive term extensions
Alcobendas underground car park	75 years	User charges	At end of concession term

Operating income from the operation of these concessions amounts to €42k in 2016 (2015: €50k).

During 2016, it has been transferred to "Assets classified as available for sale" the net book value of concessions of the Alcobendas Sports Complex and Sports Complex, parking and public spaces in San Sebastián de los Reyes. Center La Viña, since the Company's management has decided to sale (Note 12).

All of the aforementioned concession agreements are governed by the Contracts Act with the Public Administrations.

During financial years 2016 and 2015, no financial expenses have been capitalized, as well as any impairment adjustments, in addition to those already in existence, have been recognized.

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

At 31 December 2016, there were fully-amortized intangible assets still in use with an original cost of €6,364k (2015: €4,146k) and correspond with Computer Software.

At the end of each year, the Group analyses the yield on each service concession asset in order to detect indicators of impairment, loss of value or asset recovery. The different internal and external circumstances that could result in impairment, such as the market value of assets, the evolution of business plans, changes in management, changes in the legal, fiscal, economic environment, etc., evolution of interest rates, obsolescence or physical deterioration are evaluated.

With regard to concession contracts, the Company is complying with the terms of the business plans for each project, although operating losses are expected in the first few years. The validity and progress of those plans are reviewed annually. At the end of 2016 and 2015, no indications of impairment were detected regarding the concession assets recorded under this heading.

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:

	Land and buildings	Plant and other PPE	Total
			Euro thousand
Balance at 01/01/2015			
Cost	2,636	74,333	76,969
Accumulated depreciation	(701)	(41,121)	(41,822)
Carrying amount	**1,935**	**33,212**	**35,147**
Additions	74	20,760	20,834
Decreases	-	(2,036)	(2,036)
Depreciation charge	(97)	(7,622)	(7,719)
Amortization decreases	-	169	169
Balance at 31/12/2015			
Cost	2,710	93,057	95,767
Accumulated depreciation	(798)	(48,574)	(49,372)
Carrying amount	**1,912**	**44,483**	**46,395**
Additions	-	12,650	12,650
Decreases	-	(2,198)	(2,198)
Transfers	-	(1,101)	(1,101)
Depreciation charge	(93)	(11,571)	(11,664)
Amortization decreases	-	2,198	2,198
Amortization transfers	-	429	429
Balance at 31/12/2016			
Cost	2,710	102,408	105,118
Accumulated depreciation	(891)	(57,517)	(58,408)
Carrying amount	**1,819**	**44,889**	**46,709**

The "Plant and other PPE" additions are mainly related to temporary facilities in Algeria.

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 2016 or 2015.

b) Property, plant and equipment located abroad

At 31 December 2016, the carrying amount of items of property, plant and equipment located outside Spain (plant and other PPE) is €17,030k (2015: €12,488k). Accumulated depreciation on these assets stands at €4,826k (2015: €530k).

c) Fully-depreciated assets

At 31 December 2016, there were fully depreciated items of property, plant and equipment still in use with an original cost of €26,941k (2015: €20,509k).

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:

	Euro thousand	
	2016	2015
Capitalised finance lease cost	6,805	6,805
Accumulated depreciation	(6,805)	(6,805)
Carrying amount	-	-

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 "operating expenses" epigraph in the income statement recognises operating lease expense related to office rentals in the amount of €28,798k (2015: €18,530k).

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:

					Euro thousand
At 31 December 2016	**Other**	**Financial assets at fair value through profit or loss (Note 9)**	**Loans and receivables (Notes 8&10)**	**Hedging derivatives (Note 11)**	**Cash and cash equivalents (Note 15)**
Equity instruments	690	-	-	-	-
Derivatives	-	-	-	2,760	-
Other financial assets	-	-	19,070	-	-
Non-current	**690**	**-**	**19,070**	**2,760**	**-**
Debt securities	-	41,311		-	-
Derivatives	-	-		13,749	-
Other financial assets	-	-	2,264,939	-	466,018
Current	**-**	**41,311**	**2,264,939**	**13,749**	**466,018**

At 31 December 2015	Other	Financial assets at fair value through profit or loss (Note 9)	Loans and receivables (Notes 8 & 10)	Hedging derivatives (Note 11)	Cash and cash equivalents (Note 15)
					Euro thousand
Equity instruments	885	-	-	-	-
Derivatives	-	-	-	4,112	-
Other financial assets	-	-	14,643	-	-
Non-current	885	-	14,643	4,112	-
Debt securities	-	40,488		-	-
Derivatives	-	-		12,905	-
Other financial assets	-	-	2,201,834	-	314,678
Current	-	40,488	2,201,834	12,905	314,678

b) Financial liabilities:

	2016		2015	
				Euro thousand
	Debts and other payables (Notes 23&25)	Hedging derivatives (Note 11)	Debts and other payables (Notes 23 & 25)	Hedging derivatives (Note 11)
Long-term and short-term debt (Note 23)	151,040		155,584	-
Derivatives	-	3,843	-	-
Other financial liabilities	4,211	-	2,106	-
Non-current	**155,251**	**3,843**	**157,690**	**-**
Long-term and short-term debt (Note 23)	64,837	-	15,769	-
Derivatives	-	72,823	-	80,091
Other financial liabilities	2,578,282	-	2,531,878	-
Current	**2,643,119**	**72,823**	**2,547,647**	**80,091**

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:

	Euro thousand 2016	2015
Equity investments in group companies, jointly-controlled entities and associates (a)	87,909	91,622
Investments in group companies, jointly-controlled entities and associates (b)	592,682	488,438
	680,591	580,060

(a) 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 2016, dividends received amounted to €61,458k (2015: €1,236k) and are recognised as finance income in the income statement (Note 28).

In 2016, the following companies were incorporated:

- TR Canada E&C INC
- Deportes Valdavia SL

In 2015, the following companies were incorporated:

- Técnicas Reunidas UK. Ltd.
- TR Inzynieria i Budownictwo
- Técnicas Reunidas US. LLC
- Técnicas Reunidas Mexico, Ingenieria y Construcción
- Técnicas Reunidas Mexico, Servicios
- TR Sagemis Italia, S.R.L

The breakdown of investments in group companies, jointly-controlled entities and associates at year-end 2016 and 2015 is follows

	31.12.15	Additions	Disposals	Transfers	31.12.16
Investments in group companies, multigroup and associated	148.255	21.742	(17.214)	(455)	152.298
Capital not paid	(1,191)	-	-	-	(1.191)
Impairment of investments	(55,442)	(635)	6,626	(13,747)	(63.106)
Total	91,622	21,107	(10,568)	(14.232)	87,909

	31.12.14	Additions	Disposals	Transfers	31.12.15
Investments in group companies, multigroup and associated	123.198	25.057	-	-	148.255
Capital not paid	(1 191)	-	-	-	(1,391)
Impairment of investments	(42.020)	(13.422)	-	-	(55.442)
Total	**79,987**	**11.635**	-		**91.622**

Additions of equity participations in group, multi-group and associated companies correspond to the capital increase of the subsidiary in Canada for €13,741k and in Arabia for €7,998k euro respectively. The disposals refer mainly to the return of the contribution of capital in the subsidiary of Bolivia for €10,275k euro. In 2015, there had been a provision for risks and expenses amounting to €24,871k in relation to the Canadian subsidiary for the proportional share of negative own funds.

In relation to the shares impairment, the disposals of the year correspond mainly to the sale of Layar Castilla, S.A. In 2015, the main impairment was related to the subsidiary of Bolivia amounting €11,274k euro. Likewise, it has been done a transfer of the provision recorded by the negative equity of the Canadian subsidiary for €13,747k (note 21).

The detail of the holdings in companies of the group, multigroup and associates as of December 31, 2016 and 2015 is as follows:

Equity investments in group companies, jointly-controlled entities and associates in 2016

Company	Residence	Activity	Direct Part.	Indirect Part.	Net book value	Capital	Reserves	Net income	Dividends
						Equity			
Comercial Técnicas Reunidas, S.L.	MADRID	COMMERCIAL PROMOTION	100.00%	-	-	-	-	-	-
Técnicas Reunidas Internacional, S.A.	MADRID	ENGINEERING SERVICES	100.00%	-	120	120	1,619	19	-
Técnicas Reunidas Australia Pty.	MELBOURNE	ENGINEERING SERVICES	100.00%	-	-	-	1,288	1,082	(1,806)
Termotécnica, S.A.	MADRID	WHOLESALE MACHINE	40.00%	60.00%	200	701	1,215	(171)	
TR Construcción y Montaje S.A.	MADRID	REAL STATE PROMOTION	100.00%	-	150	332	1,103	5	-
Técnicas Reunidas Ecología S.A.	MADRID	ENGINEERING SERVICES	100.00%	-	120	121	1,409	189	
Técnicas Reunidas Metalúrgicas S.A.	MADRID	ENGINEERING SERVICES	100.00%	-	60	120	2,267	(64)	
Técnicas Reunidas Trade Panamá, S.A.	PANAMA	COMMERCIAL PROMOTION	100.00%	-	40	45	62	52	
Española de Investigación y Desarrollo S.A.	MADRID	ENGINEERING SERVICES	100.00%		438	90	11,855	(300)	-
TR Proyectos Internacionales, S.A.	MADRID	PROMOTION AND CONTRACTING	100.00%			1,503	(348)	135	-
Técnicas Reunidas Venezuela S.A.	CARACAS	COMMERCIAL PROMOTION	100.00%	-	6		-	-	-
Layar, S.A.	MADRID	BUSINESS MANAGEMENT	100.00%	-	5,453	1,085	4,556	326	-
Initec Plantas Industriales, S.A.	MADRID	ENGINEERING SERVICES	100.00%	-	4,613	6,500	104,098	(95,527)	-
Initec Infraestructuras S.A.	MADRID	ENGINEERING SERVICES	100.00%	-	1,322	1,800	(1,076)	2,413	-
Técnicas Reunidas Ecuador S.A.	QUITO	ENGINEERING SERVICES	100.00%		1		-	-	-
Técnicas Reunidas Gulf LTD	YEDAH	ENGINEERING SERVICES	100.00%		30,376	550	96,580	(6,323)	-
ReciclAguilar, S.A.	MADRID	ENGINEERING SERVICES	50.00%	-	-	60	(360)	-	-
TR SNG Alliance Ltd	CYPRUS	ENGINEERING SERVICES	30.00%		38	-	-		-
Servicios Unidos S.A.	CARACAS	ENGINEERING SERVICES	100.00%	-	74	-	-	-	-
TR Hungary Bud COGI Kft	HUNGARY	ENGINEERING SERVICES	85.00%	15.00%	2	7	705	(6)	-
TR Brasil Participações Ltda	BRASIL	ENGINEERING SERVICES	50.00%		7	-	-		-
TR Tec Ltda	BOLIVIA	ENGINEERING SERVICES	12.40%	87.60%	1,232	2	20,337	(10,246)	-
TR Canada INC	CANADA	ENGINEERING SERVICES	10.50%	89.50%	-	133,037	(150,418)	(135,574)	-
TR Engineers India Private LTD	INDIA	ENGINEERING SERVICES	100.00%		10	7	651	330	
TR Saudi Arabia LLC	JEDDAH	ENGINEERING SERVICES	50.00%	50.00%	-	479	(363)	-	-
Al-Hassan Técnicas Reunidas Project LLC	OMAN	ENGINEERING SERVICES	100.00%	-	19	-	-	-	-
TR Saudia for Services and Contracting Co. Limited	AL KHOBAR	ENGINEERING SERVICES	97.00%	3.00%	33,011	8,502	(58,270)	36,384	-
Heymo Ingeniería, S.A.	MADRID	ENGINEERING SERVICES	100.00%	-	787	300	1,118	1,436	-
TR Services S.R.L. de C.V.	MEXICO D.F.	ENGINEERING SERVICES	75.00%	25.00%	4	6	14	127	-
Técnicas Reunidas USA L.L.C.	EEUU	ENGINEERING SERVICES	100.00%	-	-	27	(47)	(80)	-
TR Sagemis Italia S.R.L.	ITALY	ENGINEERING SERVICES	100.00%	-	10	10	-	(47)	-
TR Canada E&C INC	CANADA	ENGINEERING SERVICES	15.00%	85.00%	-	-	(1)	(20)	
TR Perú Ingeniería y Construcción	PERU	ENGINEERING SERVICES	100.00%	-	9	9	2,079	1,320	-
Single project companies with positive equity *		ENGINEERING SERVICES			1,770	2,027	(2,709)	71,332	(59,771)
Single project companies with negative equity *		ENGINEERING SERVICES			-	3,518	(24,926)	(1,477)	-
Total participation in InterCompany					90,003				
Associated and multigroup companies									
Empresarios Agrupados, A.I.E.	MADRID	SERVICES TO COMPANIES	34.40%	5.60%	69	162	562	-	-
Empresarios Agrupados Internacional, S.A.	MADRID	SERVICES TO COMPANIES	34.40%	5.60%	264	1,202	11,300	2,101	-
KJT Engenharia Materiais	MADEIRA	ENGINEERING SERVICES	33.33%			3	2,031	-	-
Ibérica del Espacio	MADRID	ENGINEERING SERVICES	30.10%	9.78%	3,690	4,439	3,991	405	-
Master S.A. de Ingeniería y Arquitectura	BARCELONA	ENGINEERING SERVICES	40.00%	-	371	192	(852)	1,626	-
Proyectos Ebramex, S. de R.L. de C.V.	MEXICO D.F.	ENGINEERING SERVICES	33.33%			21,639	(31,251)	(703)	-
Minatrico, S. de R.L. de C.V.	MEXICO D.F.	ENGINEERING SERVICES	33.33%	-	4,596	40,317	(30,453)	906	-
Other					(461)				
Total participation in associated and multigroup companies					7,906				
Total					97,909				

* Constituted companies are grouped with the purpose of supporting the development of a single project.

Equity investments in group companies, jointly-controlled entities and associates in 2015

Company	Residence	Activity	Direct part.	Indirect part	Net book value	Equity: Capital	Equity: Reserves	Equity: Net income	Dividends
Comercial Técnicas Reunidas, S.L.	MADRID	COMMERCIAL PROMOTION	100.00%	-	-	-	-	-	-
Técnicas Reunidas Internacional, S.A.	MADRID	ENGINEERING SERVICES	100.00%	-	120	120	1,814	5	-
Técnicas Reunidas Australia Pty	MELBOURNE	ENGINEERING SERVICES	100.00%	-	-	-	2,590	246	-
Termotécnica, S.A.	MADRID	WHOLESALE MACHINE	99.98%	-	300	781	1,080	(184)	-
TR Construcción y Montaje S.A.	MADRID	REAL STATE PROMOTION	100.00%	-	150	302	1,105	17	-
Técnicas Reunidas Ecología, S.A.	MADRID	ENGINEERING SERVICES	100.00%	-	120	120	1,404	5	
Técnicas Reunidas Metalúrgicas, S.A.	MADRID	ENGINEERING SERVICES	100.00%	-	60	120	2,049	(107)	
Técnicas Reunidas Trade Panamá, S.A.	PANAMA	COMMERCIAL PROMOTION	100.00%	-	40	45	55		
Española de Investigación y Desarrollo S.A.	MADRID	ENGINEERING SERVICES	100.00%		438	30	(1,381)	475	-
TR Proyectos Internacionales, S.A.	MADRID	PROMOTION AND CONTRACTING	100.00%			1,503	(725)	(215)	-
Técnicas Reunidas Venezuela S.A.	CARACAS	COMMERCIAL PROMOTION	100.00%	-	9	-	-	-	-
Layar, S.A.	MADRID	BUSINESS MANAGEMENT	100.00%	-	5,483	1,055	4,395	165	-
Initec Plantas Industriales, S.A.	MADRID	ENGINEERING SERVICES	100.00%	-	4,613	6,600	134,217	(31,640)	-
Initec Infraestructuras, S.A.	MADRID	ENGINEERING SERVICES	100.00%	-	1,322	1,800	1,563	(1,505)	-
Técnicas Reunidas Ecuador S.A.	QUITO	ENGINEERING SERVICES	100.00%	-	3	-	-	-	-
Técnicas Reunidas Gulf L.T.D.	YEDAH	ENGINEERING SERVICES	100.00%		30,376	550	40,982	4,756	-
ReciclAguilar, S.A.	MADRID	ENGINEERING SERVICES	80.00%		-	50	(364)	-	-
TR SNC Alberta Inc	CYPRUS	ENGINEERING SERVICES	50.00%		18	-	-	-	-
Servicios Unidos S.A.	CARACAS	ENGINEERING SERVICES	100.00%		74				
TR Hungary Gulf CCS Kft	HUNGARY	ENGINEERING SERVICES	80.00%	20.00%	2	2	638	73	-
TR Brasil Participacoes Ltd	BRASIL	ENGINEERING SERVICES	50.00%		7	-		-	-
TR Tec Ltda	BOLIVIA	ENGINEERING SERVICES	15.00%	85.00%	11,771	2	140,085	(70,615)	-
TR Canada INC	CANADA	ENGINEERING SERVICES	15.00%	85.00%	6	39	27,857	(164,402)	-
TR Engineers India Private LTD	INDIA	ENGINEERING SERVICES	100.00%	-	10	7	442	205	-
TR Saudi Arabia LLC	JEDDAH	ENGINEERING SERVICES	50.00%	50.00%		479	(632)	271	-
Al Hassan Técnicas Reunidas Project LLC	OMAN	ENGINEERING SERVICES	100.00%		13	-	-	-	-
TR Saudia for Services and Contracting Co. Limited	AL-KHOBAR	ENGINEERING SERVICES	50.00%	50.00%	73,013	504	26,737	(96,333)	-
Heymo Ingeniería, S.A.	MADRID	ENGINEERING SERVICES	100.00%		737	303	1,595	(833)	-
TR Servicios S.R.L. de C.V.	MEXICO D.F.	ENGINEERING SERVICES	100.00%	-	4	6	(2)	27	
Técnicas Reunidas USA L.L.C	EE.UU.	ENGINEERING SERVICES	100.00%	-	-	77	(40)	(7)	
TR Sagemis Italia S.R.L	ITALY	ENGINEERING SERVICES	100.00%	-	495				
Single project companies with positive equity*		ENGINEERING SERVICES			1,677	1,951	23,555	48,120	7
Single project companies with negative equity*		ENGINEERING SERVICES			10	3,518	(30,504)	(4,020)	
Total participation in InterCompany					82,926				
Associated and multigroup companies									
Layar Castilla, S.A.	MADRID	REAL STATE PROMOTION	25.39%	-	427	685	394	12	
Empresarios Agrupados, A.I.E.	MADRID	SERVICES TO COMPANIES	35.39%	4.00%	39	102	555		
Empresarios Agrupados Internacional, S.A.	MADRID	SERVICES TO COMPANIES	38.42%	8.00%	203	1,202	13,109	1,233	516
EJT Engenharia Materiais	MADEIRA	ENGINEERING SERVICES	33.33%			5	(291)	2,223	712
Ibérica del Espacio	MADRID	ENGINEERING SERVICES	39.00%	2.78%	3,050	4,150	4,125	2,178	
Master S.A. de Ingeniería y Arquitectura	BARCELONA	ENGINEERING SERVICES	40.00%	-		152	(867)	15	
Proyectos Ebramex, S. de R.L. de C.V.	MEXICO D.F.	ENGINEERING SERVICES	33.33%			21,630	(32,181)	(592)	
Minatrico, S. de R.L. de C.V.	MEXICO D.F.	ENGINEERING SERVICES	33.33%		4,297	41,289	(26,562)	535	
Other					29				
Total participation in associated and multigroup companies					8,696				
Total					91,622				

* Constituted companies are grouped with the purpose of supporting the development of a single project

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

b) <u>Investments in group companies, jointly-controlled entities and associates</u>

	Euro thousand	
	2016	2015
Loans and receivables	592,682	486,281
Other financial assets	-	2,157
Total	**592,682**	**488,438**

The breakdown by credit of Company group at 31 December 2016 is:

	Credits for tax purposes	Other credits
Initec Plantas Industriales, S.A	64,111	173,815
TR Saudia LTD	-	250,731
TR De Construcao Unip. LDA	-	32,318
TR Canada INC	-	42,759
Eurocontrol	1,852	
Other associated, multigroup companies and UTEs	1,192	25,904
Current Total	**67,155**	**525,527**

The breakdown by credit of Company group at 31 December 2015 was:

	Credits for tax purposes	Other credits	Dividends pending collection
Initec Plantas Industriales, S.A	56,186	172,881	-
TR Saudia LTD	-	155,408	-
Técnicas Reunidas de Talara, S.A.C.	-	23,819	-
TR De Construcao Unip. LDA	-	28,244	-
Layar, S.A	4,756	9,071	-
TR Canada INC	-	12,500	-
Tecnicas Reunidas Internacional, S.A	3,165	-	3,000
Other associated, multigroup companies and UTEs	3,924	14,484	-
Current Total	**68,031**	**417,407**	**3,000**

At 31 December 2016, loans to Group companies includes €67,154k (2015: €68,040k) relating to tax receivables arising from income taxes payable by the companies comprising the consolidated tax group (Note 26).

The rest of this balance corresponds to trade credit extended to Group companies, associates and UTEs, relating primarily to engineering services.

The recoverability of the loans made to companies of the Técnicas Reunidas Group are evaluated based on the business plans submitted by those subsidiaries, which are in turn based on their current customer portfolios.

The loans to partners in UTEs and joint ventures earn interest at Euribor + 1% (2015: Euribor + 1.5%).

At year-end 2016, '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:

	Euro thousand	
	2016	**2015**
- Investments in short-term fixed income securities	22,110	31,468
- Investments in listed equity securities (not fixed)	19,201	9,020
	41,311	**40,488**

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.

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 2015 was determined based on year-end closing prices. Returns on fixed-income securities are tied to trends in eurozone interest rates.

The movement of this investments in 2016 and 2015 is:

	2016	2015
Balance at 1 of January	**40,488**	**39,711**
Additions	-	5,001
Disposals	(13)	(5,040)
Results for change in value (Note 28)	836	816
Balance at 31 of December	**41,311**	**40,488**

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

10. Loans and receivables

	2016	2015
Trade receivables for sales and rendering of services	1,358,045	1,451,848
Trade receivables, related parties	242,389	193,496
Sundry receivables	23,753	59,329
Debtors related parties	50,574	55,774
Receivable from employees	675	966
Current income tax assets	22,197	5,069
Other tax receivables	29,354	20,347
Impairment provisions	(6,840)	(6,962)
	1,720,149	**1,779,967**

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

At year-end 2016, trade receivables include €1,193,319k (2015: €1,113,146k) relating to completed work pending billing, measured on the basis of the accounting criteria set forth in Note 3.15.

