TECNICAS REUNIDAS

CONSOLIDATED ANNUAL ACCOUNTS

Auditors' report, consolidated financial statements at 31 December 2019 and consolidated management report for financial year 2019.

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

Independent auditors' report on the consolidated annual accounts

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

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Técnicas Reunidas, S.A. (the Parent Company) and its subsidiaries (the Group) consisting of the balance sheet at 31 December 2019, the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and related notes to the consolidated annual accounts, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at 31 December 2019, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

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

Key Audit Matters

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

Key Audit Matters	How our audit addressed the key audit matter
Recognition of revenue from construction contracts The revenue recognition criteria applied by the Group are based on the percentage completion method in accordance with IFRS 15. When applying the percentage of completion method the Group applies significant estimates using relevant judgments regarding the total costs that are necessary to execute the contract, and regarding the amount of any claims or scope changes of the project that may be included as more revenue from the contract. The Group has implemented processes and controls to adequately recognize and oversee long-term contracts from the bidding phase, during execution and until the project is closed. These processes include, among other things: organization of the project, documentation, risk management, financial reviews and reporting, as well as controls over the adequate application of accounting principles. The information regarding construction contracts is set out in Notes 2.19, 4, 11 and 23 to the consolidated annual accounts. Given the relevance of the estimates used when recognizing revenue and their quantitative importance, this has been considered to be a key audit matter within our audit.	During our audit work we have taken into consideration our understanding of the controls over the process of estimating the margin obtained on long-term contracts. Our procedures include, among other things, the performance of tests of the design, implementation and operating effectiveness of certain relevant controls that mitigate the risks associated with the process of recognizing revenue from these types of construction contracts. To perform substantive tests we first selected a sample by applying quantitative and qualitative criteria, such as the identification of those relevant contracts either due to the total selling price of the contract or the amount of the revenue or margins recognized during the year, or the risk associated with the costs yet to be incurred to complete the contract. Additionally, we performed a selection based on statistical criteria for all of the remaining projects. We obtained the contracts relating to the selected projects so that we could read them and understand the most relevant clauses and their implications, as well as the budgets and execution oversight reports for those projects, and we performed the following procedures focusing on their main aspects: • We analysed the evolution of margins compared to variations in both the selling price and total budgeted costs. • We evaluated the coherence of the estimates made by the Group last year by comparing them with the actual data deriving from contracts the current this year. • We recalculated the percentage of completion of each stage of the selected projects and compared it with the results obtained from the Group's calculations. • In relation to contract amendments and claims in negotiation with clients, we obtain evidence of technical approvals and the status of economic negotiations. • We obtained explanations regarding the reconciliation between the financial information and the follow-up reports for the projects provided by project management.

Key Audit Matters	How our audit addressed the key audit matter
	Finally, we have verified that the information disclosures included in Notes 2.19, 4, 11 and 23 to the accompanying consolidated annual accounts regarding the recognition of revenue from contracts based on the percentage of completion method are adequate in terms of those required by applicable accounting legislation. The results of the procedures performed allowed us to reasonably obtain the audit objectives for which these procedures were designed.
Tax inspection action Over the past few years the Group underwent an inspection of the Spanish Tax Group regarding corporate income tax for the years 2008 through 2011. After the tax inspection action was completed in 2015, the Parent Company received a proposed settlement totalling €138.2 million, plus interest due to discrepancies in transfer pricing. The Parent Company contested the assessment and appealed the decision through administrative processes and provided the necessary financial guarantees. During 2018, The Spanish Central Economic-Administrative Court (TEAC) partially resolved in favor of the Group reducing the amount of the settlement by €20.9 million plus interest and establishing the current amount of the claim at €117.3 million (plus interests). The Parent Company maintains the necessary guarantees corresponding to these assessments. The Group has implemented processes and controls to assess the risks and probability that a potential liability must be recognized in the consolidated annual accounts. It considers that there are legal arguments that support its position and that no provision has been recognised in this regard.	During the course of the audit we gained an understanding of the processes and evaluated the estimates used by management. To do so we obtained confirmation letters from attorneys to compare the assessment of the expected outcome, all related information and we identified potential liabilities and compared them against the Group's estimates. To analyse the reasonableness of the Group's estimate, we have involved internal tax specialists and, as part of our substantive work, we held interviews with the Group's attorneys regarding the actions taken by the tax authorities to date. We have analysed the probability of success that the Group's challenge of the conclusions reached by the tax authorities will have, which corroborate the estimate made by the Group and the information regarding this matter set out in the consolidated annual accounts is adequate in the terms of applicable accounting legislation. The results of the procedures performed allowed us to reasonably obtain the audit objectives for which these procedures were designed.

Key Audit Matters	How our audit addressed the key audit matter
The information relating to the inspection action taken by the tax authorities is set out in Note 27 to the consolidated annual accounts. Given the relevance of the estimates used regarding the probability that the risk will materialize and the amount claimed by the tax authorities in the assessments raised, we have considered this to be a key audit matter.	
Deferred tax assets The consolidated balance sheet at 31 December 2019 includes a balance of €387,424 thousand in deferred tax assets that mainly relate to temporary differences due to losses incurred in foreign businesses that will be recoverable within the context of the Spanish tax group led by the Parent Company when the companies engaging in those businesses are liquidated. It also includes a tax credit balance totalling €41,005 thousand (primarily relating to tax-loss carry forwards) that will be recoverable in jurisdictions other than Spain. At the end of the year Group management prepares revenue and profitability projections per project to assess the capacity of recovering deferred tax assets taking into consideration legislative changes and updates in the profitability of the various projects. The information relating to the deferred tax assets is disclosed in Note 27 to the consolidated annual accounts. We identified this matter as a key audit matter since the preparation of these projections requires a high level of judgment, basically with respect to the evolution of the project projections that affect the estimate made regarding the recovery of the deferred tax assets.	We have obtained an understanding and analysed the estimation process applied by directors and by management, focusing our procedures on matters such as: • The process of preparing the business plan, which is substantially supported on projects in progress, projects in the portfolio and estimates regarding new project intake based on past information, prepared with the objective of evaluating the recognition, measurement and the capacity to recover the deferred tax assets. • The criteria used when calculating the deferred tax assets. • The base information used by management in its analysis regarding the recovery of deferred tax assets, verifying its congruence with the estimates regarding projects used in other areas of the audit such as revenue recognition or the assessment of the application of the going-concern principle. We have involved our internal tax experts when considering the reasonableness of the tax assumptions used based on applicable legislation, to ensure that they are complete and adequate. Finally, we have verified that Note 27 to the accompanying consolidated annual accounts contains the appropriate disclosures in this respect. The results of the procedures performed allowed us to reasonably obtain the audit objectives for which these procedures were designed.

Other information: Consolidated directors' report

Other information comprises only the consolidated directors' report for the 2019 financial year, the formulation of which is the responsibility of the Parent Company's directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated director's report. Our responsibility regarding the information contained in the consolidated directors' report is defined in accordance with legislation governing the audit practice, which establishes two different levels in this respect:

a) A specific level that is applicable to the statement of consolidated non-financial information, as well as to certain information included in the Annual Corporate Governance Report as defined by Article 35.2.b) of Law 22/2015, on Audits, which consists of only verifying that the information has been provided in the consolidated directors' report, or it has been included by reference to the separate report on non-financial information in the manner established by legislation, which must be reported by us if this is not the case.

b) A general level applicable to the rest of the information included in the consolidated directors' report, which consists of evaluating and reporting on the consistency of that information with that presented in the consolidated annual accounts based on the knowledge gained of the Group during the performance of the audit, without including information other than that obtained as evidence during the audit, as well as an assessment and report on whether the content and presentation of that part of the consolidated directors' report are in line with applicable legislation. If, based on our work, we conclude that there are material misstatements, we are required to report that fact.

On the basis of the work performed, as described above, we verify that the information mentioned in the preceding paragraph a) is included in the consolidated directors' report and that the rest of the information contained in the consolidated directors' report is consistent with that of the consolidated annual accounts for 2019 and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit and control committee at the Parent Company for the consolidated annual accounts

The Parent Company´s directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent Company´s directors are responsible for assessing the Group´s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent Company´s audit and control committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent Company´s directors.

- Conclude on the appropriateness of the Parent Company´s directors´ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor´s report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor´s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent Company´s audit and control committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent Company´s audit and control committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent Company´s audit and control committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

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

Report on other legal and regulatory requirements

Additional report for the Parent Company's audit and control committee

The opinion expressed in this report is consistent with the statements made in our additional report for the Parent Company's audit and control committee dated 27 February 2020.

Contract term

The General Shareholders Meeting held on 26 June 2019 appointed PricewaterhouseCoopers Auditores, S.L. as the Group's co-auditor for one year for the year ended 31 December 2019. On the other hand, the General Shareholders Meeting held on 29 June 2017 appointed Deloitte S.L. as the Group's co-auditor for three years starting the year ended 31 December 2017.

PricewaterhouseCoopers Auditores, S.L. had been previously designated for an initial period by a resolution adopted by the General Shareholders Meeting and has performed audit work without interruption since the year ended 31 December 1989.

Services rendered

Services other than audit rendered to the Group are those described in Note 33 b) to the accompanying consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L.

Registered with R.O.A.C. No. S0242

Original signed in Spanish by
Goretty Álvarez
Registered with R.O.A.C. No. 20,208

27 February 2020

Deloitte, S.L.

Registered with R.O.A.C. No. S0692

Original signed in Spanish by
F. Javier Peris Álvarez
Registered with R.O.A.C. No. 13,355

27 February 2020

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TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES

Consolidated Annual Accounts at 31 December 2019 and Consolidated Directors' Report for 2019

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CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2019

CONSOLIDATED BALANCE SHEET
(Amounts in thousands of euros)

		At 31 December	
	Note	**2019**	**2018**
ASSETS			
Non-current assets			
Property, plant and equipment	**6**	51,626	34,558
Goodwill	**7**	1,242	1,242
Other intangible assets	**7**	53,161	55,066
Rights of use on leased assets	**8**	42,473	-
Investments in associates	**9**	3,422	12,728
Deferred tax assets	**27**	387,424	319,260
Derivative financial instruments	**10**	295	129
Accounts receivable and other financial assets	**10,13**	92,044	91,877
		631,687	**514,860**
Current assets			
Inventories	**12**	5,457	23,037
Trade and other receivables	**10, 11**	2,672,058	2,421,725
Accounts receivable and other assets	**10,13**	11,766	10,564
Derivative financial instruments	**10**	6,551	9,102
Financial assets at fair value through profit or loss	**10,14**	65,135	64,817
Cash and cash equivalents	**15**	887,629	680,780
		3,648,596	**3,210,025**
Total assets		**4,280,283**	**3,724,885**

The accompanying Notes 1 to 34 and Appendices I to IV are an integral part of these consolidated annual accounts.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2019

CONSOLIDATED BALANCE SHEET
(Amounts in thousands of euros)

	Note	At 31 December	
		2019	**2018**
EQUITY			
Share capital and Reserves attributable to the Company's shareholders			
Share capital	**16**	5,590	5,590
Share premium	**16**	8,691	8,691
Treasury shares	**16**	(73,830)	(74,116)
Legal reserve	**17**	1,137	1,137
Capitalisation reserve	**17**	3,056	3,056
Hedging reserve	**10**	(24,206)	(7,292)
Cumulative translation differences	**18**	(37,350)	(38,528)
Retained earnings	**19**	434,210	446,477
Equity attributable to shareholders		**317,298**	**345,015**
Non-controlling interests	**19**	**12,730**	**13,572**
Total equity		**330,028**	**358,587**
LIABILITIES			
Non-current liabilities			
Borrowings	**10, 21**	296,503	388,491
Borrowings associated with rights of use of leased assets	**8, 10**	17,678	-
Derivative financial instruments	**10**	2,928	1,242
Deferred tax liabilities	**27**	67,497	54,293
Other accounts payable	**10, 20**	835	356
Other liabilities	**10**	692	42
Employee benefit obligations		2,714	2,464
Provisions for contingencies and charges	**22**	34,295	39,639
		423,142	**486,527**
Current liabilities			
Trade payables	**20**	2,978,633	2,654,069
Current tax liabilities	**27**	120,973	27,349
Borrowings	**10, 21**	285,754	99,402
Borrowings associated with rights of use of leased assets	**8, 10**	25,267	-
Derivative financial instruments	**10**	53,563	55,044
Other accounts payable	**10, 20**	19,281	14,044
Provisions for contingencies and charges	**22**	43,642	29,863
		3,527,113	**2,879,771**
Total liabilities		**3,950,255**	**3,366,298**
Total equity and liabilities		**4,280,283**	**3,724,885**

The accompanying Notes 1 to 34 and Appendices I to IV are an integral part of these consolidated annual accounts.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2019

CONSOLIDATED INCOME STATEMENT
(Amounts in thousands of euros)

	Note	Year ended 31 December	
		2019	**2018**
Revenue	**23**	4,699,108	4,396,328
Changes in inventories		(13,975)	5,125
Procurements	**24**	(3,665,525)	(3,441,772)
Employee benefit expense	**25**	(610,831)	(584,033)
Depreciation, amortisation and impairment losses	**6, 7 & 8**	(42,094)	(18,949)
Lease and royalty expenses		(41,580)	(64,520)
Other operating expenses	**24**	(264,784)	(256,846)
Other operating income	**24**	7,833	6,806
Profit from operations		**68,152**	**42,139**
Finance income	**26**	7,774	3,936
Finance costs	**26**	(38,126)	(22,774)
Gains on disposal of associates	**9**	17,727	-
Share in profit/(loss) of associates	**9**	274	(1,011)
Profit before tax		**55,801**	**22,290**
Income tax	**27**	(65,796)	(7,843)
Profit/(Loss) for the year		**(9,995)**	**14,447**
Attributable to:			
Company shareholders		(9,230)	11,974
Non-controlling interests		(765)	2,473
		(9,995)	**14,447**
(Loss)/Earnings per share for profit attributable to the equity holders of the Company (expressed in euros per share):			
- Basic and diluted	**28**	(0.17)	0.22

The accompanying Notes 1 to 34 and Appendices I to IV are an integral part of these consolidated annual accounts.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Amounts in thousands of euros)

		Year ended 31 December	
	Notes	**2019**	**2018**
Profit/(Loss) for the year		**(9,995)**	**14,447**
Other comprehensive income:			
Items that will not be reclassified to profit or loss		-	-
Changes in fair value of financial instruments		-	(6,394)
Tax effect		-	1,947
Total items that will not be reclassified to profit or loss		**-**	**(4,447)**
Items that may be reclassified to profit or loss			
Cash flow hedges	**10**	(19,205)	(29,356)
Tax effect		2,291	6,228
Cash flow hedges, net of tax		(16,914)	(23,128)
Exchange differences on translation of foreign operations	**18**	1,197	(6,619)
Total items that may be reclassified to profit or loss		**(15,717)**	**(29,747)**
Other comprehensive income for the year, net of tax		**(15,717)**	**(34,194)**
Total comprehensive income for the year		**(25,712)**	**(19,747)**
Attributable to:			
Owners of the Parent		(24,966)	(22,289)
- Non-controlling interests		(746)	2,542
Total comprehensive income for the year		**(25,712)**	**(19,747)**

The accompanying Notes 1 to 34 and Appendices I to IV are an integral part of these consolidated annual accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Amounts in thousands of euros)