The account receivable breakdown is as follows:

	Euro thousand	
	2016	2015
Initec Plantas Industriales, S.A.	148,492	116,737
Initec Infraestructuras, S.A.	12,822	15,285
TR Tecreun República Dominicana, S.R.L.	20,272	20,273
UTE TR Volgogrado	-	12,483
UTE TSGI	8,687	6,749
Other associated, multigroup companies and UTEs	52,116	34,502
Total account receivable group	**242,389**	**193,496**

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

	Euro thousand	
	2016	2015
Opening balance	**6,962**	**6,025**
Provision for receivables impairment	-	937
Receivables written off during the year as uncollectible	(122)	-
Closing balance	**6,840**	**6,962**

Accounts receivable from overdue customers less than 3 months old are considered to have not been impaired. The balance of trade receivables past due at 31 December 2016 was €64,363k (2015: €207,664k) of which 41% correspond 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:

	Euro thousand	
	2016	2015
Euro	272,988	370,412
USD	189,971	201,189
Other currencies	63,871	95,221
Subtotal	**526,830**	**666,822**
Completed work pending certification (Work in Progress)	1,193,319	1,113,146
Total	**1,720,149**	**1,779,968**

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 2016 and 2015 are as follows:

	Euro thousand			
	2016		**2015**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange forwards – cash flow hedges	16,493	76,066	17,017	80,091
Term contract on raw materials	36	-	-	-
Total	**16,529**	**76,066**	**17,017**	**80,091**
Less non-current portion	-	-	-	-
Foreign exchange forwards – cash flow hedges	2,780	2,539	4,112	-
Term contract on raw materials	-	1,340	-	-
Non-current portion	**2,780**	**3,843**	**4,112**	-
Current portion	**13,749**	**72,823**	**12,905**	**80,091**

The derivative financial instruments contracted by the Company mainly correspond to exchange rate forwards to cover future cash flows of highly probable charges. The Company evaluates the effectiveness of the hedges by conducting the corresponding prospective and retrospective efficacy tests, comparing the variations in the cash flows covered with respect to the changes in the cash flows of the assigned derivative.

Set out below is a maturity schedule for the contracts in force at 31 December 2016 and 2015

Type of instrument	Fair value (Euro thousand) 2016	Notional currency	Notional maturity (Euro thousand) 2017	2018	2019	Total
Foreign currency forwards						
USD / JPY	257	USD	3,420			**3,420**
USD / EUR	11,001	USD	28,634			**28,634**
JPY / EUR	344	JPY	465,800			**465,800**
USD/KWD	481	USD	23,299	139,909		**163,208**
PLN / EUR	103	PLN	20,415			**20,415**
USD/MXN	115	USD	2,055			**2,055**
KWD / EUR	4102	KWD	11,595		11,920	**23,515**
Raw material forwards						
Copper	36					
Assets	**16,529**					
Foreign currency forwards						
USD / EUR	69,424	USD	1,075,381	77,500		**1,152,881**
USD / JPY	3,417	USD	29,358			**29,358**
GBP / EUR	3	GBP	48			**48**
USD / NOK	231	USD	6,271			**6,271**
KWD/EUR	258	KWD	11,580		340	**11,920**
GBP/USD	665	USD	3,546			**3,546**
KWD/USD	213	USD	83,587	7,360		**90,947**
JPY/ EUR	1,017	JPY	1,462,351			**1,462,351**
PLN / EUR	43	PLN	29,239			**29,239**
Raw material forwards						
Copper	1,304					
Liabilities	**76,666**					
Net balances	**(60,137)**					

Type of instrument	Fair value (Euro thousand) 2015	Notional currency	Notional maturity (Euro thousand) 2016	2017	2018	Total
Foreign currency forwards						
USD / JPY	129	USD	6,084	-	-	**6,084**
USD / EUR	15,015	USD	95,554	319,020	29,500	**444,074**
RUB / EUR	678	RUB	529,000	-		**529,000**
CAD / EUR	1	CAD	206		-	**206**
PLN / EUR	86	PLN	18,458	-	-	**18,458**
KWD / EUR	965	KWD	31,459	-	-	**31,459**
Raw material forwards						
Copper	140					
Assets	**17,017**					
Foreign currency forwards						
USD / EUR	51,146	USD	556,147	-	-	**556,147**
USD / JPY	4,956	USD	63,859	-	-	**63,859**
RUB / EUR	23,622	RUB	2,869,701	-	-	**2,869,701**
USD / NOK	31	USD	2,072	-	-	**2,072**
NOK / EUR	328	NOK	25,742	-		**25,742**
PLN / EUR	6	PLN	15,773	-	-	**15,773**
Liabilities	**80,091**					
Net balances	**(63,074)**					

Set out below is a maturity schedule in fair value terms for the contracts in force at 31 December 2016 and 2015:

	2016	2017	2018	2019	Total Fair value
Total assets 2016	-	13 749	405	2,375	**16,529**
Total liabilities 2016	-	72 823	2,489	1,354	**76,666**
Total assets 2015	12,905	3 757	355	-	17,017
Total liabilities 2015	90,091	-	-	-	**90,091**

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 statement of recognised income and expense discloses the impact of cash flow hedges on equity and transfers to the income statement. In FY 2016 and 2015 there were no ineffectiveness of note with cash flow hedges, which are recognised in the income statement.

12. Assets and liabilities classified as held for sale and discontinued operations

The assets and liabilities corresponding to the Concessions of the Sports Complex of Alcobendas and the Sports Complex, parking and public spaces in San Sebastian de los Reyes - La Viña Shopping Center, have been presented as available for sale, in accordance with the decision of the management of the Company to dispose these assets.

The detail of assets classified as held for sale is as follows.

	Euro thousand
Intangible assets	67 060
Property, plant and equipment	672
Financial fixed assets	221
	67,953
Impairment of assets classified as held for sale	(8,914)
Total	**59,039**

Liabilities related to assets classified as held for sale amounted to €24,474k correspond to financial debt as a whole (2015: €24,172k as a percentage of that year's integration).

The Group has performed a profitability analysis of the assets classified as held for sale in order to assess whether there is any indicator of impairment, loss of value or recovery of assets. In this sense, we have evaluated the different external and internal circumstances that could lead to signs of impairment, such as the market value of the asset, changes in business plans, changes in management or in the environment (legal, tax, economic, etc.), evolution of interest rates, obsolescence or physical deterioration.

The review of the evolution of the business plans of the aforementioned assets has shown an impairment of value, reason why Management has decided to provide a provision in the amount of €8,914k.

a. **Analysis to the results of discontinued operations:**

	Euro thousand	
	2016	**2015**
Income	5,720	4,759
Expenses and depreciation of assets	(20,405)	(8,496)
Loss before tax	**(14,685)**	**(3,737)**
Income tax	3,671	1,046
Loss of interrupted activity	**(11,014)**	**(2,691)**

* The figures for 2015 include the integrated results of the La Viña Shopping Center concession in that year (80%). In 2016, this concession has been fully integrated.

The comparative "Profit and Loss Account" for the year 2015 has not been updated showing the amount of discontinued operations, due to the effect is not significant.

The "Income Statement", the "Statement of Comprehensive Income" and the "Statement of Cash Flows" of 2015, have not been updated with the amount of discontinued operations, since the amount of these operations is not significant. Consequently, these statements are not fully comparable with the figures for the previous year.

13. Inventories

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

	Euro thousand	
	2016	**2015**
Ongoing and finished construction projects	4,012	4,892
Bid presentation costs	7,856	11,203
Materials	-	71
	11,868	**16,166**

The current and completed construction projects section includes the cost of various assets (mainly car parks), as described in Note 5, related to assets held for sale.

14. Advances to suppliers

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

	Euro thousand	
	2016	**2015**
Group	181,962	197,379
Non Group	90,977	92,407
Advances to suppliers	**272,939**	**289,786**

The balance with the group is the following:

	Euro thousand	
	2016	**2015**
Intec Plantas Industriales, S.A	181,496	110,941
UTE TR Volgograd	-	40,103
Remaining balance	466	46,335
	181,962	**197,379**

15. Cash and cash equivalents

	Euro thousand	
	2016	2015
Cash	177,305	167,182
Cash equivalents	288,713	147,496
	466,018	**314,678**

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 2016, the effective average interest rate earned on short-term deposits at banks was 0.2% on euro deposits (2015: 0.40%) and 0.8% on US dollar deposits (2015: 0.65%) and the average deposit term was 15 days (2015: 15 days). In addition, during the year the Company has maintained significant balances in Australian dollars (AUD) with an annual return of 2%, in rubles (RUB) to 8%, in Peruvian Soles (PEN) to 4%, Turkish liras (TRY) to 9%, Saudi Arabia Riyal (SAR) at 2.5%, Kuwait dinars (KWD) at 1.5%, Zloty (PLN) at 1.25% and Malaysian ringgit (MYR) at 2.6%.

Of total cash and cash equivalents at 31 December 2016, €410,515k (2015: €147,553k) relates to balances recorded by the joint ventures and UTEs in which the Company has interests, as indicated in Note 30.

There were no cash or cash equivalents with restricted availability at 31 December 2016 or 2015. For the purposes of the statement of cash flows, the cash balance includes cash and other cash equivalents.

16. Capital and share premium

	Share capital	Share premium	Treasury shares	Total
Balance at 1 January 2015	5,590	8,691	(73,371)	**(59,090)**
Other movements	-	-	(779)	**(779)**
Balance at 31 December 2015	5,590	8,691	(74,150)	(59,869)
Other movements	-	-	1,527	**1,527**
Balance at 31 December 2016	5,590	8,691	(72,623)	**(58,342)**

a) Capital

At 31 December 2016 and 2015 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.

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

	2016	**2015**
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	-	5.02%
FMR LLC	3.06%	-
Franklin Templeton Investment Management Ltd	3.00%	-
Rest of shareholders (including floating capital)	53.02%	53.99%
Treasury shares	3.83%	3.90%
TOTAL	**100.00%**	**100.00%**

According to the communication sent to the CNMV in June 2015, Mr. José Lladó Fernández-Urrutia holds a direct and indirect stake, through the companies Araltec S.L. and Aragonesas Promoción de Obras y Construcciones, S.L., in Técnicas Reunidas, S.A. of 37.20%.

The full amount of the shares of Técnicas Reunidas, S.A. have been listed since June 21, 2006 on the four Spanish Official Stock Exchanges, are listed on the continuous market and form part of the

b) Share premium

This reserve is freely distributable.

c) Treasury shares

The movements in the caption "Treasury shares" during the years 2016 and 2015 are as follows

	2016		2015	
	Number of treasury shares	Amount	Number of treasury shares	Amount
Opening balance	**2,178,374**	**74,150**	**2,154,324**	**73,371**
Additions / purchases	6,915,202	206,910	3,890,825	165,837
Decreases / sales	(6,953,483)	(208,437)	(3,866,775)	(165,058)
Closing balance	**2,140,193**	**72,623**	**2,178,374**	**74,150**

At 31 December 2016 treasury shares represented 3.83% of the parent Company's share capital (2015: 3.90%), which represent a total of 2,140,193 shares (2015: 2,178,374 shares), and an average price of €33.88 per share (2015: €38.81 per share)

On 25 June 2014, the General Shareholders Meeting authorized the acquisition of the maximum number of treasury stock 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

The Company has signed a liquidity contract with Santander Investment Bolsa, Sociedad de Valores, S.A.U. This contract will operate on the Spanish stock exchanges and the intended purpose will be the increase of liquidity of transactions. The contract term is 1 year. The number of shares related to the account associated with the contract is 55,000 and the amount allocated to the cash account associated with the contract is 2,500 thousand euro

17. Reserves

a) Reserves

	Euro thousand	
	2016	2015
- Legal Reserve	1,137	1,137
- Capitalizaton Reserve	3,056	-
- Other Reserves	340,006	277,989
	344,199	279,126

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

Capitalization reserve

The Capitalization Reserve is provided in accordance with article 25 of Law 27/2014 on Corporate Income Tax. It is an unavailable reserve for 5 years according to the conditions established by that article.

Other reserves

This reserve is freely distributable.

18. Profit for the year

a) Proposed distribution of profit

The proposed distribution of the results for 2016 and 2015 to be submitted to the General Shareholders' Meeting is as follows:

	2016	2015
Basis of appropriation		
Profit for the year	158.741	154,537
	158.741	**154,537**
Appropriation to:		
Reserve of capitalization	-	3.056
Other Reserves	83.741	76,481
Dividends	75.000	75,000
	158.741	**154.537**

b) Interim dividend

As agreed by the Board of Directors on 28 December 2016, the Company paid an interim dividend totalling €35.852k (€0.667 per share) on January 19, 2017.

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:

	Euro thousand	
Forecast accounting statement	**2016**	**2015**
Estimated profit for the year	184.000	169.000
Estimated income tax	(50.000)	(42,000)
Maximum possible payout	**134.000**	**127.000**
Proposed payout	(35,852)	(35,830)
Surplus	**98.148**	**91,170**
Cash balance prior to payout	420.000	350,000
Interim dividend	(35,852)	(35,830)
Cash surplus	**384.148**	**314,170**

The in fiscal year 2015, the composition of the amount recorded as dividends for 75,000 thousand euro consisted of the following:

- A €35,830k interim dividend approved by the Board of Directors on 18 December 2015 and paid on January 12, 2016.

- A dividend of €39,154k approved at the AGM ratified the 2015 annual accounts.

19. Translation differences

	Euro thousand	
	2016	**2015**
Accumulated translation difference	(5,303)	(11,461)

The breakdown of the cumulative translation difference by branch at the 2016 and 2015 year ends is as follows:

	Euro thousand	
	2016	**2015**
Abu Dhabi branch	(5,435)	(2,300)
Khabarovsk branch	-	(7,595)
Australia branch	(707)	(786)
Ankara branch	1,455	928
Moscow branch	(1,740)	(1,083)
Kuwait branch	699	-
Others	425	(625)
	(5,303)	**(11,461)**

20. Grants received

The breakdown of non-repayable grants recognised under 'Grants, donations and bequest received' at December 31, 2016 is as follows:

Grantor	**Euro**	**Purpose**	**Grant date**
Huercal Overa town council	534	Huercal Overa concession	28/05/2006
	534		

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

	Euro thousand	
	2016	**2015**
Opening balance	534	534
Additions	-	-
Other decreases	(534)	-
Closing balance	-	**534**

21. Risk and Expenses

	Euro thousand	
	2016	2015
Long-term employee benefit obligations (Note 22)	-	984
Other provisions	93,428	65,698
Non-current	**93,428**	**66,682**
Short-term provisions	898	267
Current	**898**	**267**

The movement of other provisions has been:

	Euro thousand	
	2016	2015
Initial balance	65,965	71,276
Endowments	25,478	32,464
Transfers	(13,747)	-
Aplications/Reversals	(3,369)	(17,775)
Final balance	**94,326**	**65,965**

They refer to provisions set up to cover the negative equity of subsidiaries (Note 8).

Provisions for risk and expenses - non-current

This section includes mainly provisions for negative shareholders' equity of subsidiaries amounting to €61,437k (2015: €52,756k) (Note 8) and other long-term risks and expenses.

Provisions for risk and expenses – current

This balance corresponds to provisions established to cover other risks and short-term expenses.

22. 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:

	Euro thousand	
	2016	2015
Balance sheet commitments:		
Pension and retirement benefits		984
	-	**984**

Pension and retirement benefits

On 19 November 2015, the Madrid Labor Court ruled that the collective agreement in question was no longer valid, resulting in the disappearance of the retirement bonus. Therefore, as of this fiscal year no further future obligations will be assumed by Group companies.

At 31 December 2016 and 2015, there are no assets associated with commitments to defined benefit plans for employees.

Given the negligible relevance of the amounts recognised by the Group for employee loans, no additional disclosure is required on this subject.

23. Long-Term and Short-Term Debts

	Euro thousand	
	2016	**2015**
Debts to credit institutions	151,040	155,584
Derivatives (Note 11)	3,843	-
Other financial liabilities	4,211	2,106
Non-current borrowings	**159,094**	**157,690**
Debts to credit institutions	64,837	15,759
Derivatives (Note 11)	72,823	80,091
Other financial liabilities	35,994	35,969
Current borrowings	**173,654**	**131,819**

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

a) Debts to credit institutions

The carrying amount is close to the fair value. The payables are pledged to the Euribor and are revised every 6 months. There are loans in the amount of €24.474k (2015: €24.172) to guarantee concession assets (Note 5).

Set out below is a maturity schedule for the contracts in force at 31 December 2016 and 2015.

	2016	2017	2018 and over	Total
2016	-	64,837	151,040	215,877
2015	15,759	136,730	18,854	171,343

The carrying amounts of debts to credit institutions are denominated in euro, and earned average effective interest rates (all of which floating) at year-end of 0.80% (2015: 1.25%).

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:

	Euro thousand	
	2016	**2015**
– Maturity date - less than one year	169,644	28,118
– Maturity date - more than one year	316,960	247,825
	486,604	**275,943**

b) Other financial liabilities (current)

This heading primarily reflects the Board-approved dividend amounted to €35,852k (2015: €35,830k) approved by the Board of Directors (Note 18).

24. Borrowings from related parties

	Euro thousand	
	2016	2015
Group companies	88,766	24,599
Associates	9,377	26,618
	98,143	51,217

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

	Euro thousand	
	2016	2015
Engineering services	13,783	8,465
Current loans	74,983	16,134
Group companies	**88,766**	**24,599**
Engineering services		800
Consolidation of UTEs	9,377	25,818
Associates	**9,377**	**26,618**

In 2016, the balances payable to Group companies carried interest at an average rate of Euribor + 1% (2015: Euribor + 1.5%).

25. Trade and other payables

	Euro thousand	
	2016	2015
Due to suppliers	1,733,182	1,615,469
Trade payables, related parties	225,096	248,361
Sundry payables	12,306	10,329
Employee benefit obligations payable	2,536	648
Other taxes payable	21,450	60,213
Customer prepayments	470,395	569,775
	2,465,595	2,504,815

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 detail of trade payables related parties is as follows:

	Euro thousand	
	2016	2015
Initec Plantas Industriales, S.A	200,315	197,803
Initec Infraestructuras, S.A	8,328	8,425
Tecnicas Reunidas Internacional, S.A.	2,087	11,231
Other	14,366	30,902
	225,096	248,361

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

	Euro thousand	
	2016	2015
USD	104,160	154,772
Other currencies	67,627	19,696
	171,787	174,468

Information on the average period of payment to suppliers. Third additional provision, "Duty of information" of Law 15/2010 of 5 July (In accordance with the new wording given by the second final provision of Law 31/2014 on Spanish Corporates Act).

As stipulated in the law of reference and in the resolution of 29 January 2016, the following information is provided on the weighted average days to pay suppliers

	2016	2015
	Days	Days
Weighted average days to pay suppliers	69	62
Number of payments made	71	63
Number of payments pending	60	60

	Amount (Euro thousand)	Amount (Euro thousand)
Total payments made	1,106,335	1,161,497
Total payments pending	252,091	176,483

The Company is complying with legally established deadlines with some minor delays, due to the fact that the number of days of payment and the number of days pending payment is used as the date for the calculation, the period from receipt of the invoice, because it is difficult to establish the date of receipt of the goods or provision of services. Therefore, in some cases, the time from receipt of the invoice to the payment is slightly higher because some of the requirements established in the order to proceed with the payment (receipt of collateral, review of the matter) and due to that fact, may be a slight delay in payment.

The calculation of the data of the previous table has been carried out according to the established in the resolution of January 29, 2016 and only includes the information corresponding to the Spanish entities. For the purposes of this note, the concept of commercial creditors includes the items of suppliers and various creditors for debts with suppliers of goods or services included in the scope of regulation in terms of legal payment terms.

26. 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., Termoléctrica, 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. In 2003, Eurocontrol, S.A. and ReciclAguilar, S.A. were included and in 2005 Initec Plantas Industriales, S.A. and Initec Infraestructuras, S.A. In 2007, Layar Castilla, S.A. left the tax group. In 2015 Eurocontrol International Services, S.L. and Euromody International Services, S.L. were added. In 2016 Heymo Ingeniería, S.A.U. has been added.

The reconciliation of income and expenses to taxable income for 2016 is set forth below.

			Euro Thousand
Recognised income and expense	158,741		158,741
	Increases	**Decreases**	**Total**
Income tax expense	45.181	-	**45.181**
Permanent differences	21,342	(109.368)	**(88,026)**
Temporary differences	50.367	(2.895)	**47.472**
Taxable income (tax result)			**163.368**

The breakdown of income tax expense is as follows.

	Euro thousand	
	2016	**2015**
Current tax	56.158	38.320
Deferred tax	(11.568)	(12.461)
Other adjustments	591	-
	45.181	**25.846**

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

	Euro thousand	
	2016	**2015**
Provisions recognised	5.322	3.618
Non-deductible expenses	851	514
Double taxation dividend deduction (article 32)	15.169	-
	21.342	**4.132**

The decreases attributable to permanent differences correspond to the following items

	Euro thousand	
	2016	2015
Result generated abroad	66,834	58,572
Double taxation deduction	-	515
Deduction for technology transfer	15,155	16,087
Deduction for losses and permanent cessation activity of branches	-	39,946
Income to reserves	18,718	-
Capitalization Reserve	3,056	-
Income tax - discontinued operations	3,671	-
Reverse of provisions and others	1,934	2,549
	109,368	117,970

Deferred tax

	Euro thousand	
	2016	2015
Deferred tax assets		
- to be recovered after more than 12 months	63,541	60,547
- to be recovered within 12 months	-	-
	63,541	60,547
Deferred tax liabilities		
- to be recovered after more than 12 months	7,262	164
- to be recovered within 12 months	-	-
	7,262	164

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

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
At 1 January	60,547	164	41,824	4,551
Reversals / Utilisations	(17,306)	-	(21,543)	(18,404)
Endowment	12,592	7,098	35,916	10,667
Reclassifications	7,708		4,350	4,350
At 31 December	63,541	7,262	60,547	164

The deferred taxes relate to the following items:

Deferred tax assets	Euro thousand	
	2016	2015
- Pension Plans	-	2,330
- Hedging reserve	6,414	9,677
- Tax losses carried forward related to permanent	-	4,411
establishments	28,856	28,329
Provisions related to investment	11,334	9,895
- Provisions for risk and other charges	13,877	4,944
- Amortization	852	961
Concessions	2,228	-
	63,541	60,547

Deferred tax liabilities

	Euro thousand	
	2016	2015
Hedging reserve	164	164
Taxes related to permanent establishments	7,098	-
	7,262	164

There are no unused recognised tax losses at year-end 2016 and 2015.

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 27/2015, according to which the 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 2015, deferred tax assets and liabilities have been adjusted on the basis of the amount expected to be recovered or paid, respectively.

On 28 June 2014 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.

On 15 June 2015 the Company received a proposed assessment in the amount of €136.2 million plus interest, which it was signed in disagreement. The assessment is based on the tax authorities' disagreement with the principles used by the Group to support its transfer pricing policies.

On 10 July 2015, the proposed assessment was appealed to the tax authorities, which rejected the appeal. The Company presented an appeal in Administrative Litigation against the aforementioned resolution, before the TEAC, on September 15, 2015. The TEAC's record presentation of the file took place on September 23, 2016 and on October 7, 2016. The Company submitted a written complaint for the correction of the file, a fact that TEAC admits on February 1, 2017.

It is the opinion of the Company's management and its tax advisers that it is unlikely that the tax assessment will have to be paid. Management believes that there are technical arguments to support the position of Técnicas Reunidas and that the Company's chances for success are even greater in the contentious administrative appeals process. The criterion of Técnicas Reunidas is based on the fact that the assessments signed in 2010 recognised the right to exclude the Joint Ventures in which the Técnicas Reunidas Group operates abroad and also defined the intergroup transactional model that was used by Técnicas Reunidas, with the help of its tax advisers, to develop a new transfer pricing model. In addition to the technical arguments that support this position, it is important to note that the model currently under inspection was devised on the basis of the points made by the tax authorities in the assessments signed with the tax agency in 2010.

Consequently, management believes there is no need to recognise any liability whatsoever.

As of the date of these Annual Accounts, the Company has not made any payments on the balances shown in the disputed tax assessments. Guarantees in the amount of €136.2 million euro for principal and €28.6 million in late interest were provided.

The actions have been extended to VAT for the years 2012 and 2013.

In addition to the aforementioned years, the following taxes for the years mentioned below for the Company remain open for inspection:

Tax	Years
Corporate income tax	2012 to 2016
Value added tax	2014 to 2016
Withholding tax	2013 to 2016
Other taxes	Last four years

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.

27. Revenue and expense

a) Revenue

The geographic breakdown of the Company's revenue in 2016 and 2015 is as follows:

Market	Euro thousand	
	2016	2015
Spain	41,306	46,610
European Union	217,349	87,710
OECD (excl. Spain and EU)	382,680	503,041
Other	2,335,679	1,976,000
	2,977,104	2,615,252

The revenue split by operating segment was as follows:

Business	Euro thousand	
	2016	2015
Oil & Gas	2,656,256	2,310,970
Power	261,912	244,154
Other	28,936	60,128
Total	2,977,104	2,615,252

In the fiscal years 2016 and 2015 the Company did not recognise any significant penalty or bonus for delays, advances or any other item.

b) Foreign currency transactions

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

	Euro thousand	
	2016	2015
Sales	1,808,366	1,783,336
Purchases	1,625,510	1,130,365
Services received	161,739	299,506

c) Employee benefit expense

	Euro thousand	
	2016	2015
Wages and salaries	242,115	231,831
Termination benefits	2,316	668
Staff welfare expenses	52,563	48,829
Charge for employee benefit obligations (Note 22)	(984)	(3,000)
	296,010	**278,328**

Average headcount by job category:

	2016	2015
Directors and senior management	13	13
Graduates, diploma holders and administrative staff	3,563	3,576
Skilled workers	32	28
Sales staff	24	25
	3,632	**3,642**

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

	2016			2015		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Directors and senior management	11	2	13	11	2	13
Graduates, diploma holders and administrative staff	2,270	1,204	3,474	2,387	1,230	3,617
Skilled workers	26	1	27	28	1	29
Sales staff	14	9	23	15	9	24
	2,321	**1,216**	**3,537**	**2,441**	**1,242**	**3,683**

Figures above include 447 subcontracted employees (2015: 610 employees).

During 2016, the number of persons employed with a disability greater than or equal to 33% has been 19, in the category of graduates, technical and administrative (2015: 0).

d) Other expenses

The breakdown of the income statement heading is as follows:

	Euro thousand	
	2016	2015
Services	535,220	585,268
Rent and fees	38,868	31,623
Independent professional services	37,106	40,251
Transport expense	10,798	11.172
Repairs and maintenance	5.238	4,974
Insurance premiums	8,144	13.162
Banking and similar services	24,874	22,890
Other	2,809	19,422
External services	663,057	728,762
Taxes other than income tax	3,086	1,632
Losses on, impairment of and change in trade provisions	4,191	836
Other operating expenses	1,062	(94)
	671,396	731,136

28. Finance income and finance cost

	Euro thousand	
	2016	2015
Finance income:		
From equity investments:		
In group companies and associates (Note 8)	61,458	1,226
In third parties	-	-
From marketable securities and other financial instruments		
In group companies and associates	10,764	6,162
In third parties	4,145	2,145
	76,376	9,543
Finance cost:		
Borrowings from related parties	-	(67)
Third-party borrowings	(4,841)	(1,970)
Discounting of provisions (Note 21)	-	-
	(4,841)	(2,037)
Change in fair value of financial instruments:		
Held for trading and other securities	836	816
	836	816
Exchange differences		
	(14,422)	(10,158)
Financial asset impairment and disposal gains/(losses)	(10,524)	(43,198)
Impairment charges and losses (Note 8)	(2,500)	-
Other provisions for impairment		
	(13,024)	(43,198)
Financial income	73,769	(45,034)

29. 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 21. 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 €3,317,962k (2015: €3,249,641k) 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.

As mentioned in Note 12, the financial debt for the amount of €24,474k (2015: €24,172k) finances the construction of the concessions. These loans are guaranteed with the aforementioned concession assets.

In relation to the inspections referred to in note 26, guarantees have been submitted to the Tax Administration for an amount of 136,2 million euro of quota and 26.6 million euro of default interest.

The most noteworthy dispute involved the Sines project in Portugal. An arbitration process is underway, still in the early stage, with Técnicas Reunidas and the customer making claims against one another related primarily to the liability of the respective parties for a series of delays. The customer is also claiming damages for production losses caused by fraud. However, the plant was received to the customer's satisfaction and payment was made in full. The performance bonds were also returned by the customer in full. The Group's management and legal advisers therefore believe there is a very good chance that Técnicas Reunidas will prevail and that the possibility of a significant liability is remote, with no financial effect whatsoever.

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.

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:

	2016	2015
Less than 1 year	19,258	16,724
Between 1 and 5 years	30,971	16,566
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.

30. 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:	**2016**	**2015**
Non-current assets	18,322	68,791
Current assets	1,046,222	820,776
	1,064,545	**889,567**
Liabilities:		
Non-current liabilities	7,638	18,801
Current liabilities	1,069,340	772,288
	1,076,978	**791,089**
Net assets (liabilities)	**(12,433)**	**98,478**
Revenue	2,021,341	1,580,637
Expenses	(2,008,478)	(1,453,913)
Profit after tax	**12,863**	**126,725**

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

31. Board of Directors and senior management remuneration

a) Board of Directors remuneration

There follows information on total compensation paid to members of the Company's Board of Directors for the years ended 31 December 2016 and 2015:

- Board meeting attendance fees received by all board members: €1,493k (2015: €1,131k).
  Wages and salaries: €2,438k (2015: €1,705k).
- Insurance premiums and pension plans: €31k (2015: €7k).
- Services provided to the Company: €326k (2015: €257k).

b) Senior management compensation

Total compensation paid in 2016 to key management personnel was €4,359k (2015: €3,191k).

Advances: €0k (2015: €0k)

c) Situations of conflict of interest of the administrators

In the duty to avoid situations of conflict with the interest of the Company, during the year the managers who have held positions in the Board of Directors have fulfilled the obligations set forth in article 228 of the consolidated text of the Capital Companies Act. Likewise, both they and the persons related to them, have abstained from incurring the cases of conflict of interest provided for in article 229 of said law, except in cases in which the corresponding authorization has been obtained.

The direct or indirect shareholding that both managers and persons linked to them have in the capital of a Company with the same, analogous or complementary type of activity to which it constitutes the corporate purpose is shown below:

- Mr José Lladó Fernández-Urrutia is President of Técnicas Reunidas Internacional, SA and Joint Administrator at Técnicas Reunidas Proyectos Internacionales, SA.

- Mr. Juan Lladó Arburúa is a non-executive Director of Initec Plantas Industriales, SAU, Initec Infraestructuras, SAU and Eurocontrol, SA. He is also a Member of the Committee of Administrators of Grouped Entrepreneurs AIE, Vice President of Técnicas Reunidas Internacional, SA and of Española de Investigación Y Desarrollo, SA, President of Empresarios Agrupados Internacional, SA and Joint Administrator of Técnicas Reunidas Proyectos Internacionales, SA.

- William Blaine Richardson is a non-executive Director of the International Advisory Board of Abengoa SA

- Dona Petra Mateos-Aparicio is non-executive Advisor of Ghesa.

32. **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

The Company did not carry out any transactions with primary shareholders in 2016 or 2015.

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

The Company did not carry out any transactions with its directors in either 2016 or 2015.

Note 31 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.

2016	Group companies	Jointly-controlled entities and associates
Services received	567,080	7,269
Finance costs	2,044	-
Total expenses	**569,123**	**7,269**
Services rendered	94,270	11,716
Finance income	10,542	-
Dividends received (Note 26)	61,456	-
Total revenue	**166,269**	**11,716**

The services received and rendered are derived from the normal operations of the Company's business and have been made under normal market conditions.

2015	Group companies	Jointly-controlled entities and associates
Services received	344,456	-
Finance costs	67	-
Total expenses	**344,553**	**-**
Services rendered	31,383	1,716
Finance income	5,774	-
Dividends received (Note 27)	2	1,234
Total revenue	**37,159**	**2,950**

In addition, there were no real estate purchase-sale transactions with Group companies in 2016 or 2015.

33. 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.

34. 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.

35. Audit fees

The fees accrued for services engaged by the Company from its auditor and other audit firms in 2016 are detailed below:

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

Audit services: €270k (2015: €270k)
Other work required under prevailing regulations: €90k (2015: €60k)
PwC Firms: €225k (2015: €153k).

EXHIBIT I – TEMPORARY JOINT VENTURES (UTEs) AND CONSORTIUMS IN WHICH THE COMPANY HAS SHAREHOLDINGS 2016

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

Year 2016

Name	Activity	% Partic.
TR Abu Dhabi BRANCH	CONSTRUCTION AND COMMISSIONING SUPERVISION	100%
TR [illegible]	CONSTRUCTION AND COMMISSIONING SUPERVISION	100%
TR AUSTRALIA	CONSTRUCTION AND COMMISSIONING SUPERVISION	100%
TR BRANCH VOLGOGRADO	CONSTRUCTION AND COMMISSIONING SUPERVISION	100%
TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	100%
TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	100%
TR EP UTE OPTARA BELGIUM	ENGINEERING PROJECT AND EXECUTION SERVICES	100%
EP BANGLADESH	ENGINEERING PROJECT AND EXECUTION SERVICES	100%
EP JORDANIA	ENGINEERING PROJECT AND EXECUTION SERVICES	100%
TR KUWAIT BRANCH	ENGINEERING AND PROCURAMENTAL SERVICES	100%
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	100%
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	15%
UTE TR ARGELIA	ENGINEERING AND PROCURAMENTAL SERVICES	15%
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	55%
UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	55%
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	55%
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	15%
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	85%
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	15%
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR TRSA KHABAROVSK	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE HYDROCRAKER [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR [illegible] POWER	ENGINEERING AND PROCURAMENTAL SERVICES	35%
UTE [illegible] CHILE	ENGINEERING AND PROCURAMENTAL SERVICES	15%
TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	15%
UTE TR JUBAIL	ENGINEERING AND PROCURAMENTAL SERVICES	45%
UTE TR SUP	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE EP SINES	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR YANBU REFINERY	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	15%
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	45%
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE VOLGOGRAD	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE INTEGRATED PROJECT	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible] JAZAN	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR TALARA	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE STURGEON	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE FORT HILLS	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]

Name	Activity	% Partic.
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	50%
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	50%
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	50%
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	50%
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	50%
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	50%
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	50%
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	40%
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	50%
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible] NORTH	ENGINEERING AND PROCURAMENTAL SERVICES	50%
UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	50%
UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
SAMSUNG TR JOINT VENTURE	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
TR OMAN BRANCH	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
TR MOSUL BRANCH	ENGINEERING AND PROCURAMENTAL SERVICES	100%
[illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	100%
TR [illegible] BRANCH	ENGINEERING AND PROCURAMENTAL SERVICES	100%
JV [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	50%
JV [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	50%
TR QATAR	ENGINEERING AND PROCURAMENTAL SERVICES	100%
JV RAILWAY	ENGINEERING PROJECT AND EXECUTION SERVICES	[illegible]

EXHIBIT I – TEMPORARY JOINT VENTURES (UTEs) AND CONSORTIUMS IN WHICH THE COMPANY HAS SHAREHOLDINGS 2015

The temporary joint ventures (UTEs) and consortiums included in 2015 annual accounts are the following:

Year 2015

Name	Activity	% Partic.	Name	Activity	% Partic.
CONSORCIO VIETNAM	CONSTRUCTION AND COMMISSIONING SUPERVISION	20%	UTE [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	25%
TR FRANCIA BRANCH	CONSTRUCTION AND COMMISSIONING SUPERVISION	100%	UTE TR [illegible] PROYECTO [illegible] CHILE	ENGINEERING AND PROCUREMENTAL SERVICES	15%
TR KHABAROVSK BRANCH	CONSTRUCTION AND COMMISSIONING SUPERVISION	100%	UTE TR INTERCONTROL VARIANTE PAJARES	ENGINEERING AND PROCUREMENTAL SERVICES	20%
TR MOSCU BRANCH	CONSTRUCTION AND COMMISSIONING SUPERVISION	100%	UTE TR IONICS RAMBLA MORALES	ENGINEERING AND PROCUREMENTAL SERVICES	50%
TR APPOMATTOX BRANCH	CONSTRUCTION AND COMMISSIONING SUPERVISION	100%	UTE TR IONICS TEDESA [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	15%
TR AUSTRALIA BRANCH	ENGINEERING AND PROCUREMENTAL SERVICES	100%	UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	65%
TR ANKARA BRANCH	ENGINEERING AND PROCUREMENTAL SERVICES	100%	UTE TR RT KHABAROVSK	ENGINEERING AND PROCUREMENTAL SERVICES	15%
TR OPTARA BRANCH	ENGINEERING AND PROCUREMENTAL SERVICES	100%	UTE TR RT REFINERIA SINES GALP	ENGINEERING AND PROCUREMENTAL SERVICES	45%
TR VOLGOGRADO BRANCH	ENGINEERING AND PROCUREMENTAL SERVICES	100%	UTE TR [illegible] URB ZAIDA	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]
TR ARGELIA BRANCH	ENGINEERING AND PROCUREMENTAL SERVICES	100%	UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]
TR QATAR BRANCH	ENGINEERING AND PROCUREMENTAL SERVICES	100%	UTE TR [illegible] URBANIZACION TALAFELL	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]
TR OMAN	ENGINEERING AND PROCUREMENTAL SERVICES	100%	UTE [illegible] VILLAMARTIN	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]
TR BOLIVIA	ENGINEERING AND PROCUREMENTAL SERVICES	100%	UTE [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]
TR MARRUECOS BRANCH	ENGINEERING AND PROCUREMENTAL SERVICES	100%	UTE [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]
UTE [illegible] CHILE	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]	UTE [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]
UTE EP SINES	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]	UTE [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	15%	UTE [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	50%
UTE [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]	UTE [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	50%
UTE INTEC TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]	UTE [illegible] SALAZAR [illegible] MORALES	ENGINEERING AND PROCUREMENTAL SERVICES	50%
UTE INTEC TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]	UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	50%
UTE INTEC TR PLANTAS [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	15%	UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	50%
UTE INTEC TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	15%	UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]
UTE INTEC TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	15%	INT [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	50%
UTE INTEC TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	15%	UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	50%
UTE [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	50%	UTE [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	50%
UTE TR POWER	ENGINEERING AND PROCUREMENTAL SERVICES	50%	UTE TR ABU DHABI SHAH	ENGINEERING AND PROCUREMENTAL SERVICES	15%
UTE TR [illegible] COMPLEJO [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	50%	UTE [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	15%
UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	50%	UTE [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	40%
UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	50%	UTE [illegible] TAISHAN	ENGINEERING AND PROCUREMENTAL SERVICES	50%
UTE [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	50%	UTE [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	15%
UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]	UTE [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]
UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	50%	UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]
UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]	UTE URBANIZACION [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	40%
UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]	UTE [illegible] NORTH	ENGINEERING AND PROCUREMENTAL SERVICES	50%
UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]	UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]
UTE TR ESPANOESA [illegible] SINES	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]	UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]
UTE TR ESPANOESA [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]	UTE [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	50%
UTE TR [illegible] DEL VENT	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]	UTE FORT HILLS	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]
UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]	UTE TR JAC	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]
UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]	UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]
UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]	UTE TR Rabigh	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]
UTE TR [illegible] BARCELONA	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]	UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]	UTE STURGEON	ENGINEERING AND PROCUREMENTAL SERVICES	15%
UTE [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]	UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	50%
UTE [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]	JV [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	15%	JV [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	50%
UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	15%	UTE [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	15%
UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]	UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]
UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	15%	UTE TR INTEGRATED [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	85%
UTE TR [illegible] KAYAN	ENGINEERING AND PROCUREMENTAL SERVICES	25%	UTE TR VOLGOGRAD	ENGINEERING AND PROCUREMENTAL SERVICES	15%
UTE TR [illegible] ABU DHABI	ENGINEERING AND PROCUREMENTAL SERVICES	25%	JAZAN REFINERY AND T	ENGINEERING AND PROCUREMENTAL SERVICES	50%
UTE [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	25%	UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	50%
UTE [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]	UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	15%
UTE [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]	UTE TR [illegible] LNG	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]	UTE TR [illegible]	ENGINEERING AND PROCUREMENTAL SERVICES	[illegible]

Name	Activity	% Partic.	Name	Activity	% Partic.
CONSORCIO VIETNAM	CONSTRUCTION AND COMMISSIONING SUPERVISION	20%	UTE TR INTEC [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
TR FRANCIA BRANCH	CONSTRUCTION AND COMMISSIONING SUPERVISION	100%	UTE TR INTEC PROYECTO [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
TR KHABAROVSK BRANCH	CONSTRUCTION AND COMMISSIONING SUPERVISION	100%	UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	40%
TR MOSCU BRANCH	CONSTRUCTION AND COMMISSIONING SUPERVISION	100%	UTE TR [illegible] RAMBLA MORALES	ENGINEERING AND PROCURAMENTAL SERVICES	40%
TR ABU DHABI BRANCH	CONSTRUCTION AND COMMISSIONING SUPERVISION	100%	UTE TR [illegible] OROPESA	ENGINEERING AND PROCURAMENTAL SERVICES	25%
TR AUSTRALIA BRANCH	ENGINEERING AND PROCURAMENTAL SERVICES	100%	UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	65%
TR ANKARA BRANCH	ENGINEERING AND PROCURAMENTAL SERVICES	100%	UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
TR [illegible] BRANCH	ENGINEERING AND PROCURAMENTAL SERVICES	100%	UTE TR [illegible] REFINERIA SINES GALP	ENGINEERING AND PROCURAMENTAL SERVICES	65%
TR VOLGOGRADO BRANCH	ENGINEERING AND PROCURAMENTAL SERVICES	100%	UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	50%
TR ARGELIA BRANCH	ENGINEERING AND PROCURAMENTAL SERVICES	100%	UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
TR QATAR BRANCH	ENGINEERING AND PROCURAMENTAL SERVICES	100%	UTE TR [illegible] URBANIZACION TALAFELL	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
TR OMAN	ENGINEERING AND PROCURAMENTAL SERVICES	100%	UTE TR [illegible] VILLAMARTIN	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
TR POLONIA	ENGINEERING AND PROCURAMENTAL SERVICES	100%	UTE TR [illegible] PROY [illegible] PALMA	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
TR MARRUECOS BRANCH	ENGINEERING AND PROCURAMENTAL SERVICES	100%	UTE TR [illegible] PROYECTO [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE EP SINES	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	50%
UTE HYDROCRACKER [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE TR [illegible] VALDEMINGOMEZ	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE INITEC TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE TR [illegible] DESALADORA [illegible] MORALES	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE INITEC TR MEJILLONES	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE TR [illegible] CANADA GALLEGO	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE INITEC TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	50%
UTE INITEC/TR [illegible] ARGELIA	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE INITEC/TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	INT [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE INITEC/TR [illegible] ARGELIA	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible] XXI	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE TR [illegible] REFINERY [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR POWER	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR [illegible] ALGECIRAS	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	50%
UTE TR [illegible] ALCOBENDAS	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE URBANIZACION [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR [illegible] PONTES	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR [illegible] PUERTO DE BARCELONA	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	JV [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	JV [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE [illegible] VENEZUELA	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE TR INTEGRATED PROJECT [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR [illegible] KAYAN	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	JAZAN REFINERY AND T	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR INTEC DAMIETTA LNG	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE TR INTEC INFRA [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR INTEC [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE TR INTEC [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR INTEC INFRA CONS COMP LA VINA	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE TR INTEC [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]
UTE TR INTEC INFRA CONS [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]	UTE TR INTEC [illegible]	ENGINEERING AND PROCURAMENTAL SERVICES	[illegible]

2016 DIRECTORS' REPORT

1. Business overview

The year 2016, has been again a difficult year for the oil and gas sector. Since the second half of 2014, when the commodities price (raw materials) and oil price began to plummet, our customers have been forced to take tight adjustment decisions to face a substantial cut in their profits, leading to the biggest decline investment in the last 30 years. Therefore, the restructuring of resources and the optimization of assets have become the primarly priorities of the sector. The companies involved in the exploration, seismic, drilling and deepwater have been the most affected.

Nevertheless, the Técnicas Reunidas business has shown its resilience facing these difficulties, primarily related to downstream (refining and petrochemical) activities and working mostly with national clients that have budgets more protected.

In 2016, Técnicas Reunidas has focused its commercial efforts in those market that offered growth opportunities which allowed it to increase its operations with new clients, and in new geographies, while increasing its references with recurring clients. The new 2016 projects include energy generation activities in Europe (Finland and England), and refining in America (Mexico), and Middle East (Saudi Arabia). The investment decisions of these projects were based on the strategic value they will bring, leaving aside the economic reasons related with the drop in oil prices. In short, the contracted projects with Neste, Veolia and Borealis, and MGT Teesside, on the energy side, and those signed with Pemex and Saudi Aramco, on the refining side, endow the portfolio with high quality and diversity.

The accumulated contracting of the last years, has allowed the growth in the economic results. The sales of the year 2016 grew to 2,977 million euro, which is a new record for the Company. The Group's operating income increase to 149 million euro and the net profit amounted 165 million euro.

At the end of 2016, the net cash position was 250 million euro. Since the beginning of the crisis, the management of the financial position has been gaining importance in the sector. Having an optimal position of cash is other of the fact that reflects the difference between the rivals, and has become in one of the priorities of the Group.

At December 31, 2016, Técnicas Reunidas had a workforce of 3,537 employees, an adequate level cost resources to satisfactorily execute the outstanding project portfolio.

In reference to the stock market behavior during the 2016, the Tecnicas Reunidas's share has experienced two market trends in each of the semesters. In the first one, the share suffer a price adjustment due to the announcement on February of the overruns of the CNRL improver, done by its subsidiary in Canada. After the communication, and in a general feeling of uncertainty in the sector because of the investment cutback by the big oil companies, the value fell by 23% in the first six months. In the second half of the year, the investors were getting back the confidence in the value. This confidence, was supported by a select hiring and better prospects in the sector, which were supported on the cutback in production by OPEC. All this, led to increase the value 45% in the second half of the year, which in global translate in a positive variation amounted to 12%. The Técnicas Reunidas's action achieve to beat its benchmark, Ibex 35, which closed with a total loss of 2%.

Although the Company's result were penalized in 2015 and despite having faced a complex 2016 financial year, the Company decided to maintain its shareholder remuneration policy, by sharing the same dividend as the previous year. This decision reaffirm the confidence of the management team that the Canadian project incident is a one-off event and the nature of the Company's business and the profitability of its portfolio continue to provide an adequate future funding. Thus, the Company distributed a total of 75 million euro in dividends charged to the net profit of 2015, representing a unitary amount of 1.395 euro per share.