	Attributable to equity holders of the Company								Equity attributable to shareholders	Non-controlling interests	Total equity
	Share capital (Note 16)	Share premium (Note 16)	Treasury shares (Note 16)	Legal and capitalisation reserves (Note 17)	Hedging reserve (Note 10)	Cumulative translation differences (Note 18)	Retained earnings (Note 19)	Interim dividend (Note 19)		(Note 19)	
Balance at 1 January 2019	**5,590**	**8,691**	**(74,116)**	**4,193**	**(7,292)**	**(38,528)**	**446,477**	**-**	**345,015**	**13,572**	**358,587**
Comprehensive income									**-**		**-**
Loss for 2019	-	-	-	-	-	-	(9,230)	-	(9,230)	(765)	(9,995)
Other comprehensive income									-		-
Cash flow hedges, net of tax	-	-	-	-	(16,914)	-	-	-	(16,914)	-	(16,914)
Changes in fair value of financial instruments	-	-	-	-	-	-	-		-		-
Exchange differences on translation of foreign operations	-	-	-	-	-	1,178	-	-	1,178	19	1,197
Total other comprehensive income	-	-	-	-	(16,914)	1,178	-	-	(15,736)	19	(15,717)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(16,914)**	**1,178**	**(9,230)**	**-**	**(24,966)**	**(746)**	**(25,712)**
Transactions with owners in their capacity as such:									-		-
Treasury share transactions (net)	-	-	286	-	-	-	(236)	-	50	-	50
Distribution of 2018 profit	-	-	-	-	-	-		-	-	(96)	(96)
Other changes	-	-	-	-	-	-	(2,801)	-	(2,801)	-	(2,801)
Total transactions with owners in their capacity as such	**-**	**-**	**286**	**-**	**-**	**-**	**(3,037)**	**-**	**(2,751)**	**(96)**	**(2,847)**
Balance at 31 December 2019	**5,590**	**8,691**	**(73,830)**	**4,193**	**(24,206)**	**(37,350)**	**434,210**	**-**	**317,298**	**12,730**	**330,028**

The accompanying Notes 1 to 34 and Appendices I to IV are an integral part of these consolidated annual accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Amounts in thousands of euros)

	Attributable to equity holders of the Company										
	Share capital (Note 16)	Share premium (Note 16)	Treasury shares (Note 16)	Legal and capitalisation reserves (Note 17)	Hedging reserve (Note 10)	Cumulative translation differences (Note 18)	Retained earnings (Note 19)	Interim dividend (Note 19)	Equity attributable to shareholders	Non-controlling interests (Note 19)	Total equity
Balance at 31 December 2017	**5,590**	**8,691**	**(73,041)**	**4,193**	**15,836**	**(31,840)**	**551,494**	**(35,852)**	**445,071**	**18,233**	**463,304**
Adjustment for the adoption of IFRS 9 (net of tax)	-	-	-	-	-	-	(19,829)	-	(19,829)	-	(19,829)
Adjustment for the adoption of IFRS 15 (net of tax)	-	-	-	-	-	-	(34,425)	-	(34,425)	-	(34,425)
Balance at 1 January 2018	**5,590**	**8,691**	**(73,041)**	**4,193**	**15,836**	**(31,840)**	**497,240**	**(35,852)**	**390,817**	**18,233**	**409,050**
Comprehensive income											
Profit for 2018	-	-	-	-	-	-	11,974	-	11,974	2,473	14,447
Other comprehensive income											
Cash flow hedges, net of tax	-	-	-	-	(23,128)	-	-	-	(23,128)	-	(23,128)
Changes in fair value of financial instruments	-	-	-	-	-	-	(4,447)	-	(4,447)	-	(4,447)
Exchange differences on translation of foreign operations	-	-	-	-	-	(6,688)	-	-	(6,688)	69	(6,619)
Total other comprehensive income	-	-	-	-	(23,128)	(6,688)	(4,447)	-	(34,263)	69	(34,194)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(23,128)**	**(6,688)**	**7,527**	**-**	**(22,289)**	**2,542**	**(19,747)**
Transactions with owners in their capacity as such:											
Treasury share transactions (net)	-	-	(1,075)	-	-	-	(280)	-	(1,355)	-	(1,355)
Distribution of 2017 profit	-	-	-	-	-	-	(50,000)	35,852	(14,148)	(7,203)	(21,351)
Other changes	-	-	-	-	-	-	(8,010)	-	(8,010)	-	(8,010)
Total transactions with owners in their capacity as such	**-**	**-**	**(1,075)**	**-**	**-**	**-**	**(58,290)**	**35,852**	**(23,513)**	**(7,203)**	**(30,716)**
Balance at 31 December 2018	**5,590**	**8,691**	**(74,116)**	**4,193**	**(7,292)**	**(38,528)**	**446,477**	**-**	**345,015**	**13,572**	**358,587**

The accompanying Notes 1 to 34 and Appendices I to IV are an integral part of these consolidated annual accounts.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2019

CONSOLIDATED STATEMENT OF CASH FLOWS
(Amounts in thousands of euros)

	Notes	Year ended 31 December	
		2019	**2018**
Cash flows from operating activities			
Profit/(Loss) for the year		(9,995)	14,447
Adjustments for:			
– Taxes	**27**	65,796	7,843
– Amortisation of intangible assets and rights of use of leased assets	**6, 7 and 8**	42,094	18,608
– Net change in provisions	**22**	8,434	22,663
– Share in profit/(loss) of associates	**9**	(274)	1,011
– Changes in fair value of financial instruments	**14**	(318)	2,546
– Interest income	**26**	(7,450)	(6,483)
– Interest expense	**26**	26,043	10,563
– Profit from sale of associates	**8**	(17,727)	-
– Change in gains/(losses) on derivatives	**10**	33,969	12,980
– Impairment losses	**7**	-	(2,697)
– Exchange differences	**26**	12,082	12,211
– Other income and expenses		(1,594)	1,145
Changes in working capital:			
– Inventories		19,113	(5,115)
– Trade and other receivables		(232,558)	185,524
– Other financial assets			1,029
– Trade payables		307,358	(146,029)
– Other accounts payable		(10,142)	(15,497)
– Hedging derivatives settlements and other changes		(50,820)	11,955
Other cash flows from operating activities			
– Interest paid		(13,029)	(8,874)
– Interest received		7,450	6,483
– Taxes paid		(27,246)	(16,606)
Net cash flows from operating activities		**151,186**	**107,707**
Cash flows from investing activities			
Acquisition of property, plant and equipment	**6**	(13,325)	(3,947)
Acquisition of intangible assets	**7**	(568)	(2,097)
Investments in associates	**9**	(831)	(850)
Revenue from sales to associates	**9**	2,469	-
Disposal of non-current assets		221	574
Net cash flows used in investing activities		**(12,034)**	**(6,320)**
Cash flows from financing activities			
Proceeds from borrowings		863,000	411,013
Repayment of borrowings		(766,713)	(343,000)
Lease payments		(28,544)	-
Dividends paid	**19**	(96)	(57,204)
Acquisition/disposal of treasury shares (net)	**16**	50	(1,354)
Net cash flows from financing activities		**67,697**	**9,455**
Net change in cash and cash equivalents		**206,849**	**110,842**
Cash and cash equivalents at beginning of year		**680,780**	**569,938**
Cash and cash equivalents at end of year		**887,629**	**680,780**

The accompanying Notes 1 to 34 and Appendices I to IV are an integral part of these consolidated annual accounts.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2019

Notes to the consolidated annual accounts
(Amounts in thousands of euros)

1. General information

TÉCNICAS REUNIDAS, S.A. (the "Parent") and its subsidiaries (together, the "Group") was incorporated on 6 July 1960 as a public limited liability company. It is registered with the Mercantile Registry of Madrid in volume 1,407, sheet 5,692, page 129. The latest adaptation and amendment of its Articles of Association is registered in volume 22,573, section 8, book 0, page 216, sheet M-72319, entry 192.

The registered office of TÉCNICAS REUNIDAS, S.A. is located at Arapiles 14, 28015, Madrid, Spain. Its headquarters are located at Arapiles 13, 28015, Madrid, Spain.

The Company's corporate purpose is described in Article 4 of the Articles of Association and consists of the performance of all manner of engineering and construction services for industrial plants, ranging from viability or basic and conceptual engineering studies to large and complex turnkey engineering and design 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 Group operates through various lines of business, mainly in the oil and gas, power and infrastructure sectors.

All shares of Técnicas Reunidas, S.A. have been admitted to trading since 21 June 2006. The shares are listed on continuous market of the Spanish stock exchange.

The Group's consolidated annual accounts for 2018 were approved by the shareholders at the Annual General Meeting on 26 June 2019.

These consolidated annual accounts were authorised for issue by the Parent's Board of Directors on 26 February 2020. The Parent's directors will submit these consolidated annual accounts at the Annual General Meeting, and it is expected that they will be approved without any changes.

2. Summary of the main accounting policies

The main accounting policies applied in the preparation of these consolidated annual accountsannual accounts are set out below.

2.1. Basis of presentation

The Parent's directors prepared the Group's consolidated annual accounts for the year ended 31 December 2019 in accordance with the International Financial Reporting Standards as adopted by the European Union ("EU-IFRSs") and approved by the European Commission Regulations, and that were in force at 31 December 2019, and with all prevailing IFRIC interpretations and corporate law applicable to companies reporting under EU-IFRSs. The consolidated annual accounts have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative financial instruments), which are measured at fair value.

Unless indicated otherwise, the policies explained below were applied consistently to all years in which these consolidated annual accounts are presented.

The consolidated annual accounts have been prepared from the accounting records of Técnicas Reunidas, S.A. and its subsidiaries, present a fair view of the Group's consolidated equity, financial position at 31 December 2019, as well as the consolidated results, the changes in consolidated equity and the consolidated cash flows in the year then ended.

The preparation of these consolidated annual accounts in accordance with EU-IFRSs requires the use of certain critical accounting estimates. It also requires management to make judgements in the application of the Group's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated annual accounts are disclosed in Note 4.

For information comparison purposes, the Group presents, together with the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the years ended 31 December 2019 and 2018.

The Group presents comparative information in the explanatory notes to the consolidated annual accounts when it is relevant for a better understanding of the current year's consolidated annual accounts.

The figures contained in these consolidated annual accounts are shown in thousands of euros, unless expressly stated otherwise.

2.1.1. Changes in accounting policies and breakdowns

a) Mandatory standards, amendments and interpretations for all annual periods beginning on or after 1 January 2019:

As a result of their approval, publication and entry into force on 1 January 2019, the following standards have been applied:

- **IFRS 16 Leases**

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determination of whether an arrangement contains a lease, SIC-15 Operating leases - Incentives, and SIC-27 Evaluation of the substance of the transactions with the legal form of a lease. This standard entered into force on 1 January 2019 and has not been adopted early.

This new standard establishes a single accounting model for leases on the balance sheet of the lessee. The lessee recognises the right to use an asset that represent their right to use this asset and a liability that represents their obligation to make lease payments. The standard includes two exceptions to recognising the rights of use in the accounting of the lessees, leases of low-value assets and short-term leases (agreements with a lease term of less than 12 months)

In accordance with this standard, lessees must recognise a financial liability on the consolidated balance sheet for the present value of the payments to be made for the remaining term of the lease and an asset for the right to use the underlying asset, which is measured by using the amount of the associated liability as a reference, plus any initial direct costs incurred.

In addition, the expenses related to these leases are presented, in accordance with the requirements of IFRS 16, as amortisation expenses for the right to use the assets and as finance costs for the liabilities associated with the leases. The standard does not substantially change with regard to the accounting by the lessor, which must continue to classify each lease as an operating lease or a financial lease, depending on the degree in which the risks and rewards incidental to ownership are substantially transferred.

The Group has applied the following policies, estimates and criteria:

- The Group has chosen to apply the modified retrospective method, on the basis of which no comparative figures for previous years have been restated and has recognised the impacts at 1 January 2019. Furthermore, the Company decided to measure the initial right to use the asset at an amount equal to the lease liability at 1 January 2019 for all leases.

- The exceptions applied for recognising leases in which the underlying asset is of low value (less than USD 5,000) and short-term leases (maturing in less than or equal to 12 months). Likewise, this standard was not applied to intangible assets.

- The practical expedient indicated in paragraph C3 of appendix C of IFRS 16 was applied, which stipulates that an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application.

- The Company decided not to recognise lease components separately from non-lease components for those classes of assets in which the relative importance of these components is not significant with regard to the total value of the lease.

- An incremental borrowing rate was applied for each homogeneous lease portfolio, country and term of the agreement, obtained in each case from market data. The interest rate ranges from 1.20% to 10.68%.

- To determine the lease term as the non-cancellable period of a lease, the Group has taken into consideration the initial period of each agreement, unless it has a unilateral option to extend or terminate the lease, and whether there is reasonable certainty that this option will be exercised, in which case the corresponding extension or early termination period will be considered. Specifically, contracts in force at 1 January 2019 that mature after 1 January 2020 have been capitalised for the remaining term until the end of the contract in accordance with its terms. Contracts in force that mature in 2019 have been capitalised only if there is reasonable certainty that they will be renewed or if the extension clause states that it can be done tacitly or automatically. In these cases, the renewal was considered to be for a period equal to the previous (provided that it does not exceed 3 years) as there is no reasonable certainty that it will be extended beyond those 3 years. In the case of the lease of offices in companies, the term of which is linked to that of the project they are carrying out, the maximum renewal period will be 3 years, provided that it does not exceed the remaining term of the project in progress. Given the Group's activities and the type of assets subject to leases, in most cases the term of the leases coincides with the non-cancellable period (with the exception of certain offices).

The consolidated annual accounts indicated that the impact initially expected from the first-time application of this standard amounted to EUR 57,286 thousand. Finally, after reassessing the information, the impacts of the first-time application have been as follows:

	1 January 2019
Non-current assets	
Rights of use of leased assets	58,449
Non-current liabilities	
Liabilities associated with rights of use of leased assets	34,411
Current liabilities	
Liabilities associated with rights of use of leased assets	24,038

The reconciliation of the operating lease commitments disclosed in the Group's consolidated annual accounts at 31 December 2018 to the lease liabilities recognised at 1 January 2019 in the consolidated balance sheet at that date is as follows

	Thousands of euros
Operating lease commitments disclosed in the 2018 consolidated annual accounts	47,872
Discounted using the weighted average of the incremental borrowing rate of interest	46,501
Adjustments as a result of different treatment of renewal and termination options	11,948
Lease liabilities recognised at 1 January 2019	**58,449**

Detailed information regarding the rights of use of leased assets is contained in Note 8.

Other amendments and/or interpretations that have been approved by the European Union and that entered into force on 1 January 2019 are as follows:

- Annual improvements to IFRSs, 2015-2017 Cycle: Amendments to IFRS 3 “Business combinations”, IFRS 11 “Joint ventures”, IAS 12 “Income taxes”, IAS 23 “Borrowing costs

- Amendments to IAS 19 “Plan amendments, curtailments and settlements”

- Amendments to IAS 28 “Long-term interests in associates and joint ventures”

- IFRIC 23 “Uncertainty over income tax treatments”

- Amendments to IFRS 9 “Prepayment features with negative compensation”

The application of these amendments and interpretations did not have a significant effect on these consolidated annual accounts.

b) Standards, amendments and interpretations approved by the European Union and that enter into force on 1 January 2020, but that may be applied early.

- IAS 1 (Amendment) and IAS 8 (Amendment) “Definition of materiality”

- IFRS 9 (Amendment), IFRS 7 (Amendment) and IAS 39 (Amendment) “Interest rate benchmark reform”.

The Group is currently analysing the impact that the new standards may have on the consolidated annual accounts, although they are not expected to be significant.

c) Standards, amendments and interpretations of existing standards that cannot be adopted early or that have not been adopted by the European Union as of the date of this note:

At the date of authorisation for issue of these consolidated annual accounts, the IASB and the IFRS Interpretations Committee had issued the following standards, amendments and interpretations that have yet to be adopted by the European Union:

- IFRS 10 (Amendment) and IAS 28 (Amendment) “Sale or contribution of assets between an investor and its associate or joint venture”
- IFRS 17 “Insurance contracts”
- IFRS 3 (Amendment) “Definition of a business”
- IAS 1 (Amendment) “Classification of liabilities as current or non-current”

The Group is currently analysing the impact that the new standards may have on the consolidated annual accounts.

2.2. Basis of consolidation

2.2.1. Scope of consolidation

The scope of consolidation of Técnicas Reunidas includes Técnicas Reunidas, S.A., the Parent, its subsidiaries and associates. The Group also has interests with other entities or investees in joint operations and unincorporated temporary joint ventures (“UTEs”). Appendices I, II, III and IV to these notes to the annual accounts include additional information with regard to the entities included in the scope of consolidation.

For the purpose of preparing these consolidated annual accounts, a group is considered to exist when the Parent has one or more subsidiaries over which this Parent has direct or indirect control.

The Parent and certain subsidiaries also have interests in UTEs and consortiums, and the figures for the relevant assets, liabilities, income and expenses corresponding to the UTEs and consortiums are included on a proportionate basis. Appendix IV lists the UTEs and consortiums in which the Group companies have interests.

The changes in the scope of consolidation in 2019 were as follows:

The following companies were incorporated:

- TR Argentina, TR Colombia, S.A.S, TR Duqm LLC and TR Projeler Insaat ve Mühendislisk A.S., all of which are wholly owned by Técnicas Reunidas, S.A.
- TR Alberta, of which Técnicas Reunidas, S.A. and Initec Plantas Industriales, S.A.U. each own 50%.

In addition, the remaining 50% of Ibérica del Espacio, S.A. was acquired, giving it a 100% shareholding and making it a subsidiary (Note 9).

The following associates were sold (Note 9):

- Empresarios Agrupados A.I.E and Empresarios Agrupados Internacional, S.A.

The changes in the scope of consolidation in 2018 were as follows:

The following companies were incorporated:

- TRD DUQM PROJECT LLC, 65% of which is owned by Técnicas Reunidas, S.A.
- TTSJV WLL, 32% of which is owned by TECNICAS REUNIDAS SAUDIA FOR SERVICES AND CONTRACTING COMPANY LIMITED. (joint control)
- TR Italy, which is wholly owned by Técnicas Reunidas, S.A.
- Técnicas Reunidas LLC, 50% of which is owned by Técnicas Reunidas, S.A. and Técnicas Reunidas Proyectos Internacionales, S.A.U., respectively.

In 2019 the only business combination that took place was the aforementioned acquisition of the remaining 50% of Ibérica del Espacio, S.A. There were no business combinations in 2018.

a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed or has the right to obtain variable returns from its involvement in the investee and has the ability to use its power over this entity to influence these returns. Subsidiaries are consolidated from the date on which control passes to the Group, and are excluded from consolidation on the date on which control ceases to exist.

The subsidiaries are fully consolidated and all their assets, liabilities, income, expenses and cash flows are included in the consolidated annual accounts after transactions and balances between Group companies are eliminated. The accounting policies of the subsidiaries have been modified when necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in profit or loss and equity of the subsidiaries are shown separately in the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity and the consolidated statement of comprehensive income.

Appendix I to these notes provides a breakdown of the details on the subsidiaries included in the scope of consolidation through full consolidation.

- **Changes in the shareholdings in subsidiaries without change of control**

Transactions with non-controlling interests resulting in a loss of control are recognised as equity transactions, i.e., as transactions with owners in their capacity as such. The difference between the fair value of the consideration paid and the relevant portion acquired of the carrying amount of the subsidiary’s net assets is recognised under equity. Gains or losses on the disposal of non-controlling interests are recognised under equity.

- **Disposals and liquidations of subsidiaries**

No subsidiaries were disposed of or liquidated in 2019 or 2018.

b) Associates

Associates are all entities over which the Group exercises significant influence but no control, which is generally accompanied by a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or reduced to recognise the investor's interest in the results of the investee following the acquisition date. The Group's investment in associates includes goodwill identified on acquisition.

If its shareholding in an associate is reduced but significant influence is maintained, only the proportionate interest of the amounts previously recognised in other consolidated comprehensive income is reclassified, where appropriate, to the consolidated income statement.

The Group's share of its associates' post-acquisition gains or losses is recognised in the consolidated income statement and its share of post-acquisition changes is recognised in other consolidated comprehensive income with the relevant adjustment to the carrying amount of the investment. When the Group's share in the losses of an associate is equal to or exceeds its interest in the associate, including any other unsecured non-current receivables, it does not recognise further losses, unless it has assumed legal or implicit commitments or made payments on behalf of the associate.

At each financial reporting date, the Group determines whether there is any objective evidence that the investment in the associate has become impaired. If this is the case, the Group calculates the amount of the impairment loss as the difference between the recoverable amount of the associate and its carrying amount and recognises this amount under "Share in profit/(loss) of associates" in the consolidated income statement.

Profit and loss resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's annual accounts only if they correspond to unrelated investors' interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment loss on the asset transferred. The accounting policies of the associates have been modified when necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising on investments in associates are recognised in the consolidated income statement.

The shareholdings in Empresarios Agrupados A.I.E. and Empresarios Agrupados, S.A. were sold in 2019. No interest was sold in 2018, although the Company no longer had significant influence over the water treatment project. In addition, in 2019 the Group increased its interest in Ibérica del Espacio, S.A. by 50%, so that instead of classified as an associate it is now fully consolidated.

Appendix II to these consolidated annual accounts provides a breakdown of the details on the associates accounted for using the equity method.

c) Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Investments in joint arrangements under IFRS 11 are classified as joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Técnicas Reunidas Group has assessed the nature of its joint arrangements and determined that they should be classified as joint operations.

Joint operations mean that a venturer has direct rights over the assets, liabilities, income and expenses of the entity in which it has an interest. Accordingly, joint ventures arise when a venturer has the right to the profit or loss or to the net assets of the entity in which it has an interest and, therefore, its interest in the entity is recognised using the equity method.

The proportional amount of the line items of the balance sheet and income statement of the joint operations are included in the balance sheet and income statement of the venturer depending on its percentage of shareholding and the cash flows in the consolidated statements of cash flows.

Appendix III to these notes provides a breakdown of the details on the joint arrangements included in the scope of consolidation.

d) Unincorporated temporary joint ventures (UTEs)

An unincorporated temporary joint venture (UTE) is an arrangement between companies, for a specified or unspecified period of time, to carry out or execute works, services or supplies.

The proportional amount of the line items of the UTE's balance sheet and income statement are included in the balance sheet and income statement of the venturer depending on its percentage of shareholding and the cash flows in the statement of cash flows.

Appendix IV to these notes provides a breakdown of the details on the UTEs whose financial information is recognised by the companies included in the scope of consolidation.

2.3. Segment reporting

The information on segments is presented in accordance with the internal information provided to the chief operating decision maker (Note 5).

The accounting policies applied to prepare the segment information are the same as those described in these consolidated annual accounts.

The chief operating decision maker is the Parent's Board of Directors.

2.4. Foreign currency transactions

a) Functional and presentation currency

The items included in these consolidated annual accounts for each Group company are measured using the currency of the principal economic environment in which the Company operates, i.e., the currency that mainly affects income and expenses ("functional currency"). The consolidated annual accounts are presented in euros.

b) Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at closing exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, unless they are deferred to other consolidated comprehensive income, as in the case of qualifying cash flow hedges.

Foreign exchange gains and losses are recognised under gains or losses on foreign currency transactions included under "Financial profit/(loss)" in the consolidated income statement.

c) Group companies

The profit or loss and balance sheet of all Group companies whose functional currency is different from the presentation currency are translated to the presentation currency as follows

- Assets and liabilities on each balance sheet presented are translated at the exchange rate prevailing at each balance sheet date;
- Income and expenses in the income statement and statement of comprehensive income are translated at the average exchange rate;
- Equity items (except for income statement headings) are translated at the historical exchange rate;

All resulting translation differences are recognised as a separate component of other consolidated comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate. Exchange differences that arise are recognised under "Exchange differences on translation of foreign operations" in the consolidated statement of comprehensive income.

2.5. Property, plant and equipment

The Group follows the historical cost model, whereby the items of property, plant and equipment are recognised at their initial cost less any accumulated depreciation and accumulated impairment losses, except in the case of land, which is not depreciated and is presented net of impairment losses.

The initial historical cost includes the expenses directly attributable to the acquisition of the items of property, plant and equipment.

Subsequent costs are capitalised only when it is probable that the future economic benefits associated with the items will flow to the Group and the cost of the item can be determined reliably. As a general rule, repair and maintenance expenses are recognised in the consolidated income statement in the year in which they are incurred.

The depreciation of the assets is calculated using the straight-line method based on their estimated useful lives and the residual value of the assets. The estimated useful lives of the various asset categories are the following:

Classification/Items	Useful life			
Industrial structures and buildings	25	-	50	years
Plant and machinery	5	-	10	years
Complex and general fixtures	12	-	17	years
Furniture and office equipment	3	-	10	years
Computer hardware			4	years
Vehicles			7	years
Other items of property, plant and equipment	7	-	10	years

The residual values and useful lives of the assets are reviewed, and adjusted if necessary, at the end of each reporting period.

If an asset's carrying amount is greater than its estimated recoverable amount, its value is immediately reduced to its recoverable amount.

Gains and losses on the sale of property, plant and equipment are determined by comparing the income obtained with the carrying amount and are recognised under "Other operating expenses" or "Other operating income" in the consolidated income statement. The work carried out by the Group on its assets is stated at production cost and recognised as revenue in the consolidated income statement.

2.6. Intangible assets

a) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's shareholding in the identifiable net assets of the subsidiary or associate acquired at the date of acquisition.

Goodwill relating to acquisitions of subsidiaries is recognised in intangible assets, while goodwill relating to acquisitions of associates is recognised in investments accounted for using the equity method. Goodwill is tested annually for impairment and is carried at cost less any accumulated impairment losses. Any gains or losses on the sale of an entity include the carrying amount of its goodwill.

Goodwill is assigned to cash-generating units (CGUs) for the purpose of recoverability assessments. Goodwill is allocated to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combinations in which the goodwill arose, identified in accordance with the operating segments.

The recoverable amount of a CGU is determined as the higher of its value in use or its fair value less costs to sell. These calculations use cash flow projections based on financial budgets approved by management that cover a period of five years. Cash flows for more than five years are extrapolated using the estimated growth rates.

Goodwill is reviewed for impairment on an annual basis or more frequently if events or changes in circumstances indicate a potential impairment loss.

Any impairment losses are recognised as an expense and are not subsequently reversed.

b) Computer software

Licences for computer software acquired are capitalised based on the costs incurred to acquire them and bring the specific software to use. These costs are amortised over their estimated useful lives (4 years).

The expenses related to software development or maintenance are recognised when they are incurred. The costs directly related to producing unique and identifiable computer software controlled by the Group that is likely to generate economic benefits exceeding the costs for more than one year, are recognised as intangible assets.

These direct costs include the staff costs for the computer program developers and a suitable portion of general overheads. Software development costs recognised as assets are amortised over the software's estimated useful life (4 years).

c) Concessions

Concessions refer to the administrative authorisations granted by various municipal councils for the construction and subsequent operation of car parks and other assets for a period of time stipulated in each agreement. 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 and that is established as the value of the cost). Once the concession assets become operational, the proceeds for operating the various concessions are recognised as revenue, the operating expenses are expensed currently, and the intangible assets are amortised on a straight-line basis over the term of the concession. The profitability of the project is reviewed at each year-end to assess whether there is any indication of impairment, i.e., an indication that the value of the assets may not be recoverable through the revenue generated while in use.

Throughout the term of the concession, the concession operator is required to repair and maintain the facilities and to keep them in proper working order. Repair and upkeep expenses are recognised in the income statement. No liabilities were recognised since the present value of the obligation is not significant.

d) Research and development expenditure

Research expenditure is recognised as an expense when incurred. The costs incurred in development projects are recognised as intangible assets when the following requirements are met:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- Management's intent is to complete the intangible asset and use or sell it;
- The intangible asset may be used or sold;
- The manner in which the intangible asset will generate probable future economic benefits can be demonstrated;
- Adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Other development costs are recognised as an expense when incurred. Development costs previously recognised as an expense are not capitalised in subsequent years.

Grants received for research and development projects are transferred to income in accordance with the criteria for recognising research and development expenditure in the income statement.

2.7. Rights of use on leased assets and associated borrowings

Rights of use on leased assets and the borrowings associated with these assets represent the right to use the asset in question and the obligation to make payments under the lease agreement, respectively.

Right-of-use assets on leased assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability,
- Any lease payments made at or before the commencement date, less any lease incentives received,
- Any initial direct costs, and
- Restoration costs.

Right-of-use assets are amortised on a straight-line basis over the shorter of the asset's useful life or the lease term.

The borrowings associated with the right to use of the leased assets includes the net present value of the lease payments.

Lease payments are discounted using the lessee's incremental borrowing rate, which is the rate the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-to-use asset in a similar economic environment with similar terms, guarantees and conditions.

The Group is exposed to potential future increases in lease payments based on an index or rate, which are not included in the lease liability until they take effect. At that time, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between the principal and the finance cost. The finance cost is charged to the income statement over the term of the lease so as to obtain a constant periodic rate of interest on the remaining balance of the liability for each period.

The term of leases is determined as the non-cancellable period. If the Group has a unilateral extension or termination option and there is reasonable certainty that this option will be exercised, the corresponding extension or early termination period will also be considered. The maximum period for the renewal of a contract is estimated to be 3 years as there is no reasonable certainty that it will be extended beyond that period. In the case of the lease of offices in companies, the term is linked to that of the project they are carrying out, the maximum renewal period will be 3 years, provided that it does not exceed the remaining term of the project in progress.

The lease term is reassessed if an option is actually exercised (or not) or the Group becomes obliged to exercise (or not exercise) the option. The assessment of reasonable certainty is reviewed only if there is a significant event or change in circumstances that affects this assessment and that is under the control of the lessee.

2.8. Borrowing costs

The borrowing costs incurred in the construction of any qualifying asset are capitalised during the period of time necessary to prepare the asset for its intended use. Other borrowing costs are recognised in the income statement in the year in which they are incurred.

2.9. Impairment losses on non-financial assets

Assets with an indefinite useful life and goodwill are not subject to depreciation or amortisation but rather are tested annually for impairment. At each year-end, the Group reviews the assets subject to amortisation to verify if there is any event or change in circumstances that indicates that the carrying amount may not be recoverable.

An impairment loss is recognised when the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses on goodwill may not be reversed. For the purpose of assessing impairment, assets are grouped together at the lowest levels for which there are separately identifiable cash flows, i.e., in CGUs. Impairment losses are recognised in the income statement.

Previous impairment losses on non-financial assets, other than goodwill, are reviewed for possible reversal at each reporting date.

2.10. Financial assets

a) Classification

Financial assets are classified depending on the measurement category that is determined on the basis of the business model and the contractual cash flow characteristics, and the Group only reclassifies investments in debt instruments when, and only when, there is a change in its business model for managing these assets.

The Group classifies its financial assets into the following categories, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets at amortised cost.

The Group's business models are assessed as of the date of initial application of IFRS 9, i.e., 1 January 2018, and the assessment is retrospectively carried out on the financial assets that were not derecognised prior to 1 January 2018. The assessment of whether the contractual cash flows are composed solely of principal and interest is based on the facts and circumstances at the time of initial recognition of the assets.

b) Measurement

Acquisitions or disposals of investments are recognised on the trade date, i.e., the date on which the Group undertakes to acquire or sell the asset. Investments are recognised initially at fair value plus the transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are taken to the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all the risks and rewards arising from the related ownership.

Interest income on financial assets at fair value through profit or loss is recognised as other income in the income statement when the Group's right to receive payment is established.

The gains and losses on assets measured at fair value are recognised in profit or loss or in other comprehensive income. Regarding investments in equity instruments that are not held for trading, the Group has made an irrevocable election at initial recognition to recognise all equity investments at fair value through other comprehensive income.

c) Financial assets at amortised cost (Loans and receivables)

Investments in debt instruments held for the collection of contractual cash flows, when these cash flows represent solely payments of principal and interest, are measured at amortised cost. They are considered to be current assets, except for those maturing within more than 12 months from the balance sheet date, which are classified as non-current assets, unless they are part of the Group's normal operating cycle.

In addition, deposits and guarantees provided to third parties are included in this category. These assets are subsequently recognised at their amortised cost in accordance with the effective interest method. Accounts receivable that do not explicitly accrue interest are measured at their nominal value when the effect of not discounting the cash flows is not significant. They are still subsequently measured, where applicable, at their nominal value.

d) Financial assets at fair value through other comprehensive income

The assets held for the collection of contractual cash flows and for the sale of financial assets, in which the cash flows of the assets represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Changes in the carrying amount are recognised through other comprehensive income, except for the recognition of impairment losses or gains, interest income, and exchange gains or losses that are recognised in profit or loss. Unrealised gains and losses that arise from changes in fair value are recognised in other comprehensive income. When these financial assets are derecognised, the cumulative adjustments in fair value recognised in equity are included in the consolidated income statement as gains or losses.