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

Oil & Gas

The year 2016 is based on a similar macroeconomic situation as 2015. Financial stability has not yet been achieved, access to finance remains limited and there is still doubt about economic growth. The oil and gas sector has also been one of the main focuses of attention during the year due to the fear of overproduction. The rapid development of the fracking in the US, the return of Iran to the market, both facts together, with lower expectations of economic growth, are considered strong threats for the sector. This feeling of uncertainty softened at the end of the year, when OPEC member countries, along with another major producer like Russia, agreed to cut production by 1.2 million, or 1.5%, to 32.5 Millions of barrels a day, with the aim of rebalancing the crude oil market.

In the long term, the outlook for the sector is positive according to the forecasts of the main official bodies. The International Energy Agency and OPEC estimate a sustained growth in demand for both oil and gas for the next 26 years despite the increase in investment for renewable energy. Specifically, the International Energy Agency estimates in its annual World Energy Outlook 2016, a total investment of 66,500 billion dollars in energy infrastructure for the next 24 years, or what would be an average annual investment of 2,600 billion dollars. With regard to the oil and gas sector, the International Energy Agency estimates a total investment of more than 22,800 billion dollars for the period from 2016 to 2040, representing 34% of the estimated global energy investment.

Técnicas Reundias closely follows all these data and studies deeply the areas which required greater investment and those that offer greater opportunities of growth. Although as already mentioned before, 2016 was marked by a challenging market conditions and strong investment cuts. Which translate that most contractors of the sector saw diminished their hiring, comparing with the year 2015. Despite this, Técnicas Reunidas managed to sign two new contracts for key clients such as Pemex and Saudi Aramco, located in markets where the group already has previous experience:

- In March, Técnicas Reunidas, was selected by Pemex Transformación Industrial for the second phase of the execution of the project Diesel ultra azufre in the refinery General Lázaro Cárdenas in Minatitlán, Mexico. The scope of this phase englobe the engineering, procurement, construction and the start- up of two new refining units: hydro – desulphurization unit related ancillary services and integration of the installations outside the limits of battery for these plants. The agreement started under the modality of "open book" and it's develop in two phases. The first one, roughly raised 50 million USD, which was awarded to Técnicas Reunidas in 2014, and it's include the execution of a basic extend design (FEED), the breakdown estimation of the investment, and the purchase of some long term equipment.

The second phase, is based on the execution of the turn-key engineering projects, whose estimated value is 800 million USD counting a period of execution of 36 months. This project is part of the development plans and modernization that Pemex Transformación Industrial will carry out, with a total value of 5.500 million USD of investment, as part of the "Proyecto de Calidad de Combustibles" in their refineries to produce and supply diesel, containing a maximum amount of 15 parts per million (ppm), which means a reduction of 97%, to carry out with environmental regulations. Similarly, it is to improve the air quality by reducing the emission of greenhouse gas in 12,000 tons per year. These works will have a positive impact in the places that are allocated the refineries, creating 12,000 direct jobs and 31,000 indirect jobs. This project, gives continuity to the experience of Tecnicas Reunidas in Mexico, where it developed years ago, other relevant refining project for Pemex. At the end of the year, the client ask for a temporary suspend of the project for several months, due to a financing problems. By this time, the project was in the engineering phase. According to clients' statements, it is expected that the project will be resumed in 2017.

- In December Saudi Aramco, chose Técnicas Reunidas for the turn-key engineering project for the project "Clean Fuels" within the refinery Ras Tanura on the east cost of Saudi Arabia. The range of this contract includes engineering, procurement and assistance to the start-up of the project, which is divided in two parquets. The first one, includes the isomerization units, naptha hydrotreating, CCR, interconnects, the torch systems, and the related buildings. On the other hand, the second one, refers to installations and the ancillary services. The contract will have a duration of 48 months until the mechanic execution of the plant. By the execution of this project, Técnicas Reunidas reinforce its presence in the Saudi market and shows how it become more and more convinced the confidence acquired by Saudi Aramco, with whom it has been working continuously since 2003, in more than 10 refining projects.

The rest of the projects that compose the portfolio awarded in previous years, continued to advance at their usual pace. At the end of the year, the projects that contributed the most to the division turn over were: the modernization project of the Talara refinery for Petroperu in Peru, the RAPID refinery complex for Petronas in Malaysia, the Al Zour refinery for KNPC in Kuwait and the STAR refinery for SOCAR in Turkey.

Major projects completed in different parts of the world were completed in 2016, such as the Yara nitric acid project in Australia, the refinery units of the Cochabamba and Santa Cruz refineries for YPFB in Bolivia, and the units of the Sadara petrochemical complex for Saudi Aramco and Dow Chemical in Arabia.

Energy

Over the last years Técnicas Reunidas has been making a major commercial effort to expand its energy generation activity. Due that there are no great prospects in the local market and since these projects have suffered more intensely the effects of the economic crisis due to funding constraints, the energy division has suffered over the last years a greater volatility in the contracting than other areas.

Currently the Company aims to increase its presence in key markets such as Canada, USA, Mexico and other Latin American countries, where it identifies large investment plans.
In 2016, the Company collected the fruits of its effort and managed to sign two relevant contracts expanding its activity in new geographies and gaining credentials with new clients. These projects are the follows:

- Kilpilahti Power Plant Ltd, a Company owned 40% by Neste, 40% by Veolia and 20% by Borealis, chose in March Técnicas Reunidas for the execution of the contract for the design and construction of a new electric and steam power generation plant will supply the Neste refinery and the Borealis petrochemical complex in Porvoo, Finland. The generation plant is composed of three steam generators with a total capacity of 600 t/h and a steam turbine of 40 MW of power. The main steam generation system is based on a circulating fluid bed boiler (CFB) that will use asphaltene as the main fuel and two conventional boilers based on various liquid and gaseous fuels available in refinery. The facility will meet the latest standards in environmental regulations, including the European Commission's Emissions Directive (IED). The total investment of the facility is around €400 million, of which €270 million corresponds to the Técnicas Reunidas contract, which covers the engineering, procurement, construction and commissioning services of the facility to commercial operation. The plant is expected to go into production in mid-2018. For TR this will be its first project in Finland which extends the Company's presence in the Nordic countries following the award by Yara in Norway of a nitric acid plant in 2014.

- In August the English Company MGT Teesside Ltd selected Técnicas Reunidas in a consortium with Samsung C&T to carry out the construction of a new 299 MWe power plant with combined heat and power in Teesside, United Kingdom. The scope of the project will include the engineering, procurement, construction, commissioning and commissioning services of a boiler and steam turbine with a gross power of 299 MWe. In the boiler, circulating fluid bed (CFB) technology will be used to generate steam from wood pellets and chips as the main fuel. The scope also includes all the auxiliary systems necessary for the correct functioning of the plant, such as the fuel receiving and handling system and the emission control and reduction systems required to comply with the latest environmental regulations. The total value of the contract amounts to 700 million euro, being the participation of TR of approximately 70%. The power generation plant is scheduled to commence its commercial operation in 2020. This is Técnicas Reunidas' first contract in the UK, thanks to the intense commercial effort it has been making in the last few years in this market, and we hope that this offers other opportunities in the medium-term energy generation business.

In 2016, the Company completed its work on the power plant of "*Nodo Energético del Sur*" for the GDF Suez Group in Peru where it satisfactorily fulfilled all its specifications.

Infraestructures

While the growth of the sector in Spain is very limited by the containment of the Public Administration investment plans, the Company focus its attention on becoming more recognized in the market of water treatment at the international level. Currently, markets where the Company has already worked like Australia and Middle East offer new potential recruitment.

Moreover, it also develops other projects related to airports, transports, industrial, commercial and sport facilities.

2. Financial figures

In 2016 the Company's net revenue totalled €2,977k related to a higher contribution from the contracts obtained in prior years. Operating profits totalled €149k and Profits after-tax totalled €159k.

3. Research and development activities

Técnicas Reunidas maintains a strong commitments to R&D, through generation of knowledge, develop of new technologies, consolidation of technologies that are already develop, and diversification towards new sector and applications. The activity of R&D addresses the main technology challenges in the sector where the firm is involved. The strategic lines of research are focused on the areas of commodities (raw materials), environment (recycling of industrial and agricultural waste), and energy (energy storage).

At the Jose Llado Technological Center, one of the most modern in Spain, and in which more than 70 people work between graduates and doctors, the different research and development task are carried out. This Technological Center, with more than 5,000 sqm in facilities and equipment, allows to develop activities at ny level, from the laboratory to the pilot plant, since the performance of plans demonstrations of the technologies developed, and even perform the basic engineering or advance of the selected options, finishing the value chain of the R+D+I, from the idea to the industrial implantation of the developed technology.

The expenditure on R&D during the year 2016 was higher than €4 million, maintaining the R&D investment policy.

During the year 2016, Técnicas Reunidas has participated in the following projects, both nationally and at European level, individually or as part of strategic consortiums:

- o The European RECLAIM project under the 7th European framework Program, in which Técnicas Reunidas develop new technologies for the recovery of rare lands and other high value added metals from electrical waste such as photovoltaic panels and fluorescent tubes. The budget of Técnicas Reunidas is €1 million.

- o The European project LIFE + WALEVA in which will be carried out the scaling of the technology of obtaining levulinico acid from residues of biomass for the study of technical-economic viability with a budget of 1.04 million euro.

- o The European project LIFE + ZAFSS in which will be carried out the scaling of battery technology of Zn/air flow developed at the laboratory level for the study of technical-economic feasibility with a budget of 0.67 million euro.

- o The European project BUTANEXT under the program H2020 of the European Commission, with a budget of €0.92 million where Técnicas Reunidas develops and innovative process of pretreatment of lignocellulosic biomass for the production of biobutanol.

- o The National project 3R2020 under the CIEN program of the CDTI, in which Técnicas Reunidas participate in the development of hydrometallurgical processes for the recovery of metals forms streams of industrial and urban origin with high metallic content. The budget amounts to €1.5 million.

- o The National project ESTEFI under the program CIEN of CDTI, in which Técnicas Reunidas participate in the development of storage technology based on the Nickel-Zinc flux batteries for use in intermodal transport networks with a budget of €1.96 million.

- o The European project INTMET under the program H2020 of the European Commission in which Técnicas Reunidas participate with a budget of €0.71 million for the development of processes of obtaining zn, Ag, Pb and metals of high added value from concentrates low-grade or polymetallic minerals.

- The National Project MONACITE under the program PID of CDTI, with a budget of €1.53 million for the development of processes for the obtaining of rare lands from monacitas.

With the development of all these projects, Técnicas Reunidas pretend to increase the number of technologies on its property. In this sense, the technology for the production of levulinic acid from biomass residues (LIFE WALEVA Project) is in its final phase of evaluation for its potential industrial implantation.

As a result of the investment in R&D, Técnicas Reunidas has a portfolio of technologies that it has already developed and is being implemented through the world, such as ZINCEX for the recovery of Zn and ECOLEAD for the recovery of lead and silver. Currently, there is a portfolio of possible businesses for the industrial implementation of these technologies in new projects.

Specifically, the Company is completing the basic engineering for the adaptation and 33% increase in the capacity of the Skorpion metallic Zinc plant in Namibia, which uses ZINCEXTM technology.

4. Significant subsequent events

After the end of 2016 the circumstances that marked the economic environment and the situation of the sector through the second half of the year continued to be presented during the first months of 2017. The future energetic and political policies that apply the new United States of America Government will generate new opportunities and uncertainties.

5. Acquisition treasury shares

Within the framework of the liquidity agreement framework concluded with Santander, the Company increased its treasury shares to 2,143,814.

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

The main financial risks and management procedures are analysed in Note 3 of the accompanying notes to the annual accounts.

7. Other business risk factors.

The main risks are:

- A high number of projects are contracted on a turnkey basis and the selling price is set at the start of the contract while costs generated during the execution of the projects are subject to change.

- The price of crude oil, in addition to other factors, affects the behaviour of our customers as well as our suppliers, competitors and shareholders.

- Projects are carried out in multiple geographic locations, each of which present a different risk profile to be mitigated.

    - There are locations that are subject to strong political and social tensions.
    - Some have limited access, low skill levels in local resources, requirements concerning local content or adverse weather, among others.
    - Some countries have limited legal security.

- At certain times the portfolio may show a high concentration in a low number of customers or high geographic dispersion.

- The plants that are built must satisfy the necessary environmental requirements

- Financial variables such as exchange rates, interest rates and the predisposition of financial institutions and insurance companies to participate in projects, or tax legislation, have a significant impact on the business and the Company's results.

- A solid reputation and prior experience condition the success of future contracts.

8. Average number of employees at the Group by category

Category	2016	2015
Board Members and		
Senior managers	13	13
University graduates and technicians	3,563	3,576
Skilled workers	32	28
Sales personnel	24	25
TOTAL	**3,632**	**3,642**

9. Environment

The strategy of sustainability and environment of Ténicas Reunidas search to reduce the environmental impact and the environmental risks that could derive from its activity. Because of that, it develops several preventive measures which are integrated since the design plant process. The efforts are focus on the Environmental Management, Water Management, Energy Saving and Efficiency, Waste Management and Contingency Management.

The Group does not have assets or accruals for contingencies of an environmental nature that could be significant in relation to equity, financial position and results of operation.

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

Share capital consists of 55,896,000 shares with a par value of €0.10 per share. There is only one class of shares and therefore they all have the same rights and obligations. There are no restrictions on the transfer of the shares.

Significant shareholdings are as follows:

Company		Number of Shares	% stake
Aralleo, S.L.	Direct	17,882,564	31.99%
Aragonesa de Promocion de Obras y Construcciones	Direct	2,848,383	5.10%
FMR L.L.C.	Indirect	1,710,707	3.06%
Franklin Templeton Investment Management L.L.C.	Indirect	1,676,830	3.00%

11. Restrictions to voting rights

In accordance with Article 16 of the bylaws at least 50 shares must be held to attend General Meetings.

12. Shareholder agreements

No pacts of this type exist.

13. Rules governing the appointment and removal of the members of the Board of Directors and amendments to the bylaws

The Annual Corporate Governance Report provides a detailed description of these rules relating to the Board of Directors. The most relevant aspects are

Articles 17 through 22 of the Board of Directors' Regulations govern the appointment and removal of the directors of Tecnicas Reunidas, stipulating that:

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

2. The Board of Directors will ensure that the selection of candidates involves persons of recognized solvency, competence and experience

3. In order to in order to fill an independent director position the Board of Directors may not propose or designate persons that hold any executive position at the Company or in its Group or that are associated through family and/or professional relationships with the executive directors, other senior executives and/or shareholders of the Company or its group.

4. The directors will be appointed for terms of four (4) years, notwithstanding the possibility that they may be removed early by the General Shareholders' Meeting. They may be re-elected one or more times for equal terms at the end of their mandate.

5. Independent directors will cease in their positions when they have held the seat for an in interrupted period of 12 years as from the time of the listing of the Company's shares on the market

6. Directors hold their positions at the pleasure of the Board of Directors and, if deemed appropriate, must present their resignations in the following cases

- When they cease to hold the executive positions to which their appointment as a Director is associated.
- When they are involved in a legal incompatibility or prohibition
- When they receive any serious admonishment from the Board of Directors for failing to have upheld 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 no longer exist (for example, when a proprietary director disposes of his/her interest in the Company).

14. Powers of the members of the Board of Directors and, in particular, the power to issue or buy back shares

The Board of Directors has the management and representation powers as attributed by the Spanish Companies Act and is the maximum decision-making body at the Company, except with respect to those matters reserved for shareholders at a General Meeting.

The Chair also holds the same powers as the Board of Directors (except for those established by Article 25, with respect to the election of the President and Vice-Presidents or those that may not be delegated by law or by the Company's internal regulations) and is considered to be the top executive at the Company by virtue of Article 28 of the bylaws.

Article 5 of the Board Regulations stipulates that the Board's functions regarding the powers relating to the possibility of issuing or buying back shares

- The execution of the treasury share policy within the framework of the authorization provided by shareholders at a general meeting.
- The approval of the Company's general policies and strategies, including the treasury share policy and particularly its limits.
- The approval of the Company's most relevant operating decisions concerning investments and shareholdings in other companies, financial transactions, contracting 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

No agreements of this kind exist

16. Agreements between the Company and its administrative or management personnel that provide for indemnities in the event of resignation or unfair dismissal or if the relationship ends as a result of takeover bid

There are agreements with three senior executives who, in the event of unfair dismissal, are entitled to an indemnity as decided by the courts and in the event of a dismissal for objective purposes, layoff or any other reason deriving from a decision taken by the Company, the indemnity would total €5,953 thousand.

17. Information about the average period of payment to suppliers. Third Additional Provision. "Duty of Information" of Law 15/2010, of July 5 (according to the new wording given by the second final provision of law 31/2014 of reform of the Corporates Act)

In accordance with the provisions of the law of reference as well as the resolution of January 29, 2016, in relation to the average period of payment to suppliers the following information is determined:

	2016	2015
	Days	Days
The weighted average accounts payable	69	62
Ratio of paid operations	71	63
Ratio of not paid operations	60	60
	Thousand of euro	
Total paid	1,108,335	1,101,497
Total unpaid	252,091	176,483

18. Corporate Governance Report

The 2016 Corporate Governance Annual Report for Técnicas Reunidas forms part of the Directors' Report and as from the date on which the annual accounts are published is available on the website of the National Stock Market Committee and the website of Técnicas Reunidas.

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED PUBLIC LIMITED COMPANIES

ISSUER'S IDENTIFICATION DETAILS

FINANCIAL YEAR CLOSE DATE: 31/12/2016

C.I.F.: A - 28092583

COMPANY NAME

TÉCNICAS REUNIDAS, S.A.

REGISTERED OFFICE
ARAPILES, 14 MADRID

ANNUAL CORPORATE GOVERNANCE REPORT FORM FOR LISTED PUBLIC LIMITED COMPANIES

A - OWNERSHIP STRUCTURE

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

Date of last modification	Share capital (Euro)	Number of shares	Number of voting rights
30/05/2006	5.589.600,00	55.896.000	55.896.000

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

NO

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

Name or corporate name of the shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.	2.848.362	0	5,10%
ARALTEC, S.L.	17.842.564	0	31,99%
FMR LLC	0	1.710.707	3,06%
FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED	0	1.676.830	3,00%

Name or corporate name of the indirect holder of the participation	Through: Personal or corporate name of the direct Shareholder	Number of voting rights
FMR LLC	FIDELITY INSTITUTIONAL ASSET MANAGEMENT TRUST COMPANY	896.999
FMR LLC	FIAM LLC	803.099
FMR LLC	FIDELITY MANAGEMENT TRUST COMPANY	10.610
FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED	FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED	1.676.830

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

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

Name or corporate name of the director	Number of Direct voting rights	Number of indirect voting rights (*)	% of total voting rights
MR. FERNANDO DE ASÚA ÁLVAREZ	0	15.000	0.03%
MR. PEDRO LUIS URIARTE SANTAMARINA	6.700	3.300	0.02%
MR. JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	60.000	20.730.947	37.20%
MR. DIEGO DEL ALCÁZAR Y SILVELA	1.129	4.000	0.01%

Personal or corporate name of the indirect shareholder	Through: Personal or corporate name of the direct shareholder	Number of direct voting rights
MR. FERNANDO DE ASÚA ÁLVAREZ	SUALFER INVERSIONES SICAV S.A.	15.000
MR. PEDRO LUIS URIARTE SANTAMARINA	CASTILLO DEL POMAR, S.L.	3.300
MR. JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.	2.846.383
MR. JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	ARALTEC, S.L.	17.883.564
MR. DIEGO DEL ALCÁZAR Y SILVELA	MRS. MARÍA BENJUMEA CABEZA DE VACA	4.000

% of total voting rights held by the board of directors	37.26%

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

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

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

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

NO

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

NO

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

There were no agreements or concerted actions between the shareholders of the Company during the 2016 financial year.

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

NO

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

At close of financial year:

Number of direct shares	Number of indirect shares (*)	% of total equity
2,140,083	0	3.83%

(*)Through:

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

Explain the significant variations

There were no significant changes during the year. The Company has reported on a quarterly basis the operations carried out under the liquidity agreement entered into with Santander Investment Bolsa.

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

Agreement passed by the Ordinary General Shareholders' Meeting held on 29 June 2016.

- Authorization to the board of directors for the derivative acquisition of the company's treasury shares, directly or by way of companies controlled by it, subject to the following limits and requirements:
- Methods of acquisition: acquisition by purchase, by any other acts "intervivos" for consideration or any other method permitted by law.
- Maximum number of shares to be acquired: the acquisitions may be carried out, at any time, up to the maximum figure permitted by law.
- Minimum and maximum acquisition price: the minimum price of acquisition of the shares shall be equivalent to 75% of their quoted value, and the maximum price to 120% of their quoted value on the date of acquisition.
- Maximum volume of trading: the maximum daily volume of trading for the acquisition of treasury shares shall not exceed 25% of the average of the total volume of shares of Técnicas Reunidas S.A. traded in the last ten sessions.
- Duration of the authorization: five (5) years from the date of this resolution.

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

1. Cancellation of the unused part of the authorization granted on this same matter at the General Meeting held on 25 June 2015.
2. Authorization of the board of directors to use the treasury shares acquired wholly or partially for the performance of remuneration programs consisting of or involving the delivery of shares or option rights over shares, in accordance with the provisions of section 1 a) of article 146 of the Companies Act.

A.9 bis Estimated Floating Capital:

Estimated Floating Capital	62.74

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

NO

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

NO

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

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

NO

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

B SHAREHOLDERS' MEETING

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

NO

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

YES

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

	Stronger majority different to the one established in articles 201.2 LCA in those issues related to matters under art.194.1 LCA	**Other**
% established for adopting resolutions	0.00%	50.01%

Describe the differences

The last paragraph of article 20 of the by-laws states that the Board's participation in management matters may only be adopted through agreements that meet the information requirements and most of the statutory changes provided for in article 194 of the LSC by [illegible] the company's by-laws [illegible] majorities [illegible] amend the by-laws and the rules in place to protect shareholders' rights when the by-laws are amended.

Article 20 g) of the by-laws and article5 g) of the Association stipulates that it is the responsibility of the General Meeting to "Agree on the modification of these articles".
Shareholders' rights in relation to General Meetings are enumerated in the Limited Companies Act (LCA), which can currently be found in articles 14, 16 and 17 of the by-laws. These rights are described in further detail in the Board Regulations as follows

Right to information

Article 9 states that starting on the date on which the announcement of the General Meeting is published and up to and including the fifth day before the scheduled meeting date, shareholders may submit written requests to the Board of Directors for information or clarification of the agenda items or ask any questions they may have. Moreover, with the same prior advance and form, the shareholders may request information and clarifications or present questions in writing on the information available to the public that was supplied to the National Securities Market Committee (CNMV) since the last General Meeting was held and about the auditor's report.

The requests for information may be made in person at the Company's offices or posted to the Company's registered address or using other forms of electronic communications. Electronic documents will be admitted as requests for information when they incorporate the legally recognised electronic signature employed by the requester, or other mechanisms that are deemed by the Board of Directors to provide adequate guarantees of authenticity and identity of the shareholder.

All shareholder requests must include the shareholder's full name and proof of the owned shares, which will be checked against the list of shareholders and the number of shares in their names provided by Sociedad de Sistemas or Iberclear for the General Meeting in question. The shareholder is responsible for proving that the request was sent to the Company in a timely manner.

The Company's website will include detailed information on the procedure for shareholders to exercise their right to information..
The information requests regulated in this article will be answered once the identity and shareholders status of the requester have been verified, before the General Meeting.
Directors are obligated to provide the information in writing up until the meeting date, except in the following cases:

(i) The requested information is to protect shareholder's right, there objective reason to consider it could be used for extra social purposes or its disclosure could be harmful for the company or associated.
(ii) the request for information or clarification does not refer to any agenda item of information that is available to the public that was reported by the Company to the National Securities Market Committee (CNMV) since the last General Meeting or information on the auditor's opinion
(iii) the information or clarification requested could be considered as abusive, or
(iv) has been classified as such by legal or regulatory provisions or case law
(v) prior to its formulation, the information requested is clearly and directly available to all shareholders on the website of the Company under question and answer format.

However, the exception indicated in (i) above will not apply when the request is supported by shareholders representing at least twenty-five percent of the share capital. The Board may authorize any of its members, the Chairman of its committees or the Secretary to respond to shareholders' requests for information for and on behalf of the Board.

The means to send the information requested by the shareholders will be the same as that through which the corresponding request was sent, unless the shareholder indicates a different means from among those declared as suitable. The directors may provide the requested information via certified letter with acknowledgement of receipt or by burofax. The Company may include on its website information on the responses provided to shareholders in response to their questions.

The right to representation

Article 12 establishes that, notwithstanding the ability of legal entity shareholders to attend the meeting through their authorized representatives, any shareholder who is entitled to attend the General Meeting may be represented by a proxy, who may or may not be a shareholder. Additionally, shareholders with less than fifty shares may group together for the purposes of exercising their right of attendance and vote in the General Meeting by conferring their representation on one of them. An individual proxy must be executed for each General Meeting, either in writing or using the distance communication methods specifically allowed by the governing body in the meeting announcement, provided that all requirements set forth in the meeting announcement are met and the identity of both the principal and the proxy can be duly verified. The same rule applies for proxies granted remotely.
Remote voting rights.

Article 24 establishes the right of shareholders who are entitled to attend the meeting and who own at least 50 shares or who have grouped together with others so that together they possess more than 50 shares to vote remotely, by post or using other electronic means of communication, authorizing the Board of Directors to develop the provisions of the article with adequate means and procedures in line with the state of the technology to allow votes to be cast and proxies to be issued electronically in compliance with the applicable laws and terms of the by-laws and the Board Regulations. Nevertheless, it is noted that as of today no method has been developed for proxies to be issued electronically.

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

	Attendance				
			% of distance voting		
Date of shareholders' meeting	% of in-person attendance	% of proxy representation	Electronic voting	Other	Total
25/06/2015	0.13%	62.41%	0.00%	0.00%	62.54%
29/06/2016	0.14%	61.48%	0.00%	0.00%	61.62%

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

YES

Number of shares required to attend the Shareholders' Meeting	50

B.6 Section repealed.

B.7 Give the address of the corporate website where the corporate governance content and other information about the general meetings that must be made available to the shareholders through the website.

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

C - STRUCTURE OF THE COMPANY ADMINISTRATION

C.1 Board of Directors

C.1.1 Indicate the maximum and minimum number of directors stipulated in the Company by-laws:

Maximum number of directors	14
Minimum number of directors	7

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

Name or corporate name of the member	Representative	Seat on the board	Date of first appointment	Date of last appointment	Election procedure	Selection method
MR. JOSE LLADÓ FERNÁNDEZ-URRUTIA		Executive	Chairman	10/05/2006	25/06/2015	Voting in Shareholder's meeting
MR. JUAN LLADÓ ARBURUA		Executive	Vice-Chairman 1st	10/05/2006	25/06/2015	Voting in Shareholder's meeting
MR. JUAN MIGUEL ANTOÑANZAS PEREZ- EGEA		Independent	Vice-Chairman 2nd	10/05/2006	25/06/2015	Voting in Shareholder's meeting
MR. FERNANDO DE ASÚA ÁLVAREZ		Independent	Vice-Chairman 3rd	10/05/2006	25/06/2015	Voting in Shareholder's meeting
MR. DIEGO DEL ALCAZAR Y SILVELA		Independent	Member	23/06/2010	25/06/2015	Voting in Shareholder's meeting
MR. ALVARO GARCIA- AGULLO LLADÓ		Proprietary	Member	10/05/2006	25/06/2015	Voting in Shareholder's meeting
MR. JOSÉ MANUEL LLADÓ ARBURUA		Proprietary	Member	10/05/2006	25/06/2015	Voting in Shareholder's meeting
MR. FRANCISCO JAVIER GOMEZ-NAVARRO NAVARRETE		Independent	Member	10/05/2006	29/06/2016	Voting in Shareholder's meeting
MR. JAVIER ALARCO CANOSA		Independent	Member	22/05/2007	25/06/2012	Voting in Shareholder's meeting
MR. PEDRO LUIS URIARTE SANTAMARINA		Independent	Member	22/06/2011	29/06/2016	Voting in Shareholder's meeting
MR. WILLIAM BLAINE RICHARDSON		External	Member	22/06/2011	29/06/2016	Voting in Shareholder's meeting
MRS. PETRA MATEOS- APARICIO MORALES		Independent	Member	29/02/2016	29/06/2016	Voting in Shareholder's meeting
MR. ADRIÁN RENE LAJOUS VARGAS		Independent	Member	29/06/2016	29/06/2016	Voting in Shareholder's meeting

Total number of Board members	13

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

Name or Social name of the member	Category of Director at the time of termination	Discharge date
MR. ANTONIO DE HOYOS	Independent	28/02/2010

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

EXECUTIVE DIRECTORS

Name or corporate name of the director	Position within the company structure
MR. JOSE LLADO FERNANDEZ-URRUTIA	CHAIRMAN
MR. JUAN LLADO ARBURUA	1ST VICE CHAIRMAN

Total number of executive directors	2
% of total Board of Directors	15.38%

EXTERNAL DIRECTORS REPRESENTING SIGNIFICANT SHAREHOLDERS

Name or corporate name of the director	Personal or corporate name of the shareholder being represented or that
MR. ALVARO GARCIA-AGULLÓ LLADO	ARALTEC, S.L.
MR. JOSE MANUEL LLADÓ ARBURÚA	ARAGONESAS PROMOCION DE OBRAS Y CONSTRUCCIONES S.L.

Total number of directors representing significant shareholders	2
% of total Board of Directors	15.38%

INDEPENDENT EXTERNAL BOARD MEMBERS

Name or denomination of the director:

MR. FERNANDO DE ASUA ALVAREZ

Profile

Economist and Computer Specialist from the Universidad Complutense de Madrid and graduate in Business Administration and Mathematics from the University of California (USA). His professional experience is centered on a long professional career in IBM and IBM España between 1959 and 1991. Managing Director of South America Area and later Europe. CEO of IBM España and Director of IBM World Trade Corp. Vice-Chairman of Grupo Banco Santander from 2004 to February 2015.

Name or denomination of the director

MR. PEDRO LUIS URIARTE SANTAMARINA

Profile

Graduate in Economics and Law of the Universidad Comercial de Deusto of Bilbao. 46 years of experience in industry (9 years), finance (23), strategic consultancy (10) and public administration (4) in addition to 7 years university teaching in parallel to this. In banking he was CEO (1994) and vice-chairman (1997) of BBV. After the merger of this bank with Argentaria (1999) he was appointed CEO and vice-chairman of BBVA until he took early retirement in 2001. From 1997 to 2002 he was also vice chairman of the board of directors of Telefónica S.A. Among other professional activities he is currently president of Economía, Empresa, Estrategia S.A.

Name or denomination of the director

MR. JUAN MIGUEL ANTOÑANZAS PEREZ-EGEA

Profile

Doctorate in Industrial Engineering. Worked in Barreiros - Chrysler for 10 years, as Managing Director of Manufacture and Assembly. Also worked five years in ITT as Operations Director for Spain. CEO of Marconi Española and Vice-Chairman of ITT España. Director of Planning and President of Instituto Nacional de Industria 1973-1976. Chairman of Seat 1977-1984. Chairman of Uralita 1996-2002.

Name or denomination of the director

MR. FRANCISCO JAVIER GOMEZ-NAVARRO NAVARRETE

Profile

Industrial Engineer Specialised in Chemistry. Held many executive positions in Editoria Tania (1970-1983), Feria Internacional de Turismo (1980-1983), Viajes Marsans (1982-1985), State Sports Secretariat (1987-1993) and the Ministry of Commerce and Tourism (1993-1996). President of MBD.

Name or denomination of the director

MR. DIEGO DEL ALCÁZAR Y SILVELA

Profile

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

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

Name or denomination of the director

MR. JAVIER ALARCÓ CANOSA

Profile

Degree in Economics and Business Studies from the Complutense University of Madrid and later Master in General in I.E.S.E. His career includes the positions of Director of Capital Markets and Treasury at the Banco de Negocios Argentaria Madrid, Director General and Head of Origination and Execution of Fixed Income and Syndications Business Bank Argentaria, Deputy Director General and Head of Capital

Markets BBVA. Recently, he was appointed Director of Global Investment Banking and BBVA in 2005 and Director of Business and Real Estate Projects of this same institution in 2007.

Name or denomination of the director

MRS PETRA MATEOS-APARICIO MORALES

Profile

Doctor (cum laude) in Economics and Business Sciences from the Universidad Complutense de Madrid and Professor of Financial Economics. Vice President of the Spain-US Chamber of Commerce, since July 2011. She has been Executive Chairman of Hispasat (2004-2012), Non-Executive Chairman of Hisdesat (2005-2011) and Member of the Board of Directors of Solvay (2009-2013). With extensive academic experience, she has been (1982-2015) professor of Financial Economics of the Department of Economics of Business and Accounting of the Faculty of Economics and Business of the UNED and Professor of Financial Economics at the College of Financial Studies (CUNEF).

Member of the National Board of the Spanish Financial Analysis Institute (IEAF), since 2011. She has been Member of the Board of ANECA (2009-2015). Knight of the Order of the Legion of Honor of the French Republic, Business Leader of the Year (2010) from the Spain-United States Chamber of Commerce and the United Nations Economic and Social Board (ECOSOC) Women Together Award (2009).

Name or denomination of the director

DON ADRIÁN RENÉ LAJOUS VARGAS

Profile

Degree in Economics from the Autonomous University of Mexico. Master of Economics from King's College, Cambridge University. Director of Industrial Investments of Mexico (1977-1980); Director General of Energy and Secretary of the Energy Commission of Mexico (1980-1982); Executive Coordinator of International Trade (1982-1988); Deputy Director of Planning and Production (1988-1994) and General Manager (1994-1999) of Petróleos de México (PEMEX). Special advisor to the President of Mexico on oil issues from January to November 2000. Advisor to McKinsey & Company (2001-2011).

Member of the Board of Directors of Trinity Industries. Member of the Board of Directors of Petroamérica. Member of the Board of Directors of Ternium. Senior Energy Sector Advisor at Morgan Stanley. Non-resident fellow at Columbia University's Center on Global Energy Policy. Member of the Board of Governors of the Oxford Institute of Energy Studies of the University of Oxford. He has taught economics at El Colegio de Mexico. Visiting researcher at the Kennedy School of Government, Harvard University and the University of Notre Dame.

Total number of independent members	8
% of total Board of Directors	61.54%

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

NO

Where appropriate, a motivated statement of the board shall be included on the reasons why it considers that such director may perform his duties as an independent director.

OTHER EXTERNAL DIRECTORS

The other external directors will be identified and details of the reasons why they cannot be considered proprietary or independent and their links, either with the company, its directors or its shareholders.

Name or denomination of the director

MR. WILLIAM BLAINE RICHARDSON

Company, manager or shareholder with whom he maintain the link:

TECNICAS REUNIDAS, S.A.

Reasons:

Mr. Richardson has a contractual relationship with the company.

Total number of other independent members	1
% of total Board of Directors	7.69%

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

C.1.4 Complete the following table on the number of female directors during the last four years as well as the type.

	Number of female directors				% of total directors in each category			
	Financial Year 2016	Financial Year 2015	Financial Year 2014	Financial Year 2013	Financial Year 2016	Financial Year 2015	Financial Year 2014	Financial Year 2013
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Propietary	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	1	0	0	0	12.50%	0.00%	0.00%	0.00%
Other External	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total	1	0	0	0	7.69%	0.00%	0.00%	0.00%

C.1.5 Explain any measures implemented to include a sufficient number of women directors on the Board to achieve an equal balance of women and men directors.

Explication of the measures
The selection procedures do not suffer from implicit biases that hinder the selection of female directors. In those cases where the Company has had the opportunity to initiate a selection procedure due to the existence of a vacancy or other factors, this procedure has actively promoted the search for women.

C.1.6 Explain any measures implemented by the Appointments Committee to ensure that selection procedures to fill vacancies are not biased in such a way as to hinder the selection of women and whether the Company consciously seeks to include and does include among potential candidates women who meet the target professional profile.

Explication of the measures
During 2016, the Company appointed Mrs. Petra Mateos-Aparicio Morales as director, after initiating a selection procedure in which the company has deliberately sought and included among the potential candidates for women who meet the precise professional profile.

Where despite the measures adopted there are few or no female directors, explain the reasons for them.

Explication of the reasons
In the event that a new selection procedure is required to fill vacancies on the Board of Directors, the Appointments and Remuneration Committee will take the necessary measures to avoid that these processes suffer from the implicit biases that hinder the selection of female directors and, likewise, the company will deliberately search for and include among the potential candidates women who have the precise professional profile.

C.1.6 bis Explain the conclusions of the appointments committee on the verification of compliance with the directors' selection policy. And in particular, how this policy is promoting the goal that in 2020 the number of female Directors represent at least 30% of the total members of the Board of Directors.

Explication of the conclusions
The selection policy currently in force has led to the appointment of a director at the time a vacancy has existed, and is therefore considered adequate to be applied in the selection processes that need to be started by 2020.

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

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

C.1.8 Explain, where applicable, the reasons why proprietary directors have been appointed at the request of shareholders whose stake amounts to less than 3% of the share capital.

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

NO

C.1.9 Indicate whether any directors have left their posts before the end of their term of office, whether they have explained their reasons to the Board and by what means, and if this was made in writing to the entire Board, give an explanation of the reasons given:

Name of the director

MR ANTONIO DE HOYOS GONZÁLEZ

Reason for termination:

Mr. De Hoyos communicated his resignation for personal reasons by means of a letter addressed to the Chairman of the Board of Directors of the Company.

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

Name or denomination of the director

DON JOSÉ LLADÓ FERNANDEZ-URRUTIA

Brief description

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

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

a) To ensure compliance with the Articles in their entirety and that the agreements of the General Meeting and of the Board of Directors are executed faithfully.
b) Perform a high level inspection of the Company and of all its services.

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

Name or corporate name of the member	Company name of the group entity	Position	¿Does the member have executive functions?
MR. JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	TÉCNICAS REUNIDAS INTERNACIONAL, S.A.	CHAIRMAN	YES
MR. JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	TÉCNICAS REUNIDAS PROYECTOS INTERNACIONALES S.A.U	JOINT ADMINISTRATOR	YES
MR. JUAN LLADÓ ARBURÚA	ESPAÑOLA DE INVESTIGACIÓN Y DESARROLLO, S.A.	VICE-CHAIRMAN	YES
MR. JUAN LLADÓ ARBURÚA	EUROCONTROL, S.A.	MEMBER	NO
MR. JUAN LLADÓ ARBURÚA	TÉCNICAS REUNIDAS INTERNACIONAL, S.A.	VICE-CHAIRMAN 2º	NO
MR. JUAN LLADÓ ARBURÚA	EMPRESARIOS AGRUPADOS INTERNACIONAL, S.A.	CHAIRMAN	NO

MR. JUAN LLADO ARBURUA	TECNICAS REUNIDAS PROYECTOS INTERNACIONALES S.A.	JOINT ADMINISTRATOR	YES
MR. JUAN LLADO ARBURUA	INITEC INFRAESTRUCTURAS, S.A.U.	MEMBER	NO
MR. JUAN LLADO ARBURUA	INITEC PLANTAS INDUSTRIALES, S.A.U.	MEMBER	NO
MR. JUAN LLADO ARBURUA	EMPRESARIOS AGRUPADOS, A.I.E.	MEMBER	NO

B.1.12 Give details, where appropriate, of any company Board members who are also on the Boards of other entities listed on official securities markets other than their group, which have been communicated to the company.

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

NO

B.1.14 Paragraph not applicable.

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

Board of Directors Compensation (thousand euro)	4,283
Total compensation for directors' vested pension rights (thousand euro)	0
Total Board of Directors compensation (thousand euro)	0

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

Name or corporate name of the member	Position
MR. FRANCISCO MARTINEZ-BORDIÚ DE CUBAS	HUMAN RESOURCE DIRECTOR
MR. EDUARDO SAN MIGUEL GONZALEZ DE HEREDIA	FINANCIAL DIRECTOR
MRS. ANA SÁNCHEZ HERNÁNDEZ	PURCHASING DIRECTOR
MR. MIGUEL PARADINAS MÁRQUEZ	ASST. MANAGING DIRECTOR
MRS. LAURA BRAVO RAMASCO	SECRETARY OF BOARD OF DIRECTOR
MR. JOSÉ LUIS GUTIÉRREZ REXACH	HEAD OF UPSTREAM & GAS DIVISION
MR. CARLOS MARTÍN BURILLO	GENERAL DIRECTOR RESPONSABLE FOR UPSTREAM & GAS
MR. ENRIQUE RUBÉN ALSINA MASSANA	GENERAL DIRECTOR FO CORPORATE
MR. FELIPE REVENGA LÓPEZ	GENERAL DIRECTOR OF OPERATIONS
MR. EMILIO GÓMEZ ACEVEDO	LEGAL ADVISE DIRECTOR
MR. JOSÉ MARÍA GONZALEZ VELAYOS	INTERNAL AUDITOR
MR. ARTHUR W. CROSSLEY SANZ	ASST. GENERAL DIRECTOR OF UPSTREAM & GAS
MR. CÉSAR SUÁREZ LEOZ	DIRECTOR OF ENERGY GENERATIONS DIVISION

Total senior management remuneration (in thousand Euro)	5 863

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

Name or corporate name of the director	Corporate name of the significant shareholder	Position
MR. JOSE LLADO FERNANDEZ-URRUTIA	ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L	JOINT ADMINISTRATOR
MR. JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	ARALTEC, S.L	SOLE ADMINISTRATOR

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

Name or corporate name of the Board member

MR. JOSE LLADO FERNANDEZ-URRUTIA

Name or corporate name of the significant shareholder

ARALTEC, S.L

Description of the relationship

MR. JOSE LLADO FERNANDEZ-URRUTIA IS DIRECT OWNER OF 03.18% OF THE SHARE CAPITAL

Name or corporate name of the Board member

MR. JOSE LLADO FERNANDEZ-URRUTIA

Name or corporate name of the significant shareholder

ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.

Description of the relationship

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

Name or corporate name of the Board member MR.

JUAN LLADO ARBURUA

Name or corporate name of the significant shareholder

ARALTEC, S.L

Description of the relationship

MR. JUAN LLADO ARBURUA IS DIRECT OWNER OF 1.38% OF THE SHARE CAPITAL OF ARALTEC, S.L

Name or corporate name of the Board member

MR. JUAN LLADO ARBURUA

Name or corporate name of the significant shareholder

ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L

Description of the relationship

MR. JUAN LLADO ARBURUA IS DIRECT OWNER OF 4.80% ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L

Name or corporate name of the Board member

MR. JOSE MANUEL LLADO ARBURUA

Personal or corporate name of the significant shareholder

ARALTEC, S.L.

Description of the relationship

MR. JOSE MANUEL LLADO ARBURUA IS DIRECT OWNER OF 1.26% OF ARALTEC, S.L.

Name or corporate name of the Board member

MR. JOSE MANUEL LLADO ARBURUA

Personal or corporate name of the significant shareholder

ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.

Description of the relationship

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

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

YES

Description modifications
The Company has amended the wording of Articles 5 and 13 of the Board Regulations in order to adapt its contents to the amendments introduced in the Capital Companies Act by Law, Audit Act 22/2015, July 20, as well as to introduce technical improvements.

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

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

Article 17.- Nomination of Directors

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

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

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

Article 18.- Designation of external directors

1. The Board of Directors will procure that the election of candidates is from persons with recognized solvency, competence and experience, and should exercise due rigor in relation to those calls to cover the posts of independent directors foreseen in the article of this Regulation.
2. The Board of Directors may not propose or designate to cover a post as independent director persons that hold any executive position in the Company or its group or that are linked through family and/or professional ties with the executive directors, with other upper management positions and/or with shareholders of the Company or its group.

Re-election

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

Article 19 – Re-election of Directors

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

Article 5.5 of the Board of Directors Regulations establishes the following:

The Board of Directors has to perform an annual evaluation of the quality and efficiency of the Board (based on the Appointment and Remuneration Committee Report), the Commissions and their Presidents, subsequant to the report issued by the Appointment and Compensation Commission or, as the case may be, the Audit Committee.

[...]

Removal:

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

Article 20 - Duration of the position

1. Directors will exercise their position for a period of four (4) years, without prejudice to the possibility that they may be dismissed before that by the General Meeting. Upon termination of their mandate they may be re-elected one or more times for periods of the same duration.

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

3. Vacancies that take place may be covered by the Board of Directors through co-opting, as per the law, as an interim solution until the meeting of the first General Meeting of Shareholders to be held, which may confirm the appointments, elect persons to substitute non ratified directors or amortize vacancies.

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

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

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

Article 22.4 of the by-laws establishes the following

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

> The Directors will exercise their position during a period of four years, except when they are removed by the Shareholders General Meeting. They may be re-elected one or more times for periods of equal duration. The appointment of Directors will be subject to the content of Articles 214 and following of the Companies Act.

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

Article 21- Dismissal of the directors

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

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

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

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

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

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

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

C.1.20 Explain to what extent the annual evaluation of the board has given rise to major changes in its internal organization and in the procedures applicable to its activities

Description of modifications

It did not lead to major changes in its internal organization or in the procedures applicable to its activities, since the self-assessment showed that the composition, internal organization, operation and frequency of its meetings were accurate.

C.1.20 bis Describe the assessment process and evaluated areas made by the Board of Directors, aided if necessary by an external consultant, in respect of diversity in its composition and powers, operation and composition of its committees, the performance management chairman of the board and chief executive of the company and the performance and contribution of each director.

The evaluation process has had the assistance of an external consultant and the areas discussed has included, among other respects diversity in its composition and powers, operation and composition of its committees, the performance of the Board of Directors chairman and chief executive of the company and the performance and contribution of each director. The process has been the response of each director to a specific questionnaire that has been analyzed by the external consultant in order to obtain a homogeneous result the Board of Directors as a collegial body

C.1.20 bis Describe the relationships that the consultant or any company of its group have with the company or any company in its group

The consultant provides specific services to entity and some other consulting entities of its group

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

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

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

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

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

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

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

C.1.22 Paragraph repealed

C.1.23 Are qualified majorities, other than the legal ones, required in any type of decision?