The fair value of listed investments is based on the current purchase price. If the market for a financial asset is in active (and for unlisted securities), the Group establishes its fair value using valuation techniques that include the use of recent arm's length market transactions between willing and duly informed parties, references to other instruments that are substantially the same and the discounted cash flows analysis. If none of the techniques mentioned can be used to estimate fair value, the investments are recognised at acquisition cost less any impairment losses.

In the case of equity instruments included in this category, Group management has elected to present the gains and losses in the fair value of equity instruments in other comprehensive income. Gains and losses in fair value are not subsequently reclassified to profit or loss after the disposal of the investment. Impairment losses (and reversals of impairment losses) on equity instruments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

The dividends from these investments continue to be recognised in profit or loss when the Group has the right to receive payment.

e) Financial assets at fair value through profit or loss

Those assets that do not meet the requirements to be recognised at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss. Realised and unrealised gains and losses arising from changes in fair value of financial assets at fair value through profit or loss are included in the income statement in the year in which they arise.

f) Impairment

The impairment model requires provisions for impairment to be recognised based on the expected loss model rather than only the incurred credit losses.

With regard to its customer accounts, accounts receivable and other assets, which relate mainly to customers of recognised solvency with which it has extensive experience, the Group applies the simplified approach, recognising the expected credit losses for the entire life of the assets.

With regard to trade receivables and contract assets, provided there is no significant financial component, the Group applies the simplified approach, which requires the allocation of a loss based on the expected loss model throughout the entire life of the asset at each reporting date. The Group's model considers internal information, such as customer balances, external factors such as credit assessments of customers and ratings from risk agencies, as well as the specific circumstances of customers, taking into consideration the information available on past events, current conditions and forward-looking elements.

g) Offsetting of financial instruments

Financial assets and liabilities are offset and presented as net in the balance sheet when there is a legally enforceable right to offset the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The legally enforceable right should not be contingent on future events and should be enforceable in the ordinary course of business and in the event of default, insolvency or bankruptcy on the part of the Company or the counterparty.

2.11. Inventories

Inventories include the cost of parking spaces held for sale.

The parking spaces available for sale are initially measured at acquisition cost and subsequently at the lower of cost and net realisable value.

2.12. Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits in banks and other short-term highly liquid investments originally maturing within three months or less.

The following terms are used in the consolidated statement of cash flows, which was prepared using the indirect method:

- Cash flows: inflows and outflows of cash and cash equivalents (Note 15).
- Operating activities: payments and collections from the Group's ordinary activities and other activities that are not investing or financing activities.
- Investing activities: payments and collections that arise from acquisitions and disposals of non-current assets.
- Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

2.13. Share capital

The share capital is represented in full by ordinary shares classified as equity.

The incremental costs directly attributable to the issue of new shares are recognised in equity as a deduction, net of the corresponding tax effect, from the income obtained.

When any Group company acquires shares of the Parent (treasury shares), the consideration paid, including any directly attributable incremental cost (net of income tax), is deducted from the equity attributable to the shareholders of the Company until their redemption, re-issue or disposal. When these shares are sold or are later re-issued, any proceeds received, net of any directly attributable incremental cost of the transaction and the corresponding income tax effects, are included in the equity attributable to the shareholders of the Company.

2.14. Grants

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

Government grants related to costs are deferred and are recognised in the income statement over the period required to match them with the costs that they are intended to cover.

Government grants related to the acquisition of property, plant and equipment are included under non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

The grants received for research and development projects are transferred to the income statement in accordance with the criteria for recognising research and development expenditure in the income statement.

2.15. Financial liabilities

a) Financial liabilities at amortised cost (Borrowings)

Borrowings are initially recognised at fair value, net of any transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the income earned (net of transaction costs) and the repayment value is recognised in the income statement over the term of the borrowings using the effective interest method. The fees paid on the arrangement of loans are recognised as loan transaction costs to the extent that it is probable that a portion or all of the loan will be used. In these cases, the fees are deferred until the credit facility is used. If there is no evidence that all or a portion of the credit facility will likely be used, the fee is capitalised as an advance payment for liquidity services and is amortised over the period during which the credit facility is available.

Borrowings are removed from the balance sheet when the obligations specified in the contract is discharged or cancelled or expires. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss for the year as other finance income or costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

b) Financial liabilities at fair value through profit or loss

These are liabilities acquired for the purpose of being sold in the near term. Derivatives are classified in this category unless they are designated as hedging instruments (see Note 2.20). These financial liabilities are recognised, both initially and subsequently, at their fair value, and the changes that arise therein are recognised in the consolidated income statement for the year.

2.16. Current and deferred taxes

The tax expense for the year comprises current and deferred taxes. Taxes are recognised in the income statement, unless the tax relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where its subsidiaries and associates operate and generate taxable profit. Management regularly assess the positions taken in tax returns with regard to situations in which applicable tax law is subject to interpretation, and, if necessary, establishes provisions based on the amounts expected to be paid to the tax authorities.

Deferred taxes are calculated, in accordance with the balance sheet liability method, based on the temporary differences that arise between the tax bases of the assets and liabilities and their carrying amounts in the consolidated annual accounts. However, deferred taxes are not recognised if they arise from the initial recognition of a liability or asset in a transaction other than a business combination, which at the time of the transaction affects neither accounting profit (loss) nor taxable profit (tax loss). Deferred taxes are determined by using the tax rates that have been enacted or substantially enacted by the balance sheet date and that are expected to be applied when the related deferred tax asset is realised, or the deferred tax liability is settled.

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

Deferred taxes are recognised based on temporary differences that arise in investments in subsidiaries, associates and joint ventures, except for those cases in which the Group is able to control the date on which the temporary differences are reversed and it is likely that they will not be reversed in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and deferred taxes liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle future assets and current tax liabilities on a net basis.

2.17. Employee benefits

a) Termination benefits

Termination benefits are paid to employees as a result of the Group's decision to terminate their employment contract before the normal retirement date or when the employee agrees to accept voluntary redundancy in exchange for those benefits. The Group recognises these benefits when it is demonstrably committed to terminate the employment of current employees in accordance with a detailed formal plan that cannot be withdrawn, or to provide termination benefits as a result of an offer made to encourage voluntary termination. Termination benefits that will not be paid within 12 months of the reporting date are discounted to their present value.

b) Bonus plans

The Group recognises a provision when it is contractually required to do so.

2.18. Provisions

The Group recognises provisions when it has a present obligation (legal or constructive) as a result of past events, where an outflow of resources will likely be required to settle the obligation and a reliable estimate can be made of the amount. No provisions are recognised for future operating losses, although provisions are recognised for engineering contracts expected to generate losses (see Note 2.19).

Provisions are recognised at the best estimate of the liability to be settled by the Group, taking into account the direct and indirect costs of each of the projects and the effects of exchange rate fluctuations, for those amounts denominated in foreign currency, the present value of the disbursements, if the effect is significant, that are expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time of value of money and the specific risks of the obligation.

2.19. Revenue recognition

Revenue includes the fair value of the considerations received or to be received for the sale of goods and services in the ordinary course of the Group's business activities. Revenue is presented net of value added tax, and after having excluded sales within the Group. The Group recognises revenue when the amount thereof can be reliably measured, when it is highly probable that the future economic benefits will flow to the Company and when the specific criteria for each of the Group's activities are met, as detailed below. The amount of revenue cannot be reliably determined until all contingencies related to the sale have been resolved. The Group bases its estimates on past results, taking into account the type of customer, type of transaction and specific terms of each agreement.

In relation to inventories (parking spaces), the Group recognises sales and profit or loss when ownership is transferred to the buyer.

a) Service agreements

Revenue from the rendering of services under service agreements is recognised in the financial year in which the services are provided by reference to the stage of completion of the actual service provided. The price payable by the end customer consists of the direct costs incurred, to which a fixed margin is applied for indirect costs and industrial profit.

b) Turnkey engineering contracts

When the outcome of a contract cannot be reliably estimated, on a residual basis, contract revenue is only recognised to the extent of the contract costs incurred that are likely to be recoverable.

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

The Group uses the percentage of completion method to calculate the amount to be recognised in a given accounting period. The percentage of completion is determined based on a financial assessment of the tasks effectively carried out as of the balance sheet date as a percentage of the total estimated tasks and costs for each contract.

In assessing the tasks actually performed at the balance sheet date, the different engineering, procurement and construction phases are taken into account for each project. For the engineering phase, the hours effectively worked by each project engineer to date are considered; for procurement, it is based on the completion of the costs incurred until the delivery of materials and equipment; and for construction, a periodic physical measurement of the progress of the work is carried out, all at cost. The progress of the project is calculated considering all the costs incurred in accordance with the above criteria out of the total costs of the project and the income associated with this progress is recognised. This measurement method is in line with the way in which projects are managed and monitored and provides the best representation of the transfer of goods and services. The risk of contract termination is remote based on the Group's history.

The Group recognises an account receivable for the gross amount owed by customers for work performed under all contracts in progress for which the costs incurred plus the recognised profits (less recognised losses) exceed the amount of progress billings. Progress billings outstanding and withholdings are included in trade and other receivables.

The Group recognises a liability for the gross amount owed to customers for work performed under all contracts in progress for which the progress billings exceed the costs incurred plus the recognised profits (less recognised losses).

In the turnkey projects carried out by the Group, normally there is significant interaction and correlation between the different engineering, procurement and construction phases, which often overlap, so that, regardless of the contractual form, which can sometimes be formalised through several contracts in relation to the tasks carried out in different countries, there is only one performance obligation. In other words, regardless of whether there are many tasks to be performed, they are considered together as a single obligation, when considered in the context of the contract.

On a residual basis, a single contract may have clearly differentiated parts with different sales 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 separately.

Given the nature of the business activity, contracts are often modified while in progress due to changes in the scope of the work that needs to be carried out under the terms of the contract. A change may lead to an increase or a decrease in contract revenue. Changes are recognised as increases in the value of the contract when the customer approves the change in scope and the resulting price increase. If the scope of the work has been approved but its valuation is outstanding, the revenue to be recognised will be estimated, provided the revenue is highly likely not to undergo a significant reversal in the future.

Likewise, claims may arise in the performance of the contracts that the Group seeks to collect from the customer or another party as reimbursement for costs not included in the contract price. The grounds for such claims are related to and supported by the clauses of the contract or situations of force majeure. Claims are recognised as a variable consideration. Income from claims is measured either using the expected value method or the method of the most likely amount (in each case the method that best predicts the amount the Company expects to have the right to receive) and provided the revenue recognised is highly likely not to undergo a significant reversal in the future when the uncertainties associated with these claims are subsequently resolved. 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 their nature or the counterparty involved are also analysed, as well as the communications 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.

c) Concession arrangements

Revenue from concession-related activities is recognised based on the services rendered at the contractually agreed prices.

d) Dividend income

Dividend income is recognised when the right to receive payment is established.

e) Interest income

Interest income is recognised using the effective interest method.

2.20. Derivative financial instruments and hedging transactions

The Group decided to apply the new general hedge accounting model of IFRS 9. This requires the Group to ensure that the hedge accounting relationships are in line with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assess the effectiveness of the hedge.

The Group's risk management strategies and documentation of hedges are in line with the requirements of IFRS 9 and these relationships are treated as continuous hedges.

Derivative financial instruments are initially recognised at fair value on the date on which the contract is signed and are subsequently adjusted to their fair value at each balance sheet date. The recognition of the gain or loss resulting from the changes in fair value in each period depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The effective portion of changes in the fair value of the derivatives designated and qualifying as cash flow hedges is recognised under other comprehensive income. The gain or loss corresponding to the ineffective portion is recognised immediately in financial profit or loss in the income statement.

The cumulative balance under "Other consolidated comprehensive income" is transferred to the consolidated income statement in the year in which the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedging transaction no longer meets the requirements to qualify for hedge accounting, any cumulative gains or losses recognised under equity until then will remain in equity and are recognised when the expected transaction is finally recognised in the income statement. However, if it is no longer probable that this transaction will take place, any cumulative gains or losses recognised under "Other consolidated comprehensive income" are immediately transferred to the consolidated income statement.

The Group designates certain derivatives as hedges of a specific risk associated with a recognised asset or liability or a highly probable forecast transaction that may affect profit or loss for the year (cash flow hedge).

a) Derivatives that do not qualify for hedge accounting

For derivative financial instruments not designated as hedging instruments or that do not qualify to be designated as such, any changes in fair value at each measurement date are recognised as finance income or costs in the consolidated income statement. Financial assets or liabilities at fair value through profit or loss are considered to be included in this category.

2.21. Leases

Leases of property, plant and equipment with a term of more than one year and significant value are recognised as right-of-use assets and the corresponding liability is recognised on the date on which the leased asset is available for use by the Group (see Note 2.7).

Up until 31 December 2018, leases of property, plant and equipment in which the Group was the lessee and had substantially all the risks and rewards arising from ownership of the assets were classified as financial leases. Financial leases were recognised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Lease payments were apportioned between the reduction of the liability and the finance charge so as to produce a constant periodic rate of interest on the remaining balance of the liability. The payment obligation arising from the lease, net of finance charges, was recognised under non-current borrowings, except for the portion falling due within 12 months. The interest component of the finance charge was taken to the consolidated income statement over the term of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Items of property, plant and equipment acquired under financial leases were depreciated over the shorter of the useful life of the asset and the lease term.

Leases in which the lessor substantially retained the risks and rewards arising from ownership of the asset were classified as operating leases. In operating leases where the Group was the lessee, the payments made (net of any incentives received from the lessor) were charged to the consolidated income statement on a straight-line basis over the term of the lease.

2.22. Distribution of dividends

Dividend payouts to shareholders of the Parent are recognised as a liability in the Group's consolidated annual accounts in the year in which the dividends are approved by the Company's shareholders.

2.23. Environmental disclosures

An environmental activity is considered to be any activity whose main purpose is to prevent, reduce or repair environmental damage.

Expenses incurred in protecting and improving the environment are charged to profit or loss in the year in which they are incurred, regardless of when the resulting monetary or financial flow arises.

Provisions for probable or certain third-party liability, litigation in process and outstanding environmental indemnity payments or obligations of undetermined amount not covered by the insurance policies taken out are recorded when the liability or obligation giving rise to the indemnity or payment arises.

In view of the business activities carried on by the Group companies, the Group does not have any environmental expenses, assets, provisions or contingencies that might be material with regard to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated annual accounts.

2.24. Earnings per share

a) Basic earnings per share

Basic earnings per share are calculated by dividing:

- The profit attributable to the owners of the Company, excluding any cost of the service of equity other than ordinary shares.

- By the weighted average number of ordinary shares outstanding during the year, adjusted for any incentives in ordinary shares issued during the year and excluding treasury shares.

b) Diluted earnings per share

For diluted earnings per share, the figures used to determine basic earnings per share are adjusted to take into account:

- The effect after income tax of interest and other finance costs associated with the dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.25. Business combinations

The acquisition accounting method is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired.

The identifiable assets acquired and the liabilities and contingent liabilities assumed in a business combination, with limited exceptions, are initially measured at their fair values at the date of acquisition. The Group recognises any non-controlling interest in the acquiree based on the acquisition at fair value or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The costs related to the acquisition are recognised as expenses when they are incurred.

The excess of:

- the consideration transferred,
- the amount of any non-controlling interest in the acquiree, and
- the acquisition-date fair value of any previous equity interest in the acquiree,

on the fair value of the identifiable net assets acquired is recognised as goodwill. If these amounts are less than the fair value of the identifiable net assets of the acquired subsidiary, the difference is recognised directly in profit or loss as a bargain purchase.

3. Financial risk management

3.1. Financial risk factors

The Group's activities are exposed to a variety financial risks: market risk (including foreign currency risk, interest rate cash flow risk and price risk), credit risk and liquidity risk. The Group's global risk management programme focuses on the uncertainty of the financial markets and aims to minimise the potential adverse effects on the Group's financial returns. The Group uses derivative financial instruments to hedge certain risk exposure.

Risk management is carried out by the Group's Finance Department, Business Units and Corporate Treasury Department in accordance with policies approved by the Parent's Board of Directors and supervised by the Audit and Control Committee. This Department identifies, assesses and hedges financial risks in close cooperation with the Group's operating units.

3.1.1. Market risk

a) Foreign currency risk

The Group operates in the international market and, therefore, is exposed to foreign currency risk on the transactions it performs in foreign currencies, particularly the US dollar (USD) and, to a lesser extent, currencies tied to the USD. There is residual exposure to suppliers operating in other currencies (mainly Japanese yen, Canadian dollars, Saudi Arabian riyals, Turkish lira, Malaysian ringgit, Peruvian soles, Singapore dollars and Kuwaiti dinars). Foreign currency risk arises mainly from future commercial transactions and recognised assets and liabilities.

In accordance with the hedging policy established, the Group companies use forward contracts, negotiated by the Group's Corporate Treasury Department, to hedge the foreign currency risk arising from future commercial transactions and recognised assets and liabilities. Foreign currency risk arises when the future commercial transactions and recognised assets and liabilities are denominated in a currency other than the Group's presentation currency. The Group's Treasury Department is responsible for managing the net position in each foreign currency using external foreign currency forward contracts (also taking into account the risks arising from currencies tied to the USD, where the hedge arranged protects the USD risk). In addition, the Group tries to hedge foreign currency risk via 'multi-currency' contracts with its customers, separating the sale price in the various currencies from the foreseen expenses and preserving the projected margins in euros.

The Group's risk management policy is based on hedging a portion of the most highly probable forecast transactions, for ongoing projects, in each of the main currencies during the months the project is scheduled to be carried out. For each new project contracted with foreign currency risk, the percentage of 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 Group's business operations means that it is very common to contract transactions with customers in US dollars, while the corresponding costs are usually denominated in multiple currencies, albeit mainly USD and EUR. If at 31 December 2019 the euro had depreciated / appreciated against the US dollar by a hypothetical 10%, leaving all other variables constant, consolidated profit before tax for the year would have been EUR 28,013 thousand higher / lower (2018: EUR 9,103 thousand), mainly due to the gains / losses generated on the appreciation / depreciation of positions in US dollars.

Meanwhile, if the euro had depreciated / appreciated against the US dollar by a hypothetical 10%, equity would have been EUR 67,340 thousand higher / lower in the year ended 31 December 2019 (2018: EUR 57,592 thousand); these amounts were calculated based on the changes in profits outlined in the paragraph above and the estimated changes in value of the hedging derivatives recognised in the hedging reserve in equity (all before considering the related tax effect).

This effect would occur as long as the change in the USD against the EUR takes place in less than 183 days, since that is the average maturity at which the hedging transactions are arranged.

Accordingly, the Group has various investments in foreign operations, the net assets of which are exposed to foreign currency risk. In general, the Group's policy is to finance its foreign operations with borrowings denominated in the functional currency of that country, so that the risk only affects the portion corresponding to the equity investment. The table below shows the balances of the principal exposures in foreign currency as a result of equity investments in foreign operations:

	2019	**2018**
Bolivian Peso	2,015	2,670
Saudi Riyal	30,260	29,592
Turkish Lira	26,978	36,006
Peruvian Sol	101,390	21,782

b) Price risk

The Group is exposed to price risk with regard to equity securities. Exposure to this risk is limited due to the fact that the investments held by the Group and classified in the consolidated balance sheet at fair value through profit or loss relate mainly to short-term fixed-income investment funds of renowned prestige (see Note 14).

The Group is exposed to commodity price risk, basically tied to metals and oil, to the extent that they affect the price of the equipment supplied and materials used in the construction projects. As a general rule, all peer contractors operating in the sector effectively pass on these impacts in sales prices. The Group reduces and mitigates price risk through the policies established by management, which basically consist of accelerating or slowing the rate of placements and selecting the currencies and countries of origin. An additional mechanism used by the Group to mitigate this risk consists of using contracting models that allow a portion of the price to be allocated to cover possible cost deviations, as well as arranging derivatives.

c) Cash flow interest rate risk

The Group generally endeavours to self-finance its projects, establishing invoicing and collection milestones with customers that cover the payment deadlines undertaken with suppliers. The Group's net cash position (cash and cash equivalents less borrowings) is therefore positive. However, the Group maintains credit facilities to cover any cash flow needs for the projects. The majority of these credit facilities are negotiated at variable interest rates tied to EURIBOR. In the current situation where the EURIBOR is negative, the variable interest rates established in the credit facilities are considered the best policy to minimise the impact of interest rate risk. In addition, and as part of the policy for controlling interest rate risk and the impact that interest rate fluctuations may have on the income statement, EUR 171,000 thousand have been arranged at a fixed rate (2018: EUR 107,000 thousand).

The exposure to variable interest rate risk at each balance sheet date is as follows:

	2019			**2018**		
	Tied to Euribor	**Other reference rates**	**Total**	**Tied to Euribor**	**Other reference rates**	**Total**
Variable rate borrowings	(367,257)	(44,000)	(411,257)	(298,023)	(82,870)	(380,893)
Interest-earning cash and cash equivalents	197,753	689,876	887,629	146,119	534,661	680,780
	(169,504)	**645,876**	**476,372**	**(151,904)**	**451,791**	**299,887**

Based on the sensitivity analyses performed on interest-earning cash and cash equivalents, the impact on consolidated profit or loss of a 25 basis point fluctuation up or down in the interest rate would imply an increase / decrease of EUR 1,724 thousand at 31 December 2019 (2018: EUR 1,702 thousand).

In the case of variable rate borrowings, a 10 basis point fluctuation up or down in the interest rate would have an impact on consolidated profit or loss of a decrease/increase of EUR 419 thousand (2018: EUR 317 thousand).

3.1.2. Credit risk

Credit risk is managed by the Group taking into account the following groups of financial assets:

- Assets arising from derivative financial instruments (see Note 10) and sundry balances, including cash and cash equivalents (see Note 15).
- Balances related to trade and other receivables (see Note 11).

Derivative financial instruments and transactions with financial institutions included as cash and cash equivalents are arranged or carried out with financial institutions of renowned prestige.

In relation to trade and other receivables, it is worth mentioning that, due to the nature of the business, there is a high concentration based on the Group's most significant projects. These counterparties are generally state-owned or multinational oil companies. At 31 December 2019, a total of ten customers represented 89.69% (2018: 85%) of the total recognised under "Trade receivables" (included under "Trade and other receivables"), and are tied to transactions with the aforementioned entities. Therefore, the Group considers credit risk to be very low.

The variables, assumptions and estimation techniques used to measure expected credit losses consider the risk or probability of a credit loss occurring, taking into account the possibility that it will occur and the possibility that it will not, even if this possibility is very low. The expected loss (EL) is the weighted average of the credit losses with the respective risks of a default occurring.

The maximum period considered to measure expected credit losses is the maximum contractual period (including extension options) over which it is exposed to credit risk.

The Group adopts an impairment model for credit risk based on the expected loss over the life of the asset in accordance with the simplified approach, since it presents trade receivables without a significant financing component, corresponding mostly to customers of recognised solvency with which it has extensive experience, for which it carries out 98% of the Group's activity and with which any problem that might arise would be exceptional.

The Group assesses whether the credit risk has increased significantly since initial recognition. In making that assessment, it compares the risk of default of the financial instrument at the reporting date with the risk of default at the date of initial recognition and considers reasonable and supportable information that is available without disproportionate cost or effort and that is indicative of significant increases in credit risk since initial recognition.

Lastly, objective evidence of impairment is analysed, considering both quantitative (e.g. drop in credit rating, very significant increases in credit default swap prices, etc.) and qualitative information (e.g. declaration of insolvency proceedings, etc.)

A large part of the credit risk is mitigated by the ad-hoc financing of the customers linked to the execution of the projects, which constitutes a double guarantee of collection.

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

3.1.3. Liquidity risk

Prudent management of liquidity risk entails the maintenance of sufficient cash and marketable securities, availability of financing through a sufficient level of committed credit facilities and the capacity to settle market positions.

As a result of the tendency 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 optimise its financing strategy.

Management monitors the Group's projected liquidity reserve on the basis of expected cash flows. As mentioned above, the strategy of self-financing projects results in positive net cash position. In addition, the Group has credit facilities that offer an additional liquidity buffer. Therefore, the Group's liquidity risk is considered to be appropriately managed.

The table below provides a breakdown of the significant liquidity information:

	2019	2018
Borrowings (Note 21)*	(582,257)	(487,893)
Financial assets at fair value through profit or loss (FAFV) (Note 14)	65,135	64,817
Cash and cash equivalents (Note 15)	887,629	680,780
Net cash position and FAFV	370,507	257,704
Undrawn credit facilities and other loans	415,013	841,937
Total liquidity reserves	**785,520**	**1,099,641**

* This amount does not include borrowings associated with rights of use of leased assets.

The two syndicated credit facilities signed, as well as the private placement and the placement on the German bond market signed by TR and in force as of the date of authorisation for issue of these annual accounts, amounting to a total of EUR 618 million, require, among other obligations, that the consolidated net financial debt/EBITDA ratio be less than or equal to 3. These requirements were met as of the date of authorisation for issue of these consolidated annual accounts.

At 31 December 2019, the Group also met all the requirements for its credit facilities.

The table below shows an analysis of the financial liabilities, grouped by maturities, in accordance with the remaining periods at the balance sheet date until the contractual maturity date. The amounts shown in the table correspond to the balances resulting from applying the amortised cost method (carrying amounts), which basically coincide with the undiscounted expected cash flows (not including any interest accrued in the future). The balances payable within 12 months are equivalent to their carrying amounts, given that the effect of discounting is not material.

	Within one year	From 1 to 2 years	From 3 to 5 years	More than 5 years
At 31 December 2019				
Borrowings (Note 21)	285,754	157,808	64,455	74,240
Borrowings associated with rights of use of leased assets (Note 8)	25,267	17,678	-	-
Derivative financial instruments (Note 10)	53,563	2,928	-	-
Trade and other payables (Note 20)	2,997,914	835	-	-
Total	**3,362,498**	**179,249**	**64,455**	**74,240**
At 31 December 2018				
Borrowings (Note 21)	99,402	213,565	163,710	11,216
Derivative financial instruments (Note 10)	55,044	1,242	-	-
Trade and other payables (Note 20)	2,668,113	356	-	-
Total	**2,822,559**	**215,163**	**163,710**	**11,216**

3.2. Capital risk management

The Group's objectives in relation to managing capital are based on guaranteeing its commercial activity, offering our customers and potential customers sufficient capital to guarantee our ability to handle their projects.

In order to maintain and adjust the capital structure, the Group may adjust the amount of dividends payable to shareholders, return capital to shareholders, redeem treasury shares and other assets not related to its main business activity, or take other actions considered appropriate.

The Group monitors capital on the basis of the leverage ratios set out below. The leverage ratio is calculated dividing debt by equity. Debt is calculated as total borrowings. Equity is the amount shown in the consolidated annual accounts. The ratio obtained from dividing the net cash position and FAFV by equity is also calculated.

	2019	2018
Borrowings (Note 21)	(582,257)	(487,893)
Net cash position and FAFV	370,507	257,704
Equity	330,028	358,587
% Borrowings / Equity	176.43%	136.06%
% Net cash position and FAFV / Equity	112.27%	71.87%

3.3. Fair value

The table below includes an analysis of the financial instruments, classified by valuation method, that are measured at fair value.

The various levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than prices quoted included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2019 and 2018.

At 31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total balance**
Assets				
Financial assets at fair value through other comprehensive income	-	264	-	264
Financial assets at fair value through profit or loss (Note 14)	65,135	-	-	65,135
Hedging derivatives (Note 10)	-	6,846	-	6,846
Total assets	**65,135**	**7,110**	**-**	**72,245**
Liabilities				
Hedging derivatives (Note 10)	-	56,491	-	56,491
Total liabilities	**-**	**56,491**	**-**	**56,491**

At 31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total balance**
Assets				
Financial assets at fair value through other comprehensive income	-	264	-	264
Financial assets at fair value through profit or loss (Note 14)	64,817	-	-	64,817
Hedging derivatives (Note 10)	-	9,231	-	9,231
Total assets	**64,817**	**9,495**	**-**	**74,312**
Liabilities				
Hedging derivatives (Note 10)	-	56,286	-	56,286
Total liabilities	**-**	**56,286**	**-**	**56,286**

There were no transfers between levels 1 and 2 during the year.

a) Level 1 financial instruments

The fair value of the financial instruments traded in active markets is based on the market prices at the reporting date. A market is considered to be active if quoted prices are readily and regularly available from a stock exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for the financial assets held by the Group is the current bid price. These instruments are included in level 1.

b) Level 2 financial instruments

The fair value of financial instruments that are not listed on an active market (e.g. OTC derivatives) is determined using valuation techniques. These valuation techniques maximise the use of available observable data inputs and rely as little as possible on entity-specific estimates. If all the significant inputs required to calculate an instrument's fair value are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of the interest rate swaps is calculated as the present value of the estimated future cash flows based on estimated interest rate curves.
- The present value of foreign currency futures is determined using the future exchange rates on the balance sheet date, discounted to their present value.
- Other techniques, such as discounted cash flow analysis, are used to determine the fair value of the remaining financial instruments.

There were no transfers between levels in 2019 or 2018.

With regard to financial instruments, credit risk must be included in measurements at fair value, whereby credit risk is understood to be the credit risk of the counterparty and the Group's own credit risk, where applicable.

Due to the nature of the Group's portfolio, the application of credit risk mainly affects the portfolio of financial derivatives designated as cash flow hedges, given that they 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 the determination of the credit risk to be applied, i.e., the Company's own credit risk or that of the counterparty, is not intuitive, but rather depends on market conditions at any given time and must therefore be quantified using measurement models.

The derivatives arranged by the Group relate mainly to currency futures and commodities 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.

Commodity 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 that are 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 commodity forwards will depend on future settlements. If the settlement is favourable for the Group, a credit spread is incorporated for the counterparty to quantify the probability of default upon maturity; otherwise, if the settlement is expected to be negative for the Group, the credit risk is applied to the Group's final settlement. To determine whether or not the settlement of the forwards will be favourable for the Group, a stochastic model is used to simulate the derivative's behaviour in different scenarios using mathematical models that consider the volatility of the underlying asset and applying the resulting credit spread to each simulation.

4. Accounting estimates and judgements

When preparing the consolidated annual accounts in accordance with EU-IFRSs, management must make estimates and assumptions that may affect the accounting policies adopted and the amount of assets, liabilities, income and expenses and the breakdowns related thereto. Estimates and assumptions are based, among other aspects, on historical experience or other events considered reasonable in view of the facts and circumstances analysed. The resulting accounting estimates may differ significantly from the corresponding actual results. The main estimates are the following:

4.1. Income tax and deferred tax assets

The Group is subject to income tax in several jurisdictions. A significant degree of judgement is required to determine the provision for income tax at a global level. There are several transactions and calculations for which the final determination of the tax is uncertain. The Group recognises liabilities for potential tax claims based on the estimate of whether or not additional taxes will be necessary. If the final amount of taxes differs from what was initially recorded, any such differences will affect the income tax and the provisions for deferred taxes for the year in which this determination was made.

As disclosed in Note 27, the effective tax rate for 2019 is 18.60% (without considering the effect of the provision for the tax assessments) (35.18% in 2018).

The Group also assesses the recoverability of deferred tax assets based on the existence of future taxable profit against which these assets may be utilised.

4.2. Useful lives of property, plant and equipment and intangible assets

Group management determines the estimated useful lives and the related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The useful lives of its non-current assets are estimated based on the period over which the assets will generate economic benefits.

At each reporting date, the Group reviews the useful lives of its assets and if the estimates differ from those previously made, the effect of the change is recognised prospectively as from the year in which the change is made. Historically, there were no material adjustments made in relation to the useful lives of the assets.

4.3. Accounts receivable

The Group makes estimates relating to the collectability of trade receivables for projects affected by ongoing disputes or litigation in progress as a result of not accepting the work carried out or failure to comply with contractual clauses related to the performance of the assets delivered to customers. In addition and in compliance with IFRS 9, the Group estimates impairment based on expected loss.