NO

If it is required indicate the differences

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

NO

C.1.25 Indicate whether the Chairman has a casting vote

YES

Matters on which there is a casting vote
The casting vote of the President will be effective when a tie exists in any voting, as is established under Article 26 2nd paragraph of the by-laws and Article 16.4 of the Board of Directors Regulations.

C.1.26 Indicate whether the by-laws or the Board Regulations establish any limit to the age of director

NO

B.1.27 Indicate whether the by-laws or the Board Regulations establish a limited term of office for independent directors other than that set out in the regulations:

NO

B.1.28 Indicate whether the by-laws or the regulations of the board of directors establish specific rules for the delegation of the vote on the board of directors, how to do so and, in particular, the maximum number of delegations that a director may have, and whether some limitation on the categories at which it is possible to delegate, beyond the limitations imposed by the legislation. If applicable, please briefly detail those rules.

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

Finally, Article 26 of the by-laws establishes that any director may authorize another director to represent him.

B.1.29 Indicate the number of meetings of the Board of Directors held during the financial year. Likewise, indicate, where applicable, the number of times the Board met without the Chairman being present. In the calculation, attendances shall be considered representations made with specific instructions.

Number of Board meetings	8
Number of Board meetings without the attendance of the chairman	0

If the President is executive director, indicate the number of meetings held without assistance or representation of any executive director and under the chairmanship of Director Coordinator

Number of meetings	0

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

Number of meetings of the Audit and Control Commitee	10
Number of meetings of the Appointments and Remuneration Committee	6

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

Number of attendances of directors during the financial year	8
% attendance over the total votes during the financial year	100%

C.1.31 Indicate whether the individual and consolidated financial statements presented for the Board's approval are previously certified:

YES

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

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

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

Article 39.2 of the Board of Directors Regulations establishes that the Board will procure the definite preparation of the Accounts so that there are no reasons for modified opinions by the Auditor. However, when the Board believes that it should maintain its criteria, it will publicly explain the content and scope of the discrepancy.

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

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

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

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

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

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

At the end, among these mechanisms, it should be noted that the Company has promoted and approved the development of an internal Audit Plan for 2016, which focuses on the Audit aspects of subsidiaries, as well as on the review of the flow of financial information mainly.

C.1.33 Is the secretary of the board a director?

NO

Name or corporate name of the member	Represented by
MRS. LAURA BRAVO RAMASCO	

C.1.34 Paragraph repealed.

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

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

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

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

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

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

NO

In the event of disagreements with the outgoing auditor, explain the content of these:

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

YES

	Company	Group	Total
Fees for work other than auditing (thousand Euro)	315	445	760
Fees for work other than auditing/ Total amount invoiced by the audit company (in %)	27.99%	19.81%	47.80%

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

NO

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

	Compan	Group
Number of consecutive years	26	15
Nº of years audited by the current audit firm/ Nº of years that the company has been audited (in %)	100.00%	100.00%

C.1.40 Indicate whether there is a procedure giving the directors the ability to contract outside advisors and, if applicable, provide details.

YES

Details of the procedure
Article 24 of the Regulations of the Board, which regulates the assistance of experts to directors, provides that the director may request information on any aspect of the Company and examine their books, records, documents and other documentation. The assignment must necessarily relate to specific problems of a certain importance and complexity that arise in the performance of the position. The decision to contract should be communicated to the Chairman of the Company and may be vetoed by the Board of Directors if it is demonstrated:

a) That it is not necessary for the full performance of the functions assigned to the external directors;

b) That its cost is not reasonable in view of the importance of the problem and of the assets and income of the Company; or

c) That the technical assistance involved can be given adequately by Company experts and technicians.

C.1.41 Indicate whether there is a procedure to ensure that directors receive the information they need to prepare meetings of the governing bodies with sufficient time and, if so, give details:

YES

Details of the procedure
Articles 15.3 of the Regulations of the Board state that the call was issued at least five (5) days. The notice shall always include the agenda of the meeting and be accompanied by the relevant information duly summarized and prepared and, likewise, will ensure that the documentation, where appropriate, be provided to the Directors is delivered well in advance.

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

YES

Explain the rules

Article 21.2 of the Regulations of the Board of Directors establishes the following:
The directors must place their position at the disposal of the Board of Directors and formalize, if deemed appropriate, the corresponding resignation in the following cases:

B) When they are involved in any of the cases of incompatibility or prohibition legally foreseen.
D) When their permanence in the Board may risk the interests of the Company or when the reasons for which they were appointed disappear (for example, when a proprietary director disposes of his participation in the Company).

In addition, Article 21.3 of the Regulations of the Board of Directors establishes that "The Directors shall immediately inform the Board of the criminal cases in which they appear as imputed, as well as their subsequent procedural vicissitudes. As soon as any of the offences stipulated in article 213 of the Companies Act arise the Board shall necessarily examine the case and, in the light of its specific circumstances and of its potential effect on the credit and reputation of the Company. Decide whether to proceed or not to which the director resigns. All of this will be reported by the Board, in a reasoned manner, in the Annual Corporate Governance Report."

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

NO

Indicate if the board of directors has analyzed the case. If the answer is affirmative, explain in a reasoned manner the decision taken on whether or not the director should continue in his position or, if applicable, describe the actions performed by the board of directors up to the date of this report or that he intends to carry out.

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

The Company has not signed any agreements of this kind.

C.1.45 Identify, on an aggregate and individual basis, any agreements between the Company and its directors, officers or employees that include indemnities, guarantee or golden parachute clauses, when they resign or are dismissed unfairly or if the contractual relationship ends due to a public takeover bid.

Number of beneficiaries: 3
Type of beneficiary:

Executive Directors/Senior management:

Description of agreement:

There are agreements with three members of senior management which provide that in the event of an unfair dismissal the indemnity would be determined in court and in the event of an objective dismissal, lay-off or any other decision by the company, the amount of the indemnity would be 6,957 thousand Euros.

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

	Board of Directors	General Meeting
Body that authorizes the clauses	Yes	No

	YES	NO
Is the Shareholders Meeting informed of the clauses?	X	

[illegible]

[illegible]

AUDIT COMIMTTEE

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

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

Explain the functions assigned to this committee, describe the procedures and rules organization and operation thereof and summarize their most important performances during exercise.

The main functions of the Committee, its procedures and rules of organization and functioning are set out in Article 15 of the Regulations of the Board and in Article 29 of the by-laws.

Article 25

The Board shall establish an Audit and Control Committee composed of a minimum of 3 and a maximum of 5 directors appointed by the Board, who all shall be non-executive directors, most of whom shall, at least, be independent directors and 1 of them will be appointed taking into account their knowledge and experience in matters of accounting and/or audit.

As a whole, the members of the Audit and Control Committee shall have the relevant technical knowledge in relation to the Company's business sector.

The Chairman of the Committee shall be elected by the Board of Directors from among independent directors for a period not exceeding four years, and shall be replaced by the afore-mentioned term, and may be re-elected after a period of one year from the date of cessation.

Without prejudice to any other tasks imposed by law or assigned at any time by the Board, the Committee shall exercise the following functions:

A) Report to the Board on matters within its competence, and in particular on the outcome of the audit explaining how it has contributed to the integrity of the financial information.

B) Supervise the effectiveness of the Company's internal control, internal audit and risk management systems. Discuss with the auditor the significant weaknesses on the internal control system. To this end they may submit recommendations or proposals to the Board.

C) Supervise the process of preparing financial information and submit recommendations to the Board.

D) To submit to the Board proposals for the selection, appointment, re-election and replacement of the auditor, as well as the conditions of its contracting, and to obtain information on the audit plan and its execution.

E) Establish the appropriate relations with the external auditor to receive information on issues that may threaten its independence and any others related to the audit of accounts. Authorize services other than those prohibited and those other communications provided on the audit legislation of accounts. To receive annually from the external auditors the declaration of their independence in relation to the Company or related entities and the detailed information of the additional services of any kind provided and the corresponding fees received by the external auditor or by the persons or entities related to it.

F) Issue on an annual basis, prior to the issuance of the audit report, a report expressing an opinion on whether the independence of the auditors is compromised. This report shall contain a reasonable assessment of the provision of all additional services referred to in letter e) above, individually considered and taken together, other than statutory audits and in relation to the independence regime or the regulatory regulations of the audit activity of accounts.

G) Control and supervise compliance with the risk control and management policy.

H) Report to the Board on all matters provided for in the Law, the by-laws and in the Regulations of the Board, and in particular on: (i) financial information that the Company must periodically publish; (ii) the creation or acquisition of shares in special purpose entities or domiciled in countries or territories considered as tax heavens. And (iii) related party transactions.

The Committee shall meet on a quarterly basis in order to review the periodic financial information to be submitted to the stock exchange authorities as well as information to be approved by the Board and included in its annual public documentation. It shall also meet whenever it is convened by its President, who shall do so whenever the Board or its Chairman requests the issuance of a report or the adoption of proposals and, in any case, whenever requested by any of its members or is convenient for the proper performance of its functions.

The members of the management team or of the staff of the Company and its group shall be obliged to attend the meetings of the Committee and to cooperate with and access to the information available to them when the Committee requests so. The Committee may also request attendance at its company's auditors meeting.

The most important activities of the Committee during the year were as follows:

- Review the annual accounts for formulation by the Board and its subsequent approval by the Board, as well as the review of the periodic public information.
- To propose to the Board, for submission to the Board, the appointment of auditors.
- Review of the annual and half a year financial report for approval by the Board and subsequent referral to the Commission National Stock Market.
- Approval and development of an Internal Audit Plan for the 2016 fiscal year, focusing on the specific aspects of Audit of subsidiaries, fundamentally, and in the revision of the flow of financial information.
- Tendering of the audit services of the annual accounts of the Company and its consolidated group for the years 2017-2019.
- Evaluation of the systems of criminal prevention of legal persons.
- Analysis of the insurance program.
- Evaluation of the treasury stock situation.

Identify the member of the audit committee has been appointed considering their knowledge and experience in accounting, auditing or both and report on the number of years that the President of this committee has been in office Director.

Name of the Director experienced	MR. PEDRO LUIS URIARTE
Number of years the president in office	5

APPOINTMENTS AND REMUNERATION COMMITTE

Name	Position	Type
MR. FERNANDO DE ASUA ÁLVAREZ	CHAIRMAN	Independent
MR. FRANCISCO JAVIER GÓMEZ-NAVARRO NAVARRETE	MEMBER	Independent
MR. DIEGO DEL ALCÁZAR Y SILVELA	MEMBER	Independent
MRS. PETRA MATEOS-APARICIO MORALES	MEMBER	Independent
MR. JOSÉ MANUEL LLADÓ ARBURÚA	MEMBER	Propietary

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

Explain the functions assigned to this committee, describe the procedures and rules organization and operation thereof and summarize their most important performances during exercise.

The main functions of the Commission, as well as its procedures and rules of organization and functioning, are developed in Article 14 of the Regulations of the Board and in Article 30 of the Statutes.

Article 3 - APPOINTMENT AND REMUNERATION COMMITTEE

Within the Board, a Appointment and Remuneration Committee shall be set up comprising a minimum of 3 and a maximum of 5 directors, who shall be all non-executive directors, and at least 2 shall be independent directors.

The President of the Commission shall be appointed by the Board from among its members for a period of four years and may be re-elected 1 or more times for periods of the same duration. Said Chairman must be an independent director.

Without detriment to other duties imposed by the legal provisions and other duties assigned by the Board of Directors, the Commission shall have at least the following functions.

a) Evaluate the necessary competencies, knowledge and experience within the Board. To this end, it will define the necessary functions and skills in the candidates who will fill each vacancy and will evaluate the precise time and dedication so that they can effectively carry out their duties.
b) Establish a goal of representation for the under represented sex in the Board and develop guidance on how to achieve that objective.
c) To submit to the Board proposals for the appointment of Independent Directors for their appointment by cooptation for their submission to the Board's decision, as well as proposals for the re-election or separation of such directors by the Board.
d) Inform the nomination proposals of the other directors for their appointment by cooptation or for their submission to the Board's decision, as well as the proposals for their re-election or separation by the Board.
e) Inform the proposals for the appointment of natural persons who are to represent a corporate legal Director.
f) Report on the appointment of the President and the Vice Chairmen of the Board.
g) Report on the appointment of the Chief Executive Officer.
h) Report on the appointment of Secretary and Deputy Secretary of the Board.
i) To propose the members who should be part of each of the Commissions, taking into account the knowledge, attitudes and experience of the directors and the duties of each Committee.
j) Inform the proposals of appointment and separation of senior managers and the basic conditions of their contracts.
k) Examine and organize the succession of the Chairman of the Board and the chief executive of the Company and, if appropriate, make proposals to the Board so that such succession occurs in an orderly and planned manner.
l) To propose to the Board the remuneration policy for directors and general managers or those who carry out their senior management functions under the direct authority of the Board, or of the Executive Committee or the CEO (s), as the case may be such as the individual remuneration and other contractual conditions of the executive directors, ensuring their compliance.

The Committee will normally meet once a year to prepare information on the remuneration of Directors that the Board has to approve and include in its annual public documentation.

It shall also meet whenever the Board or its President requests the issuance of a report or the adoption of proposals within the scope of its powers and, in any case, whenever it is convenient for the proper performance of its functions.

The request for information to the Appointments and Remuneration Committee shall be made by the Board or by the Chairman of the Board. Likewise, the Committee shall consider any suggestions made by the Chairman, members of the Board, directors or shareholders of the Company.

The Board may develop and complete in its Regulations the above rules, in accordance with the provisions of the Statutes and the Law.

The most important actions of the Commission in 2016 were as follows:

- Propose the appointment and re-election of independent directors, including the independent coordinating director, and issue the mandatory report of the other directors for re-election.
- Propose the directors who should be part of each of the Commissions, taking into account their knowledge, skills and experience and the duties of each Commission.
- Propose to the Board and prepare an explanatory report and justification of the remuneration policy for the 2016-2018 triennium. Evaluate the amount of the attendance allowances of the directors to the sessions of the corporate bodies of the Company.
- Propose and develop a training plan for Directors.
- Formulate and review the dimensioning of resources, including the management of expatriates.
- Develop follow-up of the resizing of the Company's resources, including the management of expatriates.
- Develop a sector benchmarking of remunerations of IBEX 35.
- Develop the evaluation protocol of the Board of Directors.

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

	Number of female directors							
	Financial year		Financial year		Financial year		Financial year	
	Number	%	Number	%	Number	%	Number	%
AUDITAND CONTROL COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
APPOINTMENTS AND COMPENSATION	1	20.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 Paragraph repealed

C.2.4 Paragraph repealed

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

The organization and functioning norms of the Audit & Control Committee and the Appointments and Remuneration Committee are reflected in the Board of Directors Regulations, which is at the disposal of all to consult on the Company web page (www.tecnicasreunidas.es). During 2015, the Company amended article 29 of the by-laws and Articles 5 and 13 of the Regulations of the Board of Directors, all of them relating to the regulation of Board committees, in order to adapt their contents to Amendments to the Capital Companies Act and to introduce technical improvements in its drafting.

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

C.2.6 Paragraph repealed

D - RELATED PARTY TRANSACTIONS

D.1 Explain the procedure for approving related party and intragroup transactions

Article 5 of the Board Regulations provides as follows

1. Except in the matters reserved for the competence of the General Meeting, the Board of Directors is the highest decision-making body of the Company and shall assume those powers legally reserved for its direct knowledge, as well as those others necessary for a responsible exercise of the general oversight function, including, but not limited to, functions attributed to it by the Law on Capital Companies and, in particular, the following functions that cannot be delegated:
(...)

(x) the approval, following a report from the Audit and Control Committee, of the operations that the Company or companies of its group with directors or with individual shareholders, individually or in concert with others, of a significant shareholding, including shareholders represented on the Board of Directors of the Company or of other companies forming part of the same group or with persons related to them ("Linked Transactions").

The directors affected, representing or linked to the affected shareholders should refrain from participating in the deliberation and voting of the agreement in question.

However, no authorization from the Board of Directors will require those Related Transactions that comply with simultaneously the following three conditions:

1º. They are carried out under contracts which conditions are standardized and are applied en masse to a high number of customers.

2º. That are made at market prices or rates, generally set by who acts as supplier of the good or service concerned.

3º. That the amount of the transaction does not exceed one percent (1%) of the annual income of the Company.

The approval of Related Transactions will require the previous favorable report of the Audit Committee. The directors affected,

In addition to not exercising or delegating their right to vote, shall be absent from the meeting room while the Board of Directors Deliberate and vote on it.

Article 13 of the Board Regulations provides as follows

(...)

2. Without prejudice to any other tasks that may be assigned from time to time by the Board of Directors, the Audit and Control Committee shall perform the following functions

(...)

- Inform the Board, prior to the adoption thereby of the corresponding decisions on all matters covered by the Act, the Statutes and Regulations of the Board and, in particular, on the following matters

a) The financial information that the Company must periodically make available to the public.

b) The creation or acquisition of shares in special purpose vehicles or companies domiciled in countries or territories that are considered tax havens

c) Related-Party Transactions

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

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

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

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

D.5 Indicate transactions performed with other related parties

0 (In Thousand euro)

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

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

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

- The spouse or a person with a similar affective relationship

- Parents, children and siblings of the Board member or his/her spouse

- The spouses of the ascendants, descendants and siblings of the Board member

- Companies in which the director, by himself or by interposed person is in any of the situations contemplated in the first paragraph of article 42 of the Commercial Code.

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

- The partners who are, with respect to the corporate legal Director, in any of the situations contemplated in the first paragraph of Article 42 of the Commercial Code

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

- Companies that are part of the same group and its partners.

- Persons who, with respect to the representative of the legal person, have the status of person related to the director in accordance with what is established in the previous paragraph.

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

The Company may authorize, in individual cases, the performance by a director of a transaction with the company, which authorization must necessarily be agreed by the Board or the Board in accordance with the provisions established in Article 230 of the Companies Act.

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

Regarding upper management the mechanisms established to detect and regulate possible conflicts of interests are addressed in the Internal Conduct Regulation which is also applicable to the directors. Article 10 of the Internal Conduct Regulation establishes that persons subject to this should act with freedom of judgement on all occasions, with loyalty to the Company, and its shareholders and independently of their own or other's interests. Consequently, they will abstain from rewarding their own interests at the expense of those of the Company and those of some investors at the expense of others and from intervening in or influencing decision making that may affect the persons or entities with which there is a conflict of interests and to access confidential information that affects this conflict.

Additionally the subject persons should inform the First Vice-Chairman about possible conflicts of interests in which they find themselves because of their activities outside the Company, their family relationships, their personal patrimony, or for any other reason, with (i) the Company or any of the companies integrated into Técnicas Reunidas Group; (ii) significant suppliers or customers of the Company or any of the companies Técnicas Reunidas Group; or (iii) entities engaged in similar business or competing with the Company or any of the companies in the Técnicas Reunidas Group. Any doubt on the possibility of a conflict of interests should be consulted with the First Vice-Chairman.

Similarly, article 16 of the Company by-laws stipulates that in the event that an administrator, or a third party acting on behalf or in the interest of any administrator(s), requests representation by proxy, the person receiving it may not exercise the right to vote corresponding to the represented shares with respect to the items on the Agenda that constitute a conflict of interest, unless he or she has received precise voting instructions for each of the items in accordance with applicable regulations.

C.8 Is more than one Group company listed in Spain?

NO

Identify the listed subsidiary companies:

Listed subsidiary

State whether they have publicly and accurately defined their respective areas of activity and any business dealings between them as well as those of the listed subsidiary with other group companies.

Define any business relations between the parent company and the listed subsidiary and between the latter and other group companies

Describe the mechanisms established to resolve possible conflicts of interest between the listed subsidiary and other group companies:

Mechanisms to resolve possible conflicts of interest

E - RISK CONTROL SYSTEMS

E.1 Explain the scope of the company's Risk Management System, including tax matters.

The Group, on the recommendation of the Audit Committee, has created a catalogue of key risks which are described in part E.3 and which was prepared according to the COSO II methodology.

Técnicas Reunidas ("TR") has implemented risk management policies that include the following measures, among others:

Procedures designed to mitigate project-related risks.

- Careful selection of projects that begins with a detailed analysis of each customer, market, and country, establishment of a local presence before making offers, and an exhaustive analysis of interests, margins and risks. TR rejects projects when it considers that the margin might not cover the risks identified and regularly contracts CESCE policies and other products to reduce the commercial risk.

- Implementation of diversification policies. The geo-political risks in certain emerging markets are measured against a policy of geographic diversification, and also diversification in the type of customers and in the type of products or projects that are undertaken and a policy of selective agreements with local partners or international contractors.

Técnicas Reunidas considers that it has succeeded in diversifying the its commercial activities among national oil companies -NOCs- such as Saudi Aramco, Enap, KOC, PDO, Tüpras, Pemex, Sonatrach, Sinopec, ADNOC or Petroperu; major multinationals such as Shell, BP, General Electric, BASF, Exxon, GALP, Total, Lukoil, Sabic or Canadian Natural, major Spanish groups such as Repsol YPF, Endesa, Gas Natural or Cepsa, and with Spanish government bodies.

- Develop policies to preserve the necessary technical capacity to perform project establishing "Lessons learned" to spread the precise training.

- Management of a robust balance sheet and adequate credit lines to grant enough solvency to perform projects.

- Implementation of policies intended to share the risk with third parties to spread the risks inherent to a project or to combine the financial capacity (access to guarantees, financing, etc.), the technological capacity and the efficient use of human resources and other resources to achieve the adjudication of other projects.

Técnicas Reunidas participates in numerous joint ventures (JVs) with other engineering companies that are usually formed for the sole purpose of undertaking major projects that are of such a magnitude as to make it advisable to diversify risks or take on construction partners. Since these joint ventures tend to be structured in such a way that each of the participants responds jointly to the customer Técnicas Reunidas carefully analyses the possible participants and its possible responsibilities before reaching agreements Técnicas Reunidas normally assumes a leadership position in project management. In the exceptional cases where this does not occur, Técnicas Reunidas tries to control the risks by ensuring that its own trusted personnel occupy positions of leadership in the JV

- Developing contracting policies mitigate the risks assumed by Técnicas Reunidas, for example, encouraging an "Open Book" project contracting model and including clauses that exonerate Técnicas Reunidas from liability in cases of force majeure. The contracts with suppliers and sub-contractors generally include suitable clauses deriving responsibility especially with regard to materials, civil works, assembly and construction

- Use modular building schemes in geographies where labor shortages or site conditions allow savings over other options

- Taking out appropriate and specialized insurance policies to cover the financial risks design risks and construction risks and liability for accidents, damage to equipment and materials, etc., with a total of €700 million in coverage.

- Adapt purchase plans of equipment and subcontracting to the times and geographies most appropriate to achieve closing competitive prices to consolidate the estimated margins

- Develop a Risk and Opportunity Model that allows to know in advance, in addition to the expected result of each project, the economic valuation of other factors that may potentially affect the project, generating a deviation in costs or a change in revenues

Procedures related to the financial management of the projects

- Exchange risk management. Often happens that the currency in which the customer pays is different than the currency in which the company pays its suppliers. To deal with this, the Company continuously monitors exchange rate risks from the time a project is awarded and takes out the exchange rate insurance policies needed to mitigate these risks early on in the project

- Liquidity management: TR makes sure to have corporate or associated lines of financing available for certain projects to protect itself in the event of unforeseen cash requirements

- Technical contingencies. TR includes a contingency item in its project budgets to cover the budget deviations which could potentially occur during the execution of the projects

- Tax risks: The Company requires the advice of tax experts who collaborate in establishing the taxation criteria to be followed by the different Group companies located in Spain and abroad

Safety management system

The manner in which the Group plans the future, conceives, designs and implements the programs and controls the results in safety with a view to continued improvement. It includes the following aspect

- A safety policy integrated with health and respect for the environment which is a priority for Técnicas Reunidas

- Planning the objectives and procedures to identify and evaluate risks and implement control measures

- Implementation of safety plans through documentation communicated to the personnel

- Regular checking and measurement of the execution of safety plans with procedures to investigate and mitigate accidents and to take preventive and corrective actions, all of which are recorded and audited periodically

- Regular system review

E.2 Identify the bodies responsible for preparing and implementing the Risk Management System

Article 5 of the Board of Directors Regulations states that the Board is responsible for approving the risk management and control policy and the policy for regularly monitoring internal reporting and control systems

E.3 Indicate the main risks, including tax risks, which can affect the achievement of the business objectives

The main risks are as follows:

- A large number of projects are turnkey contracts, closing a sales price at the beginning of the contract, while the costs incurred during the project execution period are subject to variation

- The price of oil, in addition to other factors, affects the behavior of our customers, as well as that of our suppliers, competitors and partners

- The projects are developed in multiple geographies each of which presents a different risk profile to mitigate

- Geographies subject to strong political and social tensions
- Locations with limited access, low level of training of local resources, requirements regarding local contents or adverse climatology, among others

Countries with limited legal certainty

- The portfolio may at certain times have a high concentration in a small number of clients or a high geographical dispersion

- Built plants must meet the required environmental requirements

- Economic variables such as exchange rates, interest rates, the willingness to participate in projects of financial institutions and insurance companies or the fiscal norm significantly impact on the activity and results of the company.

- A solid reputation and previous experience condition the success of future awards

E.4 Identify whether the entity has a level of risk tolerance, including tax matters

For each contract in the negotiation or execution phase, risk assesement measures are applied systematically within the framework of internal risk control and management procedures.

a) Analysis phase of projects and offers (i) the procedure begins with a process of identification of the risks in which the budget department and the technical office identify and evaluate the technical risks in the engineering, supply and construction activities, and the contracts department revises the draft customer contracts and prepares a report on the problematic points or omissions; the corporate development team takes a first decision regarding the modifications needed in the offer; (ii) after this, the evaluation process begins and if approved, the evaluation of the contingencies, in which the corporate development team revises the technical offer and the report on the contracts, adjusts the risks and contingencies from the commercial risk perspective and prepares a draft of the offer; the executive committee revises the draft offer, validates it and sets the final price; (iii) the next step is the negotiation process for the final contract, in which the customer is sent the offer and the comments on the draft contracts, new versions of the contracts are reviewed and discussed with the customer and, finally, the final versions of the contracts are submitted to the executive committee; the executive committee revises these and, as the case may be, accepts the final versions of the contracts and approves the offer

3) Project execution phase: (i) during the execution of a project there is a process to monitor the risks in which the team in charge of the project controls the evolution of the risks identified in the contractual documentation and identifies any new risks that may arise; the team and the project leader decide on what information is to be sent to Group management, and it the responsibility of the project leader to inform management of the project progress and the monitoring of the risks; (ii) the following step is the process of analysis of deviations in which the project team analyses the probability that the risks may occur and their possible impact applying flexible non-homogeneous criteria. Likewise, the project team orders the risks by their probability level and identifies those that require the application of decisions or corrective measures; (iii) finally, the corrective measure process is applied in which the project team identifies and analyses the cause behind the probable contingencies, evaluates alternative measures, estimates the cost of each measure and selects the concrete measure to adopt.

E.5 State whether any of the risks, including tax matters, have materialised during the year.

The risk linked to turn key contracts closing a sales price with customer and exposed to possible cost variations has materialized in 2016 in several contracts where there have been deviations, both positive and negative, from the budgeted initial costs.

The impact of the price of oil and other macroeconomic variables have been significant, therefore we have observed that the maintenance of the price of a barrel in an environment of 50 dollars has led our clients to maintain their policy of reducing and slowing the volume of investments in fixed assets and to be restrictive in their payment policies. We have also verified that in an environment where it is more difficult to generate margins (suppliers) or savings (clients), litigation has increased as a dispute resolution mechanism, especially in the contract closure phase.

The geographic dispersion in countries of very diverse complexity has produced impacts on the results or the way of being managed some projects. Thus, for example, we have been impacted by changes in the law regarding changes or taxation issues.

Finally, the concentration of business in certain geographical areas was maintained in 2016 after the Ras Tanura project in Saudi Arabia was awarded, which strengthens our presence in the Middle East but concentrates the portfolio in that area.

E.6 Explain the plans in place for responding to and supervising the main risks faced by the entity, including tax matters.

Tecnicas Reunidas is organised into different divisions, each one with its own responsibilities for managing risks affecting the Company.

With the Corporate Operations Department, the Planning, Cost Control and Risk and Opportunity Management Area is in charge of establishing the processes for the execution of Risk and Opportunity Management (R&OM): 1) the proposal phase of a project until it is awarded; 2) the "OBE" phase of a project until it is converted; 3) the execution phase of a project, from the time the contract is signed until the project is complete per the contractual terms. Project R&O management includes the processes related to R&O planning, identification, analysis and response, and tracking, supervising and controlling risks during the project.
The Finance Department is responsible for the implementation of ICFR, which is intended to control the process of preparing the individual and consolidated financial statements contained in published reports and to ensure that they are accurate, reliable, complete and clear.

According to article 13 of the Rules of the Board of Directors, the Audit & Control Committee is responsible for supervising the efficacy of internal control and risk management systems. In addition, it is responsible for supervising the process of preparing and presenting of regulated financial information and for supervising the efficacy of internal audit services of the Company and the risk control system. In the performance of its functions, the Audit Committee may be assisted by internal and external auditors.

The Company's risk control systems are considered to be sufficient related to the activities performed.

In addition, the Company has implemented a "Lessons Learned" policy which, at the conclusion of each project, identifies the wrong aspects in the execution of a project and establishes the optimal procedures to apply in similar situations in the future.

Finally, the Company is in the process of developing a Recommended Practice Manual on Risk Assessment of Counterparties, which contains various recommendations and procedures to be developed based on the estimated risk of the counterparties to which the Company relates.

F - INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS IN RELATION TO FINANCIAL REPORTING (ICFR)

Describe the main characteristics of the internal control and risk management systems with regard to financial reporting (ICFR).

F.1 Control environment

Describe the main characteristics of:

F.1.1. What bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation; and (iii) its supervision.

Article 5 of the Rules of the Rules of the Board of Directors of Técnicas Reunidas, S.A. (the "Company" or "Técnicas Reunidas") establishes that one of the Board's responsibilities is to approve the risk management and control policy and to periodically check the internal reporting and control systems. Therefore, the Board of Directors is ultimately responsible for the existence of an adequate and effective Financial Reporting Internal Control System.

According to article 13 of the Rules of the Board of Directors, the Audit & Control Committee is responsible for supervising the efficacy of internal control and risk management systems. In addition, it is responsible for supervising the process of preparing and presenting of regulated financial information and for supervising the efficacy of internal audit services of the Company and the risk control system. In the performance of its functions, the Audit Committee may be assisted by internal and external auditors.

Management, through the Finance Department, is responsible for the implementation of ICFR, which is intended to control the process of preparing the stand-alone and consolidated financial statements contained in published reports and to ensure that they are accurate, reliable, complete and clear.

F.1.2. Information with regard to the process for preparing financial information, whether there are:

- Departments and/or mechanisms are responsible for (i) designing and reviewing the organizational structure; (ii) clearly defining the lines of responsibility and authority and the appropriate distribution of tasks and functions and (iii) ensuring that there are procedures in place for distributing them.

  The Board of Directors is responsible for designing and reviewing the Group's organizational structure. This organizational structure contains mechanisms for defining the internal control structure where the Group's Corporate Finance and Operations areas are responsible for implementing internal control systems for key processes involving operations and financial reporting.

  Management Operations, through the Standardization and Procedures Department, issues the procedures to regulate the different processes associated with project management, including engineering, procurement, construction and cost control. The Cost Control area is responsible to coordinate the information received from the different corporate areas. Audits are conducted periodically to ensure that these procedures are properly implemented.

Corporate Finance is responsible for the different transaction processes from the time the information is reported by Corporate Operations until the financial and accounting information is prepared to ensure the accuracy and integrity of the information. Audits are conducted periodically to ensure the proper implementation of the procedures.

- Code of conducts, approval body, level of dissemination and instruction, principles and values contained in the code (indicate whether there are specific references to accounting procedures and financing reporting), body in charge of analyzing non-compliance and proposing corrective/disciplinary actions.

  The Code of Conduct for Técnicas Reunidas (the "Code of Conduct"), has been implemented during 2016 and the Company carried out specific actions for internal dissemination. The body responsible for its approval is the Board of Directors, being the document available on the website of the Company www.tecnicasreunidas.es. The Company has disseminated this document to all persons subject by specific e-mails and, likewise, has executed online actions for training and instruction on the Code of Conduct. These actions, which have been well received, have been developed simultaneously in the Spanish, English and Arabic languages and have consisted of an explanatory video of the Code of Conduct, a CuidFit and a Hi-Book online tool.

  The principles and values which are the basis of the Code of Conduct and which are meant to inspire the conduct of Técnicas Reunidas in respect of its stakeholders include integrity, professionalism, observance of the law, human rights and civic values, quality and innovation, customer orientation, professional development, non-discrimination, equal opportunities and a respect for the environment, among others.

  The Code of Conduct contains specific references to the registration of operations and preparation of financial information in section 4.1.5, reproduced below in the part that concerns this matter:

  "The TR Group considers information and its knowledge as an essential asset for the management of its business, so it must be specially protected.

  Likewise, it declares that the veracity of the information (particularly the financial information, which will faithfully reflect the economic, financial and patrimonial reality of the Group) will be one of the basic principles in all its actions.

  The Group Professionals will share and communicate in a transparent and truthful manner all the information that they must transmit internally or externally and in no case will knowingly provide or introduce into the computer systems incorrect, inaccurate or otherwise mislead whoever receives it.

  Likewise, all economic transactions of the TR Group shall be accurately and clearly reflected in the records that correspond in each case and shall be in accordance with the applicable international financial reporting standards."

  Finally, the Company is in the process of implementing the compliance officer, who will be in charge of analyzing breaches and proposing corrective actions and sanctions.

Whistle blower channel, which allows the communication to the Audit Committee of irregularities of a financial and accounting nature, in addition to eventual non-compliance with the code of conduct.

- and irregular activities in the organization, informing in this case if it is of a confidential nature.

  The Code of Conduct has implemented a complaints channel established for this purpose, which allows denunciations regarding behaviour in the financial and accounting fields, in addition to possible breaches of the code of conduct and irregular activities in the organization. This channel of complaints is confidential.

- Training programmes and periodic refresher courses for the personnel involved in preparing and reviewing financial information and evaluating the internal control systems which cover the accounting, auditing, internal control and risk management areas.

  Annually, there are plans to offer refresher courses to the staff involved in preparing and reviewing the financial information to keep them abreast of accounting standard updates and other processes related to the management of financial information. In 2016, numerous in-person training sessions were offered specifically for the people involved in generating financial information.

  Also, as part of the Group's global training program implemented by the Corporate HR Department, special courses are offered to relevant personnel in the operational areas who are involved in process that can have an impact on the Company's and the Group's financial information.

F.2 Risk assessment in financial reporting

Provide the following information:

F.2.1 What are the main characteristics of the risk identification process, including risks of error or fraud, as regards:

▪ Whether the process exists and is documented.

The Group, at the request of the Company's Audit Committee, has a catalogue of key risks which includes those that can have an impact on the internal control of financial information. This catalogue was prepared using the COSO II (Committee of Sponsoring Organizations for the Commission of the Treadway Commission) methodology. The uniformity of the projects carried out over time and the existence of a relatively small number of contracts affords a certain stability to the catalogue of key risks in relation to the internal control of financial information.

In the process of adapting ICFR to the recommendations of the Comisión Nacional del Mercado de Valores (CNMV) (National Securities Commission), the traceability between the Group's catalogue of key risks with an impact on financial information and the key business processes that can affect the financial statements was observed and it was verified that most of the key risks impact and/or are sufficiently managed by the processes.

- Whether the process covers all financial reporting objectives (existence and occurrence, integrity, evaluation, presentation, disclosure and comparability, rights and obligations), whether it is regularly updated and how frequently.

  The Group has defined the activities and processes that cover the transactions which can affect the financial statements, as well as the objectives and risks associated therewith, the existing controls and the procedures associated with those controls.

  The process covers all financial reporting objectives (existence and occurrence, integrity, evaluation, presentation, disclosure and comparability, rights and obligations).

- The existence of a process for identifying the scope of consolidation, bearing in mind the existence of complex business structures, instrumental entities or special purpose vehicles, among others.

  The consolidated Group has no complex business structures, instrumental entities or special purpose vehicles. Consequently, there are no factors that are deemed to pose a risk to financial reporting. However, Corporate Finance review the consolidation parameters quarterly and the external auditors review it every six months.

  The classification of the different Group enterprises as subsidiaries, associates or jointly controlled entities for accounting purposes is in keeping with the Group's policies and is reviewed by Corporate Finance and the external auditors.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.) to the extent that they affect the financial statements.

  The internal control of business operations requires the evaluation of different types of risks (legal, technical, environmental, etc.). The financial reporting process takes the evaluation of these risks into account.

- Which governing body supervises the process.

  The Company's Corporate Finance and Corporate Operations Departments are responsible for supervising the process.

  Transactions not associated with regular operations are analysed in detail by the Group's management, who may request assistance from outside experts as needed.

F.3 Control activities

State whether the following exists and, if so, describe the main characteristics:

F.3.1 Procedures for reviewing and authorising financial information and description of the ICFR, to be reported to the stock markets, and persons responsible for this, including a description that describes the activity flows and controls (including those relating to the risk of fraud) of the different types of transactions that can have a material effect on the financial statements, including closing procedures and specific reviews of the most relevant judgements, estimates and forecasts.

Executive management, through Corporate Finance primarily, is responsible for reviewing the financial information. The stand-alone and consolidated annual accounts and interim financial statements are reviewed by the Audit Committee, in collaboration with the external auditors who give their recommendations. The Chairman and the Vice President review and approve the annual accounts, which are then drafted by the Board of Directors. The financial information for Q1 and Q3 is also reviewed by the Audit Committee. The Audit Committee is responsible for supervising ICFR, with the assistance of the Company's internal and external auditors.

The Group has procedures and controls in place to cover the main transactions that can affect the financial statements, including:

- Project estimates and execution, including engineering design, procurement management, construction and cost control. Estimate of results. Determination of project progress, and currency control.
- Cash management
- Billing and collections management
- Taxation
- Reporting and consolidation process

Procedures that are considered essential contain a detailed description of the activities and sub-activities and the manner in which they are to be performed. The different levels of responsibility associated with the performance of the different activities are also defined. The General Work Instructions (GWIs) or procedures prepared by the Company for internal control purposes are available on the Company's corporate intranet.

The Group's annual accounts report on the relevant areas that require judgments and estimates, most of which are associated with the activities of Corporate Operations and are established according to the approved policies and procedure. Corporate Finance reviews these estimates, using specific procedures that are in line with the policies and standards contained in the Accounting Policy Handbook, the contents of which are consistent with International Accounting Standards and have been reviewed by the external auditors.

F.3.2. Internal control policies and procedures for information systems (safe access, change control, operations, continuity of operation and segregation of functions, among others) that support the relevant processes in relation to the preparation and publication of financial information.

The financial reporting system used by Tecnicas Reunidas is SAP ("Systems, Applications and Products in Data Processing"). The SAP system falls within the scope of the Company's Information Safety Management System, which is certified according to the ISO/IEC 27001:2005 international standard. System access is by password-protected with individual passwords that must be changed quarterly.

Currently, there are development, testing and production environments in the SAP system. Any changes to system programs or parameters are carried out in the Development environment and then transported to the Test environment. Once validated, they are transferred to the Production environment. This way, every system change is registered in the transport process to the Production environment.

The documentation related to the SAP system that is part of the Information Safety Management System currently in effect is as follows:

- Information Safety Policy.
- Information Safety Management System handbook.
- The procedures for controlling change, access, operations, continuity and segregation of IT functions.

All of this documentation is available on the corporate intranet of Técnicas Reunidas.

The Group also uses specific applications for all of the processes in the life cycle of material management and procurement, operations, and financial statement planning and consolidation. There are safety, access control and continuity of operation policies in place for these applications.

F.3.3. Internal control policies and procedures intended to supervise the management of the activities outsourced to third parties, and the evaluation and calculation aspects entrusted to independent experts which can have a material effect on the financial statements.

At the 2016 year end, there weren't activities or processes outsourced to third parties that could be considered relevant to the financial reporting process. The services of independent experts have been engaged to perform evaluations, calculations or assessments that could have a material effect on the financial statements, fundamentally those related to the assessment of staff-related or litigation-related liabilities. In these cases, the services are rendered by reputable, specialized firms. Legal Department supervises the services performed by these third parties.

F.4. Reporting and communication

State whether the following exists and if so, describe the main characteristics:

F.4.1. A specific function responsible for defining accounting policies and keeping them up to date (accounting policy area or department) and for resolving questions or conflicts arising from their interpretation, maintaining fluid communication with those responsible keeping the lines of communication open with the people responsible for [illegible] the system provides that [illegible] is kept up to date and duly updated by the units [illegible] operating units.

The Accounting and Consolidation Unit, which reports to the Director of Finance, is the area responsible for identifying, defining and keeping the Group's accounting policies up to date and for answering questions or settling conflicts in connection with their interpretation. The Group has an Accounting Policy Handbook which is revised and updated periodically by the external auditors. The subsidiaries are informed of the accounting policies and any changes to them through regular internal meetings. Likewise, Corporate Finance is responsible for reporting any changes made to the Accounting Policy Handbook to the Audit & Control Committee.

The financial Information Control Policy includes the performance of external audits, compulsory or voluntary, almost over all the subsidiaries which are integrated in to the consolidation perimeter (even though they are not significant subsidiaries). These audits are requested to well-known international auditing firms.

F.4.2. Mechanisms for gathering and preparing standardized financial information that apply to and are used by all units of the entity and that support the primary financial statements and notes to the financial statements as well as detailed information on ICFR.

The process of consolidation and preparation of the financial information is centralized. The centralized financial reporting system, which is managed directly by the Group's Corporate Finance area, covers 80% of the Group's business volume. The remaining financial reporting comes from the financial statement previously reviewed by external auditors, after which they are standardized by Corporate Finance. In addition, the Group has control mechanisms in place to ensure that the financial information includes all of the disclosures necessary to be properly interpreted by the markets.

F.5. Supervision of system performance

Describe the main characteristics, at least, of:

F.5.1. State whether there is an internal audit function whose responsibilities include assisting the Audit Committee with the task of supervising the internal control system, including ICFR. Also report on the scope of the ICFR evaluation performed during the year and the procedure whereby the person responsible for the evaluation reports its findings, and whether the entity has an action plan with the corrective measures referred to in the evaluation, considering the impact on the financial information.

The Group has an Internal Audit area that presents an audit plan each year along with the incidents identified during the audits conducts and a report on its activities. The functions of this area include reviewing the control systems of specific divisions or projects which are considered materially relevant to the fiscal year in progress, reporting periodically on the weaknesses detected during their audits and the measures proposed to correct them.

The Group's Corporate Finance area along with the Audit Committee agreed to adapt and adjust the existing internal control model for financial reporting to bring it in line with the specific recommendations of the CNMV in the guidelines for preparing the description of the financial reporting internal control system, as well as it revision by third parties.

F.5.2. State whether there is a discussion procedure whereby the auditor (in accordance with the terms of Auditing Standards), the internal auditor and other experts are able to report any serious weaknesses found in the internal control system to senior management and the Audit Committee throughout the year. Also indicate whether there is an action plan for correcting or mitigating any weaknesses encountered.

In order to comply with the powers entrusted to it by the Board of Directors, the Committee Audit has maintained during the year 2016 a total of ten meetings, attended by those responsible for the Financial Management and Internal Audit. In these meetings held previously include the publication of periodic financial information of the

Company to obtain and analyze this information. In such Meeting the satand-alone and consolidated financial statements, interim financial statements and quarterly financial reports are reviewed, briefing notes on results forwarded to the CNMV and any other information that is considered its interest. On the occasion of meetings of the Audit & Control Committee aimed at reviewing the annual accounts, in which requires the presence of external auditors, they present a set of recommendations related to, among other things, internal control resulting from its ordinary work as auditors of the Group. It has been entrusted to the external auditors performing a specific job, in conjunction with the Internal Audit, for the ICFR assessment implemented at year-end 2016.

F.6 Other relevant information.

There is no relevant information not included in the previous sections.

F.7 Report of the external auditor

Report on:

F.7.1. Whether the ICFR information supplied to the markets is reviewed by an external auditor, in which case the entity should include the auditor's report. Otherwise, a reason should be given for not having been so.

During the financial year 2017 the external auditor for the financial year 2016 will review it for its late publication.

G - DEGREE TO WHICH CORPORATE GOVERNANCE RECOMMENDATIONS ARE FOLLOWED

Indicate the degree of monitoring of the company with respect to the recommendations of the Code of good governance of listed companies.

In the event that any recommendations are not followed or partially followed, a detailed explanation of their reasons should be included so that shareholders, investors and the market in general have enough information to assess the company's behaviour. General explanations will not be acceptable.

1. The bylaws of listed companies should not limit the maximum number of votes a single shareholder can cast, or contain other restrictions that make it difficult to take control of the company by means of the acquisition of its shares in the market.

Compliant

2. When the parent company and a subsidiary company are both listed, the following should be precisely and publicly defined:

 a) Their respective areas of activity and possible business relations between them, as well as those of the subsidiary listed company with other companies belonging to the same group.
 b) The mechanisms in place to resolve any conflicts of interest that may arise.

Not applicable

3. That, during the ordinary General Meeting, as a complement to the written dissemination of the Annual Corporate Governance Report, the chairman of the Board of Directors should verbally inform the shareholders in sufficient detail of the most relevant aspects of corporate governance of the company, Company and in particular:

A) Changes that have occurred since the previous ordinary general meeting
B) Of the specific reasons why the company does not follow any of the recommendations of the Code of Corporate Governance and, if they exist, of the alternative rules that it applies in that matter.
Compliant

4. That the company defines and promotes a policy of communication and contacts with shareholders, institutional investors and voting advisors that is fully respectful of the rules against market abuse and gives similar treatment to shareholders who are in the same position.

And that the Company makes public this policy through its website, including information regarding how it has been implemented and identifying the partners or those responsible for carrying it out.

Compliant

5. That the board of directors does not submit to the general meeting a proposal for delegation of powers to issue shares or convertible securities excluding the pre-emptive subscription right for an amount in excess of 20% of the capital at the time of the delegation.