4.4. Provisions

Provisions are recognised when it is probable that a present obligation, resulting from past events, will require an outflow of resources and when the amount of the obligation may be reliably estimated. Significant estimates are required to fulfil the applicable accounting requirements. Group management makes 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.

4.5. Revenue recognition

The Group uses the percentage of completion method to recognise revenue. The percentage of completion is determined based on a financial assessment of the tasks effectively carried out as of the balance sheet date as a percentage of the total estimated costs for each contract. 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 the contract will exceed contract revenue, the loss is immediately recognised as an expense. When applying the percentage of completion method, the Group analyses various factors that may give rise to changes in the estimated costs of the projects with regard to that plant and, based on this analysis, makes significant estimates relating to 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 applying the percentage of completion method or whether it is necessary to re-estimate the expected margin on the project. Revenue from claims made by the Group against customers or from changes in the scope of the project are included in contract revenue when it is highly probable that the Group will receive an inflow of funds (see Note 2.19).

4.6. Fair value of unquoted financial instruments

The fair value of those financial instruments that are not traded on an active market (e.g. OTC derivatives) is determined using valuation techniques. The Group exercises judgement in selecting a range of methods and making assumptions that are based mainly on prevailing market conditions at the reporting date. The Group used the discounted cash flow analysis for various exchange rate and raw material contracts that are not traded on active markets.

4.7. Warranty claims

Customer contracts provide a warranty period of between 12 and 24 months. The warranty period does not imply a differentiated service, but rather is related to the proper functioning of the plant. These are guarantees specific to the sector and include standard terms in accordance with the legal requirements of each country where the Group operates. 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. Likewise, the Group maintains guarantees of a similar nature with its main subcontractors.

4.8. Impairment of concession assets

The estimated recoverable amount of the concessions operated by the Group was determined by evaluating the different external and internal circumstances that could give rise to indications of impairment, such as the market value of the asset, offers received for the assets, changes in business plans, changes in management or in the environment (legal, fiscal, economic, etc.), interest rate fluctuations, obsolescence or physical impairment.

In applying the accounting policies, no judgements other than the estimates detailed above were applied.

5. Segment reporting

The Group classifies its operating segments as follows:

- Oil and Gas
- Power
- Infrastructure and Industry

Although the Group's core business is the provision of engineering and construction services, the above-mentioned segment reporting format is presented on the understanding that any risks and rewards that may arise from its business activities and the specialisation required to complete the projects in these segments, among other differentiating factors, make this segment distinction necessary to provide optimal insight into the business structure. This segmentation is based on information reviewed by the Board of Directors.

The oil and gas segment focuses on providing engineering, procurement and construction services relating to oil and chemicals processing and production operations, and activities relating to the entire natural gas production and extraction value chain, i.e. production, processing, storage and transport. Activities in the refining sector range from the construction of refineries to the revamping and expansion of existing refining plants. Units designed and built include basic refining plants, plant conversions and octane improvement projects. The Group also designs and builds auxiliary services and other refining units. Petrochemical activities include the design and construction of plants that produce and process monomers, polymers and plastics, chemical plants and fertiliser units. As regards natural gas, the Group mainly designs and builds units used in the extraction and preliminary processing of natural gas, prior to its use in subsequent processes or preparation for export. The Group is highly specialised in regasification and gas transport facilities.

In the power industry, the Group performs consulting, engineering, procurement and construction services for a range of electricity generating plants, such as conventional thermal plants, combined cycle power plants, gasification integrated with combined cycle, nuclear plants, co-generators, solar plants, fuel cells, solid waste and biomass technology. The Group also supplies turnkey plants and occasionally performs plant operation and maintenance (O&M) services.

In the infrastructure and industry segment, the Group carries out projects in multiple arenas, such as airports, industrial facilities, desalination and water treatment plants as well as initiatives for public authorities and other bodies, such as management of car parks, public spaces and municipal sports centres.

The overhead costs relating to the corporate headquarters and functional departments that do not earn revenue or that may earn revenue that are only incidental to the activities of the Group and that, in any case, cannot be allocated to any operating segment or be included as part of an operating segment, as indicated in IFRS 8.6, are classified as "Unallocated".

The operating segment analysis is based on an assessment of the segments' operating profit, adjusted for unallocated Group overheads. In addition, the Group manages financing activities and the effect of income tax. Consequently, finance income and costs and income tax, as well as borrowings and tax payables, have not been allocated by segment. Additionally, non-current assets are not allocated, nor is the relevant depreciation or impairment, as they are not considered to be significant.

No sales were made between the various operating segments in the years presented.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2019

	Oil and Gas		Power		Infrastructure and other		Unallocated		Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Segment profit or loss										
Revenue	4,273,537	3,716,994	330,876	578,133	94,695	101,201	-	-	**4,699,108**	**4,396,328**
Profit from operations	247,774	133,681	(70,966)	18,913	(6,148)	(9,963)	(102,508)	(100,492)	**68,152**	**42,139**
Net financial profit/(loss) (Note 26)	-	-	-	-	-	-	(30,352)	(18,838)	**(30,352)**	**(18,838)**
Profit from sales and share in profit/(loss) of associates	-	(13)	(136)	455	410	(1,453)	17,727	-	**18,001**	**(1,011)**
Profit before tax									**55,801**	**22,290**
Income tax							(65,796)	(7,843)	**(65,796)**	**(7,843)**
Profit/(Loss) for the year									**(9,995)**	**14,447**
Segment assets and liabilities										
Assets	3,250,136	2,829,384	289,768	234,602	182,235	177,902	554,921	470,463	**4,277,059**	**3,712,351**
Associates	3,563	3,563	-	7,053	(340)	1,918	-	-	**3,223**	**12,534**
Total assets	3,253,699	2,832,947	289,768	241,655	181,894	179,820	554,921	470,463	**4,280,283**	**3,724,885**
Total liabilities	2,893,645	2,581,728	263,070	259,788	77,865	63,740	715,675	461,042	**3,950,255**	**3,366,298**
Investments in non-current assets (Notes 6 and 7)	6,602	1,742	8	2	2,374	945	5,860	3,356	**14,845**	**6,045**
Other segment information										
Depreciation of property, plant and equipment (Note 6)	-	-	-	-	-	-	(11,008)	(13,949)	**(11,008)**	**(13,949)**
Amortisation of intangible assets (Note 7)	-	-	-	-	-	-	(2,631)	(4,659)	**(2,631)**	**(4,659)**
Impairment losses on trade receivables (Note 11)	-	-	-	-	-	-	(1,000)	(1,145)	**(1,000)**	**(1,145)**

Third-party customer revenue is allocated according to the country in which the customer is located. The breakdown is as follows:

	2019	2018
Spain	119,390	107,888
Middle East	3,875,921	3,179,962
America	266,751	512,626
Asia	272,100	117,039
Rest of Europe	101,666	301,047
Mediterranean	63,280	177,766
	4,699,108	**4,396,328**

Income from the Middle East relates mainly to operations in Saudi Arabia, Abu Dhabi, Kuwait, Bahrain and Oman; in America the income comes primarily from operations in Peru and Canada; in Asia this income is from operations in Malaysia; in Europe the operations were focused primarily in Norway, the UK, Finland and Poland; and in the Mediterranean operations were focused basically in Turkey and Algeria, among others countries.

The revenue generated by the Group's top five customers accounted for 79% of total revenue in 2019 (2018: 81%). Revenue generation by customers that individually accounted for over 10% of total consolidated revenue in 2019 amounted to EUR 2,906 million (2018: EUR 2,805 million).

All assets and liabilities allocated to the operating segments are measured using the same criteria as those described in Note 2. These assets and liabilities are allocated by region based on their physical location. The detail of the assets and investments in non-current assets is as follows:

	Assets		Investments in non-current assets	
	2019	**2018**	**2019**	**2018**
Spain	465,603	344,464	2,391	940
Middle East	2,669,642	2,136,895	6,278	1,386
America	303,524	245,882	215	231
Asia	185,232	284,450	31	55
Rest of Europe	205,990	218,869	8	8
Mediterranean	146,996	169,593	63	69
Total	**3,976,987**	**3,400,153**	**8,985**	**2,689**
Associates	3,223	12,534	-	-
Unallocated	300,073	312,198	5,860	3,356
	4,280,283	**3,724,885**	**14,845**	**6,045**

The reconciliation of the assets and liabilities of the reportable segments to total assets and liabilities is provided as follows:

	2019	2018		2019	2018
Segment assets	3,725,362	3,254,423	Segment liabilities	3,234,580	2,905,256
Unallocated:			Unallocated:		
Non-current assets	352,907	346,756	Non-current liabilities	246,871	365,250
Current assets	202,014	123,706	Current liabilities	468,804	95,792
Total assets	**4,280,283**	**3,724,885**	**Total liabilities**	**3,950,255**	**3,366,298**

6. Property, plant and equipment

The detail of "Property, plant and equipment" and of the changes therein is as follows:

Cost	Land and buildings	Plant and machinery	Furniture and equipment	Property, plant and equipment in the course of construction	Other items of property, plant and equipment	Total
Balances at 1 January 2018	**3,553**	**60,439**	**78,924**	**2,537**	**5,614**	**151,067**
Increases	-	870	2,517	-	560	3,947
Decreases	-	(401)	(24,422)	-	(182)	(25,005)
Transfers	-	219	821	-	(9)	1,031
Translation differences	(230)	(129)	386	-	50	77
Balances at 31 December 2018	**3,323**	**60,998**	**58,226**	**2,537**	**6,033**	**131,117**
Increases	-	4,671	7,037	22	1,591	13,321
Decreases	(79)	(124)	(171)	(42)	(141)	(557)
Inclusions in the scope of consolidation	12,648	8,529	1,475	64	-	22,716
Translation differences	(57)	74	283	-	2	302
Balances at 31 December 2019	**15,835**	**74,148**	**66,850**	**2,581**	**7,485**	**166,899**

Accumulated depreciation and impairment losses	Land and buildings	Plant and machinery	Furniture and equipment	Property, plant and equipment in the course of construction	Other items of property, plant and equipment	Total
Balances at 1 January 2018	**1,283**	**49,096**	**50,450**	**2,537**	**3,489**	**106,855**
Increases	140	8,782	4,321	-	706	13,949
Decreases	-	(401)	(24,381)	-	(91)	(24,873)
Transfers	-	(3,819)	4,049	-	186	416
Translation differences	(88)	(106)	393	-	13	212
Balances at 31 December 2018	**1,335**	**53,552**	**34,832**	**2,537**	**4,303**	**96,559**
Increases	231	6,498	4,047	-	232	11,008
Decreases	(35)	(66)	(152)	-	(84)	(337)
Inclusions in the scope of consolidation	760	5,804	1,107	-	-	7,671
Translation differences	(25)	32	345	-	20	372
Balances at 31 December 2019	**2,266**	**65,820**	**40,179**	**2,537**	**4,471**	**115,273**
Net balance at 1 January 2018	**2,270**	**11,343**	**28,474**	**-**	**2,125**	**44,212**
Net balance at 31 December 2018	**1,988**	**7,446**	**23,394**	**-**	**1,730**	**34,558**
Net balance at 31 December 2019	**13,569**	**8,328**	**26,671**	**44**	**3,014**	**51,626**

"Land and buildings" includes office buildings that are owned by certain Group companies.

The inclusions in the scope of consolidation correspond to the assets of Ibérica del Espacio, S.A., which is now fully consolidated (see Note 9).

The decreases under "Furniture and equipment" in 2018 related mainly to the derecognition of fully depreciated items that were no longer in use.

At 31 December 2019, the Group had investments in property, plant and equipment abroad for a total cost of EUR 57,039 thousand (2018: EUR 46,627 thousand) and accumulated depreciation of EUR 41,629 thousand (2018: EUR 36,049 thousand).

The Group takes out all insurance policies it considers necessary to cover any potential risks which might affect its property, plant and equipment.

7. Goodwill and other intangible assets

The detail of "Intangible assets" and of the changes therein is as follows:

	Administrative concessions	Computer software and other intangible assets	Subtotal	Goodwill	Total
Balances at 1 January 2018	**894**	**22,586**	**23,480**	**1,242**	**24,722**
Increases	-	2,098	2098	-	2,098
Decreases	-	(5427)	(5,427)	-	(5,427)
Transfers	73,467	-	73,467	-	73,467
Translation differences	-	4	4	-	4
Balances at 31 December 2018	**74,361**	**19,261**	**93,622**	**1,242**	**91,864**
Increases	-	568	568	-	568
Decreases	-	(12)	(12)	-	(12)
Inclusions in the scope of consolidation	-	951	951	-	951
Translation differences	-	(9)	(9)	-	(9)
Balances at 31 December 2019	**74,361**	**20,759**	**95,120**	**1,242**	**96,362**
Accumulated amortisation and impairment losses	**Administrative concessions**	**Computer software and other intangible assets**	**Subtotal**	**Goodwill**	**Total**
Balances at 1 January 2018	**348**	**18,523**	**18,871**		**18,871**
Increases	2,912	1,747	4,659	-	4,659
Decreases	-	(4,095)	(4,095)	-	(4,095)
Transfers	21,814	-	21,814	-	21,814
Impairment	(2,697)	-	(2697)		(2,697)
Translation differences	-	4	4	-	4
Balances at 31 December 2018	**22,377**	**16,179**	**38,556**	**-**	**38,556**
Increases	1,497	1,134	2631	-	2,631
Decreases	-	(12)	(12)	-	(12)
Inclusions in the scope of consolidation	-	770	770	-	770
Impairment	-	-	-	-	-
Translation differences	-	14	14	-	14
Balances at 31 December 2019	**23,874**	**18,085**	**41,959**	**-**	**41,959**
Net balance at 1 January 2018	**546**	**4,063**	**4,609**	**1,242**	**5,851**
Net balance at 31 December 2018	**51,984**	**3,082**	**55,066**	**1,242**	**56,308**
Net balance at 31 December 2019	**50,487**	**2,674**	**53,161**	**1,242**	**54,403**

Research and development expenditure charged directly to the income statement during the year amounted to EUR 2,738 thousand (2018: EUR 3,109 thousand).

"Computer software" includes the title to and the right to use computer programs acquired from third parties. Computer software does not include the amounts related to the internal development of computer programs. The main additions during the year relate to the acquisition of management software licenses.

The transfers that took place in 2018 were due mainly to the reclassification of concession assets classified in the previous year under "Assets classified as held for sale" (see the comments in the "Administrative concessions" section).

No finance costs were capitalised in 2019 or 2018.

a) Goodwill impairment testing

As set out in Note 2.6, Técnicas Reunidas has implemented a procedure whereby its goodwill is tested at year-end for potential impairment. Goodwill is impaired when the carrying amount of the cash-generating unit to which the asset belongs is less than its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use, which is taken to be the present value of the estimated future cash flows. Goodwill is assigned to the cash-generating unit (CGU) identified as Eurocontrol, S.A., a Group company of which 80% is indirectly owned. Impairment tests were performed at 31 December 2019 and 31 December 2018 and no impairment losses were recognised.

b) Administrative concessions

In the second half of 2018, the negotiations that were being carried out for the sale of the concessions of the sports complex in Alcobendas and the sports complex, car park and public spaces at the La Viña Shopping Centre in San Sebastián de los Reyes were concluded, and the Group's managing bodies therefore decided to reclassify the assets related to these concessions to intangible assets.

This heading also includes the concessions for the operation of the Huercal-Overa underground car park (Almería) and the underground car park in Alcobendas. The most relevant aspects regarding these concession arrangements for public services are as follows:

	Concession	Term	Remuneration	Redemption
1	Alcobendas sports complex	50 years	User charges	At end of concession term
2	Sports complex, car park and public spaces at the La Viña Shopping Centre in San Sebastián de los Reyes	50 years	User charges	Period may be extended up to 60 years upon approval by the Municipal Council
3	Underground car park at Huercal - Overa (Almeria)	30 years	User charges	Subject to successive term extensions
4	Alcobendas underground car park	75 years	User charges	At end of concession term

Concession assets are financed by borrowings amounting to EUR 16,886 thousand (2018: EUR 18,604 thousand).

Operating income from operating these concessions amounted to EUR 5,989 thousand (2018: EUR 6,278 thousand).

8. Rights of use on leased assets

At 31 December 2019, the amount of the rights of use on leased assets is as follows:

	Offices	Housing	Vehicles	Total
Cost				
1 January 2019	49,232	3,208	6,009	58,449
New contracts	-	5,965	4,743	10,708
Changes due to amendments to existing contracts	2,645	(1,258)	6	1,393
Translation differences	200	80	75	355
Ending balance	52,077	7,995	10,833	70,905
Amortisation				
1 January 2019	-	-	-	-
Charge for the year	19,032	3,315	6,109	28,456
Translation differences	(10)	(8)	(6)	(24)
Ending balance	19,022	3,307	6,103	28,432
Net balance at 31 December 2019	**33,055**	**4,688**	**4,730**	**42,473**

The amounts paid in relation to rights of use on leased assets at 31 December 2019 amounted to EUR 28,544 thousand.

At 31 December 2019, the borrowings associated with the rights of use of leased assets amounted to EUR 42,945 thousand and the interest charged to the income statement amounted to EUR 939 thousand.

9. Investments in associates

The detail of and changes in investments in associates are as follows:

	2019	2018
Beginning balance	**12,728**	**13,386**
Additions	6	-
Disposals	(6,917)	-
Changes in the scope of consolidation	(2,669)	353
Share of profit/(loss)	274	(1,011)
Ending balance	**3,422**	**12,728**

The amount of this heading includes the interest in the equity of associates (over which it does not have control). At 31 December 2019, it related mainly to the equity of Minatrico S. de. R.L. de C.V.

In addition, the Group's shareholdings in Empresarios Agrupados Internacional and Empresarios Agrupados A.I.E. were sold in 2019. The result of the sale was a profit of EUR 17,727 thousand, which is recognised under "Gains on disposal of associates" in the consolidated income statement. This transaction was recognised in 2019 as it was determined that all the conditions precedent of the contract of sale dated 16 July 2019 were substantially fulfilled at 31 December 2019.

On 12 July 2019, the Group acquired the remaining 50% of Ibérica del Espacio, S.A., and assumed control over this company, which from this moment on was fully consolidated.

The consideration amounted to EUR 825 thousand, giving rise to an outflow of cash of that amount.

The assets and liabilities recognised as a result of the acquisition are as follows:

	At 12 July 2019
Property, plant and equipment	15,045
Other intangible assets	181
Deferred tax assets	33
Inventories	1,533
Trade and other receivables	4,116
Cash and cash equivalents	45
Non-current payables	(11,966)
Deferred tax liabilities	(193)
Current payables	(3,456)
	5,338

This acquisition gave rise to a profit of EUR 1,844 thousand, which was recognised under "Other operating income".

"Share of profit/(loss)" includes, inter alia, the loss of Empresarios Agrupados Internacional, S.A. (EUR (136) thousand) and the profit of Ibérica del Espacio, S.A. (EUR 672 thousand) until the time of sale and the change in consolidation method, respectively.

The reporting date of the annual accounts of all associates coincides with the reporting date of the Parent's annual accounts. The Group's interest in its main associates, all of which are unlisted, is as follows:

Name	Country of incorporation	Assets	Liabilities	Income	Profit/(loss)	% shareholding
2019						
Master S.A de Ingeniería y Arquitectura	Spain	6,316	7,167	918	(654)	40.00%
Ebramex S. de R.L. de C.V.	Mexico	204	12,021	-	-	33.33%
Minatrico S. de R.L. de C.V.	Mexico	12,568	392	-	-	33.33%

Name	Country of incorporation	Assets	Liabilities	Income	Profit/(loss)	% shareholding
2018						
Empresarios Agrupados Internacional, S.A.	Spain	40,436	24,784	28,727	1,057	43.00%
Ibérica del Espacio, S.A.	Spain	32,664	28,670	6,149	(2,217)	50.00%
Empresarios Agrupados, A.I.E.	Spain	4,233	3,483	15,123	-	43.00%
Master S.A de Ingeniería y Arquitectura	Spain	6,310	6,506	2,654	(859)	40.00%
Ebramex S. de R.L. de C.V.	Mexico	193	11,341	1,711	431	33.33%
Minatrico S. de R.L. de C.V.	Mexico	11,857	360	1,197	(469)	33.33%

This balance relates to minor investments in companies that are not listed on any active market and over which the Group does not have control.

No provisions for impairment losses were recognised on the investments in associates in 2019 or 2018.

10. Financial instruments

10.1. Financial instruments by category

The detail, by nature and measurement category, of the financial assets (excluding cash and cash equivalents) and financial liabilities for the years ended 31 December 2019 and 2018, is as follows:

				At 31 December 2019
Financial assets:	**Financial assets at fair value through profit or loss (Note 14)**	**Financial assets through other comprehen sive income**	**Amortised cost**	**Hedging derivatives (Note 10.2)**
Nature / Category				
Derivatives	-	-	-	295
Accounts receivable and other financial assets (Note 13)	-	264	91,780	-
Long-term/non-current	**-**	**264**	**91,780**	**295**
Derivatives	-	-	-	6,551
Loans and receivables (Note 11)	-	-	2,672,058	-
Accounts receivable and other financial assets (Notes 14 and 13)	65,135	-	11,766	-
Short-term/current	**65,135**	**-**	**2,683,824**	**6,551**
Total financial assets	**65,135**	**264**	**2,775,604**	**6,846**

				At 31 December 2018
Financial assets:	**Financial assets at fair value through profit or loss (Note 14)**	**Financial assets through other comprehen sive income**	**Amortised cost**	**Hedging derivatives (Note 10.2)**
Nature / Category				
Derivatives	-	-	-	129
Accounts receivable and other financial assets (Note 13)	-	264	91,613	-
Long-term/non-current	**-**	**264**	**91,613**	**129**
Derivatives	-	-	-	9,102
Loans and receivables (Note 11)	-	-	2,421,725	-
Accounts receivable and other financial assets (Notes 14 and 13)	64,817	-	10,564	-
Short-term/current	**64,817**	**-**	**2,432,289**	**9,102**
Total financial assets	**64,817**	**264**	**2,523,902**	**9,231**

	At 31 December 2019		At 31 December 2018	
Financial liabilities	**Accounts payable**	**Hedging derivatives (Note 10.2)**	**Accounts payable**	**Hedging derivatives (Note 10.2)**
Nature / Category				
Borrowings (Note 21)	296,503	-	388,491	-
Borrowings associated with rights of use of leased assets (Note 9)	17,678	-	-	-
Derivatives	-	2,928	-	1,242
Other accounts payable	1,527	-	398	-
Non-current payables/Non-current financial liabilities	**315,708**	**2,928**	**388,889**	**1,242**
Borrowings (Note 21)	285,754	-	99,402	-
Borrowings associated with rights of use of leased assets (Note 9)	25,267	-	-	-
Derivatives	-	53,563	-	55,044
Trade payables	2,978,633	-	2,654,069	-
Other accounts payable	19,281	-	14,044	-
Current payables/Current financial liabilities	**3,308,935**	**53,563**	**2,767,515**	**55,044**
Total financial liabilities	**3,624,643**	**56,491**	**3,156,404**	**56,286**

10.2. Derivative financial instruments

The detail of derivative financial instruments at the end of 2019 and 2018 is as follows:

	2019		2018	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign currency forward contracts - cash flow hedges	6,039	56,491	9,231	51,938
Commodity forward contracts	807	-	-	4,348
Total	**6,846**	**56,491**	**9,231**	**56,286**
Non-current portion	**295**	**2,928**	**129**	**1,242**
Current portion	**6,551**	**53,563**	**9,102**	**55,044**

The derivative financial instruments arranged by the Group relate mainly to the foreign currency forwards to cover highly probable future cash flows.

The Group assesses the effectiveness of the hedges by conducting efficacy tests (prospective tests) in which the changes in hedged cash flows are compared with the changes in the cash flows of the designated derivative.

The detail of the maturities by year of the notional amounts of the contracts in force at 31 December 2019 and 2018 is as follows:

Type of instrument	Fair value (thousands of euros) 2019	Currency	Notional maturities (thousands) 2020	2021	2022	Total
Foreign currency forward contracts						
US dollar / Swiss franc	49	CHF	3,821	-	-	3,821
US dollar / Euro	5,969	USD	92,895	51,000	-	143,895
US dollar / Japanese yen	21	JPY	204,020	-	-	204,020
Commodities	807					
Assets	**6,846**					

Type of instrument	Fair value (thousands of euros) 2019	Currency	Notional maturities (thousands) 2020	2021	2022	Total
Foreign currency forward contracts						
Kuwaiti dinar / Euro	246	KWD	6,000	-	-	6,000
Canadian dollar / Euro	149	CAD	41,000	-	-	41,000
British pound / Euro	109	GBP	4,750	-	-	4,750
US dollar / Euro	55,220	USD	839,901	191,135	-	1,031,036
US dollar / Japanese yen	652	JPY	669,600	-	-	669,600
Polish zloty / Euro	115	PLN	42,107	-	-	42,107
Liabilities	**56,491**					
Net balances	**(49,645)**					

Type of instrument	Fair value (thousands of euros) 2018	Currency	Notional maturities (thousands)			Total
			2019	2020	2021	
Foreign currency forward contracts						
Kuwaiti dinar / Euro	27	KWD	340	-	-	19,000
US dollar / Euro	7,513	USD	29,150	80	-	56,889
Polish zloty / Euro	6	PLN	13,152	-	-	771,000
Canadian dollar / Euro	206	CAD	25,000	-	-	1,170,075
US dollar / Mexican peso	1456	MXN	530,410	-	-	340
British pound / Euro	23	GBP	1,800	-	-	2,135
Assets	**9,231**					

Type of instrument	Fair value (thousands of euros) 2018	Currency	Notional maturities (thousands)			Total
			2019	2020	2021	
Foreign currency forward contracts						
Kuwaiti dinar / Euro	425	KWD	23,600	-	-	23,600
US dollar / Swiss franc	363	USD	39,483	-	-	39,483
US dollar / Euro	48,946	USD	521,120	197,188	-	718,308
British pound / Euro	607	GBP	43,200	-	-	43,200
Canadian dollar / Euro	747	CAD	31,500	-	-	31,500
US dollar / Japanese yen	535	USD	4,938	-	-	4,938
Polish zloty / Euro	17	PLN	25,956	-	-	25,956
US dollar / Mexican peso	141	MXN	50,000	-	-	50,000
US dollar / Norwegian krone	157	USD	1,591	-	-	1,591
Commodities	4,348					-
Liabilities	**56,286**					
Net balances	**(47,055)**					

The detail of the maturities by year of the fair values of the contracts in force at 31 December 2019 and 2018 is as follows:

	2019	2020	2021	Total fair value
Total assets 2019	-	6,551	295	**6,846**
Total liabilities 2019	-	53,563	2,928	**56,491**
Total assets 2018	9,102	129	-	**9,231**
Total liabilities 2018	55,044	1,242	-	**56,286**

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

The Group's maximum exposure to credit risk at the balance sheet date is the fair value of balance-sheet derivative assets.

At 31 December 2019, the cumulative loss, net of tax, in the hedging reserve under consolidated equity, as a result of foreign currency forward contracts, amounted to EUR 24,206 thousand (2018: a loss of EUR 7,292 thousand). These results are recognised in the consolidated income statement in the period(s) during which the hedged transaction affects the income statement. The impact on the consolidated income statement recognised as part of profit or loss from operations in 2019 under "Procurements" and "Revenue" was a loss of EUR 34,205 thousand (2018: EUR 12,980 thousand).

The changes in hedging derivatives and the hedging reserve, as well as their impacts on equity and the income statement during the year, are as follows:

	01/01/2019	Income recognised in equity *	Settlements for the year ***	31/12/2019
Hedging derivatives (net liability position)	(47,055)	(53,410)	50,820	(49,645)

	01/01/2019	Income recognised in equity *	Transfers to the income statement **	31/12/2019
Hedging reserve (gross of tax effect)	10,375	53,410	(34,205)	29,580

* Refers to the portion of the profit or loss on the hedged instrument that has been determined to be an effective hedge.

** Amount taken to the income statement for the year, to the extent that the hedged transaction impacts profit or loss.

*** Value of the hedging derivatives settled by the Group during the year.

	01/01/2018	Income recognised in equity	Settlements for the year ***	31/12/2018
Hedging derivatives (net asset position)	7,236	(42,336)	(11,955)	(47,055)

	01/01/2018	Income recognised in equity	Transfers to the income statement **	31/12/2018
Hedging reserve (gross of tax effect)	(18,981)	42,336	(12,980)	10,375

* Refers to the portion of the profit or loss on the hedged instrument that has been determined to be an effective hedge.

** Amount taken to the income statement for the year, to the extent that the hedged transaction impacts profit or loss.

*** Value of the hedging derivatives settled by the Group during the year.

In 2019 and 2018, no ineffectiveness worthy of mention arose as a result of foreign currency hedges, which is recognised, if it arises, in the income statement as financial profit or loss.

11. Trade and other receivables

The detail of this heading at the end of 2019 and 2018 is as follows:

	2019	2018
Trade receivables	2,252,304	2,014,557
Customer retentions	264,029	301,322
Provision for impairment of accounts receivable	(31,971)	(31,298)
Trade receivables, net	2,484,362	2,284,581
Other accounts receivable	24,426	4,141
Prepayments	68,627	40,839
Tax receivables	82,947	81,224
Other	11,696	10,940
Total	**2,672,058**	**2,421,725**

Prepayments refer to the payments made on account for specific supplies to be used in the Group's projects. The increase or decrease in the amount of this heading is cyclical and depends on the stage of completion of each of the projects at the reporting date.

Tax receivables include EUR 32,912 thousand (2018: EUR 19,134 thousand) for withholdings and prepayments.

Trade receivables include EUR 1,960,475 thousand (2018: EUR 1,658,952 thousand) relating to completed work yet to be billed, which is calculated in accordance with the criteria for recognising revenue established in Note 2.19.

The changes in completed work yet to be billed were as follows:

	2019	2018
Beginning balance	**1,658,952**	**1,922,166**
Billings for the year	(1,083,409)	(1,756,272)
Changes and claims	53,271	108,548
Changes in stages of completion	1,331,661	1,384,510
Ending balance	**1,960,475**	**1,658,952**

At 31 December 2019, the amount of completed work yet to be billed that was more than 12 months old totalled EUR 84 million, of which EUR 15 million had been provisioned.

The changes in change orders and claims were as follows:

	Change orders	Claims	Total
Balance at 1 January 2018	**47,286**	**243,567**	**290,853**
Increases	156,800	165,922	322,722
Decreases due to approvals	(26,048)	(125,198)	(151,246)
Decreases due to adjustments	-	(62,929)	(62,929)
Balance at 31 December 2018	**178,038**	**221,362**	**399,400**
Additions	125,175	112,126	237,301
Decreases due to approvals	(98,397)	(82,440)	(180,837)
Decreases due to adjustments	(3,193)	-	(3,193)
Balance at 31 December 2019	**201,623**	**251,048**	**452,671**

In relation to trade and other receivables, a high portion of these balances relate to transactions with private sector customers, and a very significant portion of these balances relate to national and international companies with a high credit rating that do not have a history of default. The global position of trade and other receivables is monitored on an ongoing basis, while the most significant exposures are monitored at an individual level and, therefore, the Group considers credit risk to be very low.

This heading includes the non-contentious claims expected to be collected from customers that are being negotiated and recognised in accordance with that indicated in Note 2.19. Depending on the types of projects in the portfolio, negotiations with customers regarding claims may go on during the entire life of the project, and are usually concluded in the final stage of the project.

At 31 December 2019 and 2018, EUR 251,048 thousand and EUR 221,362 thousand, respectively, had been recognised. In the first few months of 2020, favourable agreements were entered into with customers that include EUR 24,062 thousand of the amounts recognised at 31 December 2019. At 31 December 2019 and 2018, the total amount requested in claims amounted to EUR 1,065,300 thousand and EUR 894,551 thousand, respectively. The decreases due to adjustments in 2018 mainly include the adjustment arising from the entry into force of IFRS 15 on 1 January 2018 (EUR 43,031 thousand).