And that when the board of directors approves any issue of shares or convertible securities excluding the pre-emptive subscription right, the company immediately publishes on its website the reports on such exclusion referred to in the commercial law.

Compliant

6. Listed companies to develop the reports listed below, either voluntarily or mandatorily, publish them on their website well in advance of the celebration of the ordinary general meeting, even if their dissemination is not mandatory:

a) Report on auditor independence.
b) Reports functioning of Audit & Control Committees and Appointments and Remuneration Committees
c) Report of the audit committee on related party transactions
d) Report on corporate social responsibility policy

Partial Compliant

The Company has issued and published on its website some of these reports in advance of the conclusion of the ordinary general meeting.

7. Shareholders General Meetings should be broadcasted live through the company website.
Explain

The Company has not received any requests to carry out this action.

8. The Audit Committee to ensure that the Board of Directors will present the annual accounts to the general meeting of shareholders without limitations or qualifications in the audit report and, in the exceptional cases where there are exceptions, both the chairman of the audit committee and the auditors should clearly explain to shareholders the content and scope of such limitations or qualifications.
Compliant

9. The company should make public on its website on a permanent basis the requirements and procedures that it will accept to prove the ownership of shares, the right to attend the general meeting and the exercise or delegation of voting rights.

And that such requirements and procedures favor the attendance and exercise of their rights of shareholders and applied in a non-discriminatory manner.

Compliant

10. When some legitimate shareholder has exercised, before the holding of the meeting General Shareholders, the right to complete the agenda or to submit new proposals agreements, the company:

    a) To disseminate such additional points immediately and new proposals agreed.
    b) Make public the model of attendance card or voting delegation form or distance voting with the changes required to be voted on the new items on the agenda and alternatives proposals of agreement in the same terms as those proposed by the board of directors.
    c) Submit all those points or alternative proposals to the vote and apply to them the same rules of vote than those made by the board of directors, including, in particular, presumptions or deductions about the meaning of the vote.
    d) After the general meeting of shareholders, announce the breakdown of the vote on such complementary points or alternative proposals.

Compliant

11. That in the event that the company intends to pay premiums for attendance at the general meeting of shareholders, establish in advance a general policy on such premiums and this policy is stable.

Not applicable

12. That the board perform its functions with unity of purpose and independence of judgment, give the same treatment to all shareholders that are in the same position and be guided by the corporate interest, understood as the achievement of a profitable business sustainable in the long term, that promotes its continuity and maximization of the economic value of the company. And in the pursuit of corporate interest, in addition to compliance with laws and regulations and a behavior based on good faith, ethics and respect for the customs and good practices commonly accepted, social interests seek to reconcile itself with the appropriate legitimate interests of its employees, suppliers, customers and those of other interest groups that may be affected and the impact of company activities in the community as a whole and the environment.

Compliant

13. The board possess the necessary size to achieve effective functioning and participatory, making it advisable to have between five and fifteen members.

Compliant

14. The board approves a policy of selection of directors:

    a) Be concrete and verifiable.
    b) Ensure that the proposals for appointment or reelection are based on a preliminary analysis of the needs of the board.
    c) To encourage the diversity of knowledge, experience and gender.

The result of the previous analysis of the needs of the board is collected in the report justifying the appointments or re-elections, by convening the general meeting of shareholders, the ratification, appointment or re-election of each director is submitted.

And the selection policy advisers promote the goal that by 2020 the number of directors represents at least 30% of the total members of the board.

The nomination committee will annually verify compliance with the selection policy of directors and it is reported in the Annual Corporate Governance Report.

Compliant

15. Proprietary and independent directors should constitute a broad majority of the Board of Directors and the number of Executive directors should be the minimum necessary, bearing in mind the complexity of the corporate group and the percentage of ownership held by executive directors in the capital of the Company.

Compliant

16. The percentage of proprietary directors out of total non-executive directors is not greater than the proportion of total shares of the company represented by such directors and the rest of the capital. This criterion can be relaxed:

   a. In large capitalisation companies where few shareholdings that are legally considered significant.
   b. In the case of companies in which a plurality of shareholders is represented on the Board and there are no links between them.

Compliant

17. The number of independent directors should represent at least one third of all board members.

That, however, when company is not large cap or when, still being so, it has one or several shareholders acting together that control more than 30% of the share capital, the number of independent directors should represent at least one-third of the total board members.

Compliant

18. Companies should make public through their website and keep updated the following information about their directors:

   a) Professional and biographical profile.
   b) Other Boards to which they belong, whether or not of listed companies, as well as other paid activities of whatever their nature.
   c) An indication of the category of director to which they belong, indicating, in the case of proprietary directors, the shareholder they represent or have links with.
   d) Date of their first appointment as company director, as well as subsequent re-elections.
   e) Company shares and share options of which they hold.

Compliant

19. That the annual corporate governance report, after verification by the Appointments Committee, the reasons why proprietary directors have been appointed at the request of shareholders whose stake is less than 3% of the capital are explained; and the reasons why they had not attended to any formal requests for presence on the Board from shareholders whose equity stake is equal to or greater than that of others at whose request proprietary directors were appointed.

Not applicable

20. That proprietary directors resign when the shareholder they represent transfers its entire shareholding in full. And also do so in the number that corresponds, when said shareholder reduces his shareholding to a level that requires the reduction of the number of his proprietary directors.

Not applicable

21. The Board of Directors does not propose the removal of any independent director before the statutory period for which he had been appointed, except where just cause is found by the Board of Directors following the report of the Appointments Committee. In particular, it is understood that just cause exists when the director takes on new positions or acquires new obligations that prevent him devoting the time necessary to the performance of the duties of the office of director, fails to fulfil the duties inherent in his charge or

including directors ... indicated ... provided for in the ... in accordance with the provisions of applicable law.

It may also be proposed the separation of independent directors as a result of takeover bids, mergers or other similar corporate transactions that represent a change in the capital structure of the company, when such changes in the structure of the board are favored by the criterion of proportionality indicated in recommendation 16.

Compliant

22. Companies establish rules obliging directors to inform and, where appropriate, to resign in those cases which could damage the credit and reputation of the company and in particular are obliged to inform the board of any criminal charges against them and their subsequent trial.

And if a director is indicted or tried for any of the crimes stated in the corporate law, the board should examine the case as soon as possible and, in view of the specific circumstances, decide whether or not the director should remain in office. And that all these board actions or determinations in the annual corporate governance report.

Compliant

23. All directors clearly express their opposition when they consider that any proposal submitted to the board of directors may be contrary to the social interest. And this should apply especially to independent and other directors unaffected by the potential conflict of interest in the case of decisions that may damage the shareholders not represented on the board.

And when the board takes significant or repeated decisions about which the director has expressed serious reservations, the director draws the appropriate conclusions and, if he chooses to resign, explains the reasons in the letter referred to in the next recommendation. This recommendation also applies to the secretary of the board, even if not a director.

Compliant

24. When, whether by resignation or for other reasons, a director leaves office before the end of his mandate, explain the reasons in a letter sent to all members of the board. And that, notwithstanding such resignation as a significant event, the reason for the withdrawal is explained in the annual corporate governance report.

Compliant

25. That the appointments committee ensure that non-executive directors have sufficient time available for the proper performance of their duties. And that the Board regulations set the maximum number of boards of companies which may be members of.

Partially Compliant

Article 25 of the Board of Directors Regulations establishes that the directors will be obliged to gather information and prepare themselves for the meetings of the Board and, if applicable, of the delegated bodies to which they pertain and Article 34 of the Board of Directors Regulations establishes within the duties of the directors, to inform the Company of the positions that they occupy on the Board of Directors of any other quoted companies and, in general of the events, circumstances or situations that could be relevant for their functions as administrator of the Company in accordance with the content of this Regulation. Although there are no other additional approved regulations related to the number of boards on which they may perform as directors.

26. That the board of directors meets with the necessary frequency to properly perform its functions and at least eight times a year, following the schedule of dates and matters set at the beginning of the year, each director may individually propose other items on the agenda not initially foreseen.

Compliant

27. Non-attendance of directors be reduced to the cases unavoidable and quantified in the annual corporate governance report. And when it must occur, representation is granted with instructions.

Compliant

28. When the directors or the secretary express concerns about some proposal or, in the case of the directors, about the progress of Company and such concerns are not resolved at the board meeting, at the request of whoever has expressed them a record is made of them in the minutes.

Compliant

29. The company establishes appropriate channels for directors to get the precise advice for the fulfillment of their duties including, if circumstances warrant, external assistance to the company.

Compliant

30. That regardless of knowledge that Directors are required for the exercise of their functions, companies also offer Directors refresher programs when circumstances so warrant.

Compliant

31. The agenda of the sessions clearly indicate those points on which the board of directors will adopt a decision or agreement for directors to study or collect, in advance, the information required for its adoption.

When, exceptionally, for reasons of urgency, the president wants to submit to the approval of the board decisions or agreements not given in the agenda, it will require the express prior consent of the majority of the directors present, which shall be duly recorded in the minutes.

Compliant

32. The directors are regularly informed of the movements in the shareholding and opinion that significant shareholders, investors and rating agencies have on the company and its group.

Compliant

33. That the president, responsible for the efficient functioning of the board of directors, in addition to exercising the functions conferred by law and statutes, prepare and submit to the board a program of dates and issues to be addressed; organize and coordinate the periodic evaluation of the board and, where appropriate, of the chief executive of the company; is responsible for the management board and the effectiveness of its functioning; it ensures that sufficient time is devoted to discussion on strategic issues, and agrees and reviews the refresher programs for each director, when circumstances require.

Compliant

34. When there is a coordinating director, statutes or regulations of the board of directors, in addition to the powers legally corresponding, attribute the following: chairing the board in the absence of the president and vice presidents, if any; echoing the concerns of non-executive directors; maintain contacts with investors and shareholders to learn their points of view to form an opinion about their concerns, particularly in relation to the corporate governance of Company; and coordinate the president's succession plan.

Partially Compliant

The powers of the Independent Coordinating Director are those provided for this purpose in article 529.7 of the Capital Companies Act and developed in the Company's regulations, in particular in article 25 of the Bylaws and 8.7 of the Regulations of the Board of Directors' Administration.

35. That the Secretary of the board of directors ensure, in a proactive way, that the actions and decisions of the board of directors bear in mind the recommendations on good governance contained in the Code of good governance that are applicable to the company.

Compliant

36. The board of directors, once a year, evaluates and adopts, if necessary, an action plan to correct the deficiencies identified with respect to:

a) The quality and efficiency of the board
b) The functioning and composition of its committees
c) Diversity in the composition and powers of the board
d) The performance of the chairman of the board and chief executive of Company
e) The performance and contribution of each director, paying particular attention to those responsible for the various board committees.

Assessment of the different committees will be based on the report that is [illegible] to the shareholders General Meeting, and for this the [illegible] to the appointments committee [illegible] every three years the board of directors will be assisted to carry out the evaluation by an external consultant, whose independence will be verified by the appointments committee. Business relationships that the consultant or any company in the group has with the company or any company in its group should be [illegible] in the annual corporate governance report. The process and the areas evaluated will be further described in the annual corporate governance report.

Compliant

37. When there is an executive committee, the participation structure of the different categories of directors is similar to that of board of directors and its secretary is the secretary of the board.

Not Applicable

38. The Board should always be aware of the matters dealt with and the decisions taken by the Executive Committee, and all Board members should receive a copy of the minutes of the Executive Committee sessions.

Not Applicable

39. Members of the audit committee, and particularly its chairman, should be appointed taking into account their knowledge and experience in accounting, auditing and risk management, and that most of these members are independent directors.

Compliant

40. Under the supervision of the audit committee, there shall be a unit that assumes the internal audit function to ensure the proper functioning of information systems and internal control and functionally dependent on the non-executive chairman of the Board or of the audit committee.

Compliant

41. The head of the unit that assumes the internal audit function presents to the Audit Committee its annual work plan, directly reports any incidents arising during its implementation and submits to the Audit Committee at the end of each year an activity report.

Compliant

42. That in addition to those provided for in the law, correspond to the audit committee the following functions:

1. With regard to information systems and internal control:

   a) Supervising the preparation and completeness of financial information about the company and, where appropriate, the group, monitoring compliance with regulatory requirements, the proper delimitation of the consolidation perimeter and the correct application of accounting principles.
   b) To ensure the independence of the unit that assumes the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the budget for this service; approve the orientation and work plans, ensuring that their activity is mainly focused on relevant risks of the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
   c) Establish and supervise a mechanism allowing employees to report confidentially and, if possible and appropriate, anonymously, any irregularities of potential importance, especially financial and accounting irregularities within the company.

2. In relation to the external auditor:

   a) In case of resignation of the external auditor, examine the circumstances that have motivated it.
   b) To ensure that the remuneration of the external auditor for their work does not compromise their quality or independence.
   c) Ensuring that the Company reports as a significant event to the CNMV the change of auditor and accompanies it with a statement about the possible existence of disagreements with the outgoing auditor and, if any, their content.
   d) **Ensure that the external auditor annually hold a meeting with the full board of directors to** inform it about the work done and the evolution of accounting and risk situation of the company.
   e) Ensure that the company and the external auditor comply with current rules on provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other rules on auditor independence.

Compliant

43. The audit committee may call any employee or manager of the company, and also have them appear without the presence of any other manager.

Compliant

44. That the audit committee is informed about the operations of structural and corporate changes that plans to carry the company for analysis and prior report to the board on their economic conditions and accounting impact and, in particular, where appropriate, on the equation of proposed exchange.

Not applicable

45. The policy control and risk management at least:

a) The different types of risk, financial and non-financial (including operational, technological, legal, social, environmental, political and reputational) which the company faces, including among financial or economic risks contingent liabilities and other off-balance sheet risks.
b) The level of risk that the company considers acceptable.
c) Measures to mitigate the impact of identified risks, should they materialize.
d) Information systems and internal control to be used to control and manage these risks, including contingent liabilities or off-balance sheet risks.

Compliant

46. That under the direct supervision of the audit committee or, where appropriate, a specialized committee of the Board, there is an internal control function and risk management exercised by a unit or internal department of the company that has expressly attributed the following functions:

   a. Ensure the proper functioning of the control systems and risk management and, in particular, to identify, manage and adequately quantify all important risks affecting Company.
   b. Actively participate in the development of the risk strategy and major decisions about its management.
   c. Ensure that the control systems and risk management adequately mitigate risks within the framework of the policy defined by the board of directors.

Compliant

47. That the members of the Appointments and Remuneration Committee - or the Appointments Committee and the Remuneration Committee, if they are separated - been appointed by ensuring that they have the knowledge, skills and experience appropriate to the functions they are called to perform and that the majority of such members are independent directors.

Compliant

48. That large cap companies have an appointments committee and a separate remuneration committee.

Explanation

The Company currently has a single Appointments and Remuneration Committee

49. That the appointments committee consults with the chairman of the board of directors and the chief executive of the Company especially on matters relating to executive directors.

   And any director may request the Appointments Committee to take into consideration, if found suitable in his opinion, potential candidates to fill director vacancies.

Compliant

50. That the remuneration committee exercises its functions independently and also functions assigned to it by law, comply the following:
   a. Propose to the board of directors the basic conditions of the contracts of senior managers.
   b. Check that the remuneration policy established by the company.
   c. Periodically review the remuneration policy applied to directors and senior executives, including compensation systems with shares and their implementation, and ensure that their individual remuneration is proportionate to that of other directors and senior executives of the company is paid.
   d. Ensure that any conflicts of interest does not impair the independence of external advice to the committee.
   e. Verify information on the remuneration of directors and senior management contained in the various corporate documents, including the annual report on remuneration of directors.

Compliant

51. That the Nomination Committee consult with the chairman and chief executive of Company, especially on matters relating to executive directors and senior managers.

Compliant

52. The rules governing the composition and functioning of committees monitoring and control are set out in the regulations of the Board and are consistent with those applicable to legally binding committees under the above recommendations, including:

a. Which are composed exclusively of non-executive directors with a majority of independent directors.
b. Should be chaired by independent directors.
c. The Board of Directors appoint the members of these committees based on the knowledge, skills and experience of the directors and the duties of each committee; discuss their proposals and reports; and be accountable, in the first full Board of Directors subsequent to their meetings, its activity and to respond the work done.
d. That the committees may engage outside advisors, when deemed necessary for the performance of their duties.
e. That minutes of their meetings be drawn up, which will be made available to all directors.

Compliant

53. The task of supervising compliance with the rules of corporate governance, internal codes of conduct and policy of corporate social responsibility is attributed to one or split between several committees of the board that could be the Audit Committee, the Nominations Committee, the committee of corporate social responsibility, if any, or specialized that the board of directors, in exercise of its powers of self-organization, decide to create to that effect, which specifically attributed the following minimum functions:

a. Monitoring compliance with the internal codes of conduct and corporate governance rules of Company.
b. Monitoring of the communication strategy and relationship with shareholders and investors, including small and medium shareholders.
c. Periodic evaluation of the adequacy of corporate governance system of Company, in order to fulfill its mission of promoting social interest and consider, as appropriate, the legitimate interests of other stakeholders.
d. Review of the corporate social responsibility policy of the company, ensuring that is aimed at value creation.
e. Monitoring of strategy and corporate social responsibility practices and evaluation of their compliance.
f. Monitoring and evaluation of processes associated with different stakeholders.
g. The assessment of all matters relating to non-financial risks of the company, including operational, technological, legal, social, environmental, political and reputational.
h. Coordination process of reporting non-financial information and diversity, in accordance with applicable regulations and international reference standards.

Partially Compliant

Board Regulation attributes to the Audit and Control Committee the competence to monitor compliance with corporate governance rules, but not exhaustively collect all the minimum functions set out in this recommendation.

54. That the policy of corporate social responsibility includes the principles or commitments which the company voluntarily assumes in its relationship with the different stakeholders and identify at least:

a. The objectives of the policy of corporate social responsibility and the development of support tools.
b. The corporate strategy related to sustainability, the environment and social issues.

c) The specific practices on issues related to: shareholders, employees, customers, suppliers, social and environmental issues, diversity, fiscal responsibility, respect for human rights and prevention of illegal conduct.
d) Methods or systems for monitoring the results of the implementation of the specific practices mentioned in the previous paragraph, the associated risks and their management.
e) The mechanisms for supervising non-financial risks, ethics and business conduct.
f) The channels of communication, participation and dialogue with stakeholders.
g) Responsible communication practices that prevent manipulation of information and protect its integrity and honour.

Compliant

55. The company should report, in a separate document or in the management report, on matters related to corporate social responsibility, using any of the internationally accepted methodologies.

Compliant

56. The remuneration of directors should be sufficient to attract and retain directors of the desired profile and to reward the dedication, qualifications and responsibility that the position demands, but not so high as to compromise the independent judgement of the non-executive directors.

Compliant

57. The executive directors are to be offered variable remuneration linked to the company's and personal performance, as well as remuneration through shares, options or rights over shares or instruments referenced to the value of shares, and long-term savings schemes such as pension plans, retirement systems or other social welfare systems.

The company may consider the delivery of shares as remuneration to non-executive directors when conditioned on their holding them until they cease to be directors. This shall not apply to the shares that the director needs to dispose of, as the case may be, to meet the costs related to acquisition.

Compliant

58. That in case of variable remuneration, compensation policies include limits and technical safeguards to ensure that such pay is related to the professional performance of its beneficiaries and not simply from the general evolution of the markets or the activity sector of the company or other similar circumstances.

And in particular, the variable components of remuneration:

a) They are linked to performance criteria that are predetermined and measurable and that such criteria consider the risk incurred to obtain a result.
b) Promote the sustainability of the company and include non-financial criteria that are suitable for creating long-term value, such as compliance with the internal rules and procedures of the company and its policies for the control and risk management.
c) Are set on the basis of a balance between fulfilling short-, medium- and long-term criteria, to reward continued performance over a sufficient period of time to appreciate their contribution to sustainable value creation, so that the measuring elements of this performance do not revolve only around specific, occasional or extraordinary events.

Compliant

59. That the payment of a significant portion of the variable components of remuneration be deferred for a period of sufficient minimum time to check that the previously established performance conditions have been met.

Compliant

60. That the remuneration linked to company earnings take into account any qualifications stated in the external auditor's report that reduce such earnings.

Compliant

61. That a significant percentage of the variable remuneration of executive directors is linked to the delivery of shares or financial instruments referenced to its value.

Not applicable

62. That once shares, options or rights to shares corresponding to the compensation systems are allocated, directors cannot transfer ownership of a number of shares equivalent to twice their fixed annual remuneration, nor can they exercise the options or rights until after a period of at least three years of its attribution.

This shall not apply to the shares that need to be sold to cover, if necessary, the costs related to acquisition.

Not applicable

63. That the contractual agreements include a clause that allows the Company to claim reimbursement of variable components of remuneration when payment has not been adjusted to the performance conditions or when they have been paid based on data which misstatement is accredited after.

Explain

The company will take the necessary measures to claim reimbursement of variable components of remuneration when payment has not been adjusted to the conditions of return or when you have paid based on data which misstated accredited after, if necessary, although contractual agreements do not include a clause in this regard.

64. That the payments for contract termination do not exceed a fixed amount equivalent to two years of total annual remuneration and are not paid until the company has been able to verify that the counselor has met the performance criteria previously established.

Comnlain

H - OTHER INFORMATION OF INTEREST

1. If it is considered that any relevant principles or significant aspects relating to the corporate governance structure and practices applied by the Company or the Group have not been addressed in this report, describe and explain them below.

2. Please also include any additional information or clarifications relative to the preceding sections of the report, to the extent that they are relevant and non-repetitive.
In particular, please indicate whether the company's corporate governance is bound by any law other than Spanish law and, if so, indicate any information the company is obligated to submit which is not covered in this report.

3. The company should also indicate whether it voluntarily adheres to other codes of ethics or good practices at the international or other levels and, if so, state the name of the code and the date of accession.

Note to section A.10

The shareholders entitled to attend the General Meeting have no restriction on the right to vote.

Note to section B.4

The vote or electronic delegation was used at the General Meeting held on 06/29/2016 by a total of two shareholders, who together held 811 shares.

Note to section C.1.16

During 2016 several senior executives received a multi-year variable remuneration that was not applied in the years 2015 and 2014, so that the overall remuneration of senior executives detailed in section C.1.16 reflects an increase over that declared in the previous exercises partially motivated by this circumstance.

Note to section G.25

The Directors of the Company, upon joining the Board of Directors, receive, among other documents, the Bylaws, the Regulations of the Board of Directors, the Regulations of the General Shareholders Meeting and the Rules of Conduct in Securities Markets, which regulate these assumptions in detail.

Note to section G.40

The Company has an internal audit function which, under the supervision of the Audit Committee, ensures the proper functioning of the internal information and control systems. Since 2008, the Company has an internal auditor, which is included in the list of senior executives and continues to perform its functions in the Company.

Note to section G.55

The Company is a member of the Global Compact of Corporate Social Responsibility since November 2011 and has renewed its membership commitment in 2012, 2013, 2014, 2015 and 2016. Similarly, among the other outstanding actions in terms of Corporate Social

Responsibility developed by the Company is the preparation of the Integrated Report 2015, prepared according to the GRI G4 methodology

This annual corporate governance report has been approved by the company's board of directors at its meeting on 02/27/2017

Indicate whether there have been directors who have voted against or abstained in connection with the approval of this Report

NO