The breakdown of the geographical areas of the amounts recognised is as follows:

- Middle East: 79%
- Mediterranean: 10%
- America, Europe and Asia: 11%

In addition, ongoing change orders with customers for changes in the scope or modifications not included in the original contract were recognised in accordance with that indicated in Note 2.19. At 31 December 2019 and 2018, EUR 201,623 thousand and EUR 178,038 thousand, respectively, had been recognised. At 31 December 2019 and 2018, the total amount requested amounted to EUR 266,400 thousand and EUR 537,349 thousand, respectively. In the first few months of 2020, favourable agreements were entered into with customers that include EUR 25,883 thousand of the amounts recognised at 31 December 2019.

With regard to the EUR 399,400 thousand recognised as prepayments for claims and change orders at the end of 2018, EUR 259,244 thousand were still in the process of being negotiated as of the date of authorisation for issue of these consolidated annual accounts. The historical net rate of realisation for the amounts recognised as claims and change orders for the last four years (2015-2018) has been established at 77%-121%.

There was no significant effect on the fair values of trade and other receivables. Nominal amounts are considered to approximate the fair value of these receivables and the effect of discounting is not significant under any circumstances.

Maximum exposure to credit risk at the reporting date is the carrying amount of the trade and other receivables.

At 31 December 2019, unmatured trade receivables invoiced amounted to EUR 196,017 thousand (2018: EUR 270,445 thousand).

At 31 December 2019, trade receivables amounted to EUR 95,813 thousand (2018: EUR 182,471 thousand), which were past due but not impaired. These receivables relate to a number of independent customers for whom there is no recent history of default.

The analysis of maturity of these accounts receivable is as follows:

	2019	2018
Less than 3 months	27,005	41,557
Between 3 and 6 months	1,305	30,985
More than 6 months	67,503	109,929
	95,813	**182,471**

The Group recognised a loss of EUR 1,000 thousand for the impairment loss on the value of its trade receivables in the year ended 31 December 2019 (2018: EUR 21,514 thousand). The changes in the provision for impairment of trade receivables are as follows:

	2019	2018
Beginning balance	**31,299**	**14,331**
Adoption of IFRS 9 with a charge to reserves	-	20,369
Impairment losses charged to income	1,000	1,145
Amounts used	(329)	(4,546)
Ending balance	**31,970**	**31,299**

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

	2019	2018
Euro	106,059	287,146
US dollar	1,246,464	832,214
KWD	191,604	169,585
SAR	815,884	533,779
Other currencies	156,322	493,155
Total	**2,516,333**	**2,315,879**

The total amount of costs incurred and profit recognised accrued at source for all contracts in progress at the balance sheet date was EUR 19,415,890 thousand (2018: EUR 16,798,089 thousand) and EUR 1,045,495 thousand (2018: EUR 1,027,889 thousand), respectively.

At 31 December, the income not yet incurred from contracts outstanding during the year amounted to EUR 10,026,352 thousand, which will be realised in the coming years depending on the annual progress of the various projects.

The amount of advances received on projects in progress is disclosed in Note 20. As in the case of advances to suppliers, the amount of this heading is cyclical and depends on the stage of completion of each of the projects at the reporting date.

At the end of the year, the Group was developing a unique project in Great Britain. The contract signed establishes safeguards against certain effects that the departure of Great Britain from the European Union could have on the aforementioned project.

12. Inventories

The detail of "Inventories" is as follows:

	2019	2018
Commodities	1,665	-
Work in progress	-	19,191
Finished goods	3,792	3,847
	5,457	**23,038**

13. Accounts receivable and other financial assets

	2019	2018
Accounts receivable and other non-current assets		
Loans to employees	753	1,091
Long-term loans to associates	267	850
Held-to-maturity investments	5,758	5,264
Loans to public authorities	8,569	8,836
Other non-current assets	85,266	84,405
	100,613	**100,446**
Impairment loss on accounts receivable	(8,569)	(8,569)
	92,044	**91,877**
Accounts receivable and other current assets		
Loans to venturers in UTEs and joint operations	11,598	9,637
Current investments held to maturity	168	927
	11,766	**10,564**

The changes in the provision for impairment of accounts receivable and other financial assets are as follows:

	2019	2,018
Beginning balance	**8,569**	**2,500**
Adoption of IFRS 9 with a charge to reserves	-	6,069
Ending balance	**8,569**	**8,569**

The carrying amount of accounts receivable and other financial assets is considered to approximate their fair value. Maximum exposure to credit risk at the reporting date is the carrying amount of the accounts receivable and other financial assets.

"Other non-current assets" includes mainly the amounts transferred to customers as security for compliance with any obligations that may arise from the outcome of lawsuits. The Group includes the estimated probable cost that could arise from the outcome of the aforementioned lawsuits under "Non-current provisions".

The average interest rate on loans to venturers in UTEs and joint ventures is the market rate of Euribor + 1.5% and other benchmarks +1.25% (2018: Euribor + 1%, other benchmarks 1.25%).

"Other financial assets at amortised cost" includes mainly guarantees and deposits.

"Loans to public authorities" includes the balances receivable for various concessions. In 2014, the Group decided to withdraw from the operating concessions due to the fact that after the contracts were awarded to Técnicas Reunidas, there were circumstances that significantly affected and altered the agreed legal relationships and ownership arrangements with the respective local authorities. This balance is fully provisioned.

The Group informed the local governments of its decision to withdraw from the concessions. As of today's date the matter has not yet been definitively resolved and the concessions are not operational at this time.

The termination of the concession agreement should result in a refund of the amounts invested by Técnicas Reunidas.

14. Financial assets at fair value through profit or loss

The detail of this heading and of the changes therein is as follows:

	2019	**2018**
Beginning balance	64,817	67,362
Net additions and disposals (fair value)	318	(2,545)
Ending balance	**65,135**	**64,817**
Listed securities:		
- Fixed-income investments	48,536	48,346
- Equity investments	16,599	16,471
	65,135	**64,817**

All financial assets are designated as held for trading.

Financial assets at fair value through profit or loss are presented in "Changes in working capital" under cash flows from operating activities in the statement of cash flows.

The Group did not invest in funds or carry out any disposals in 2019 or 2018.

Financial assets at fair value through profit or loss represent investments in listed equities and short-term fixed-income funds and their fair value at 31 December 2019 and 2018 has been determined by reference to year-end market prices. Returns on fixed-income securities are tied to trends in interest rates in the euro zone.

15. Cash and cash equivalents

The detail of cash and cash equivalents is as follows:

	2019	2018
Cash on hand and at banks	420,756	429,304
Short-term bank deposits and other cash equivalents	466,873	251,476
	887,629	**680,780**

This heading includes cash (cash on hand and demand deposits) and cash equivalents (short-term, highly liquid investments, easily convertible into cash within a maximum period of three months, the value of which is subject to an insignificant risk of changes in value). The short-term bank deposits earn interest at market rates. The average yields on deposits were: 0% EUR and 1.6% USD in 2019, and 0% EUR and 2% USD in 2018, and for average term of 14 days in both years.

Of the total balance of cash and cash equivalents at 31 December 2019, EUR 596,420 thousand (2018: EUR 323,324 thousand) arose from the inclusion of the joint operations and unincorporated temporary joint ventures in the scope of consolidation, as detailed in Appendices III and IV, respectively.

There were no cash or cash equivalents with restricted availability at 31 December 2019 and 2018, however, the cash from the joint arrangements with other partners is allocated in full to the project subject to such joint venture or UTE.

For the purposes of the statement of cash flows, the cash balance includes cash and cash equivalents.

16. Share capital

	Share capital	Share premium	Treasury shares	Total
Balance at 1 January 2018	**5,590**	**8,691**	**(73,041)**	**(58,760)**
Other changes	-	-	(1,075)	**(1,075)**
Balance at 31 December 2018	**5,590**	**8,691**	**(74,116)**	**(59,835)**
Other changes	-	-	286	286
Balance at 31 December 2019	**5,590**	**8,691**	**(73,830)**	**(59,549)**

A 31 December 2019 and 2018, the total authorised number of ordinary shares was 55,896,000 shares, with a par value of EUR 0.10 each. All of the shares issued are fully paid and carry the same voting and dividend rights. There are no restrictions on the free transferability of the shares.

The changes in “Treasury shares” in 2019 and 2018 were as follows:

	2019		2018	
	Number of treasury shares	Thousands of euros	Number of treasury shares	Thousands of euros
At beginning of year	2,201,389	74,116	2,167,274	73,041
Increases/purchases	2,756,598	63,675	4,088,054	106,432
Decreases/sales	(2,764,563)	(63,961)	(4,053,939)	(105,357)
At end of year	**2,193,424**	**73,830**	**2,201,389**	**74,116**

At 31 December 2019, treasury shares represented 3.92% of the Parent's share capital (2018: 3.93%), and totalled 2,193,424 shares (2018: 2,201,389 shares), with a weighted average price of EUR 33.6 per share (2018: EUR 33.67 per share).

Since 21 June 2006, all shares of Técnicas Reunidas, S.A. have been admitted to trading on the four Spanish stock exchanges, and are listed on the continuous market.

The share capital of Técnicas Reunidas, S.A. is represented as follows:

	2019	2018
Shareholder	**% of ownership**	**% of ownership**
Aragonesas Promoción de Obras y Construcciones, S.L.U.	5.10%	5.10%
Araltec Corporación, S.L.U.	31.99%	31.99%
Franklin Templeton Investment Management Ltd	3.00%	3.00%
Norges Bank	5.04%	0.00%
Ariel Investments, L.L.C.	3.01%	3.01%
Other shareholders (including free float)	47.94%	52.97%
Treasury shares	3.92%	3.93%
TOTAL	**100.00%**	**100.00%**

In accordance with the notice filed with the Spanish National Securities Market Commission (CNMV), on 12 December 2017 José Lladó Fernández-Urrutia held direct and indirect shareholding of 37.20% in Técnicas Reunidas, S.A. through Araltec Corporación, S.L.U. and Aragonesas Promoción de Obras y Construcciones, S.L.U.

The shareholders at the Parent's Annual General Meeting held on 26 June 2019 agreed to authorise the Board of Directors to acquire treasury shares up to the maximum number of shares established by law, at a price that may not be more than 5% higher or lower than the weighted average share price on the day the purchase is made and with a maximum daily volume that may not be more than 15% of the average daily volume traded on the market for orders of the regulated market or the Spanish multilateral trading system over the previous thirty sessions.

The Parent entered into a liquidity agreement with Santander Investment Bolsa, Sociedad de Valores, S.A.U. The framework of this agreement is the Spanish stock exchanges and its purpose is to create added liquidity for transactions. The agreement was signed for a term of one year, which was renewed on 10 July 2017 in accordance with CNMV Circular 1/2017, of 26 April, and was extended for an additional year on 10 July 2019. A total of 74,500 shares were allocated to the securities account associated with the agreement and EUR 2,537 thousand were allocated to the cash account associated with the agreement.

17. Other reserves

	2019	2018
Legal reserve	1,137	1,137
Capitalisation reserve	3,056	3,056
	4,193	4,193

17.1. Legal reserve

The legal reserve has reached the stipulated level, cannot be distributed to shareholders and can only be used to offset losses, provided that other reserves are not available for this purpose. Under certain conditions, it may also be used to increase share capital.

17.2. Capitalisation reserve

Funds are allocated to the capitalisation reserve in accordance with section 25 of Spanish Law 27/2014 on Corporation Tax (*Ley 27/2014 del Impuesto sobre Sociedades*). This reserve is restricted for a period of five years in accordance with this section.

18. Cumulative translation differences

	Thousands of euros
1 January 2018	**(31,840)**
Translation differences:	
- Transfers	(956)
- Group companies and associates	(5,732)
31 December 2018	**(38,528)**
Translation differences:	
- Transfers	1,003
- Group companies and associates	175
31 December 2019	**(37,350)**

The breakdown, by company or subgroup, of the cumulative translation differences at the end of 2019 and 2018 is as follows:

	2019	**2018**
Company or subgroup		
Técnicas Reunidas, S.A.	802	419
- Abu Dhabi branch	*3,790*	*6,959*
- Australia branch	*(3,684)*	*(3,669)*
- Ankara branch	*118*	*43*
- Moscow branch	*(2,412)*	*(2,213)*
- Kuwait branch	*7,035*	*2,492*
- Algeria branch	*(2,720)*	*(2,457)*
- Other	*(1,325)*	*(735)*
Técnicas Reunidas RUP Insaat (Turkey)	(5,689)	(5,313)
Técnicas Reunidas TEC (Bolivia)	(4,456)	(4,529)
Técnicas Reunidas Canada (Canada)	(7,587)	(1,298)
TSGI Mühendislik İnşaat Limited Şirketi (Turkey)	(19,697)	(17,389)
Técnicas Reunidas Australia Pty Ltd (Australia)	(349)	(377)
Técnicas Reunidas Saudia (Saudi Arabia)	(3,529)	(9,303)
Técnicas Reunidas Gulf Ltd. (Saudi Arabia)	2,679	1,994
Técnicas Reunidas Chile Limitada (Chile)	330	714
Técnicas Reunidas Perú de Talara (Peru)	(1,569)	(2,879)
Técnicas Reunidas Omán LLC (Oman)	49	23
Treunidas Mühendislik ve İnsaat A.S (Turkey)	(742)	(645)
Técnicas Reunidas Méjico (Mexico)	1,437	764
Técnicas Reunidas PIC (Peru)	85	44
Other	886	(753)
Total	**(37,350)**	**(38,528)**

19. Dividend distribution and non-controlling interests

The proposed allocation of the Parent's loss for 2019 to be submitted at the Annual General Meeting, as well as the approved allocation of loss for 2018, is as follows:

	2019	2018
Basis of allocation		
Profit (loss) attributable to the Parent	(9,527)	(25,357)
	(9,527)	**(25,357)**
Allocation		
Reserves	(9,527)	(25,357)
	(9,527)	**(25,357)**

The Parent's Board of Directors did not approve the distribution of dividends in 2019 or 2018.

a) Retained earnings

These are unrestricted voluntary reserves that amounted to EUR 434,210 thousand at 31 December 2019 (EUR 446,478 thousand at 31 December 2018).

b) Non-controlling interests

The changes in non-controlling interests in 2019 and 2018 are as follows:

Balance at 01/01/2018	**18,233**
Profit/(Loss)	2,473
Translation differences	70
Dividends paid to non-controlling interests	(7,204)
Balance at 31/12/2018	**13,572**
Profit/(Loss)	(765)
Translation differences	19
Dividends paid to non-controlling interests	(96)
Balance at 31/12/2019	**12,730**

20. Trade and other payables

Trade payables are broken down as follows:

	2019	2018
Payable to suppliers	2,612,381	2,295,399
Supplier retainings	183,379	196,858
Prepayments received for contract work	156,331	136,931
Other	26,542	24,881
	2,978,633	**2,654,069**

Other accounts payable are broken down as follows:

	2019	2018
Non-current		
Liabilities arising from financial leases	835	356
	835	**356**
Current		
Other	19,281	14,044
	19,281	**14,044**

The carrying amount of trade and other payables approximates their fair value.

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

	2019	2018
Euro	620,818	510,172
US dollar	1,508,143	1,046,920
Other currencies	483,420	738,307
Total	**2,612,381**	**2,295,399**

21. Borrowings

	2019	2018
Non-current		
Borrowings	296,503	388,491
	296,503	**388,491**
Current		
Borrowings	285,754	99,402
	285,754	**99,402**
Total borrowings	**582,257**	**487,893**

At 31 December 2019, total borrowings included EUR 171,000 thousand at a fixed rate (2018: EUR 107,000 thousand) as detailed below:

2019		2018	
Amount	**Rate**	**Amount**	**Rate**
107,000	0.89%	107,000	0.89%
56,000	3.25%	-	
8,000	1.45%	-	
171,000		**107,000**	

The average variable interest rates applicable to the remaining debt were as follows:

	2019		2018	
	Euros	USD	Euros	PLN / USD / MYR
Variable rates	1.02%	1.5%	0.80%	1.35% / 1.5% / 0.65%

The carrying amount of current and non-current borrowings approximates their fair value, as the impact of discounting is not significant. The majority of the borrowings are tied to variable interest rates, mainly the Euribor, and reviewed on a monthly basis.

The maturities of the borrowings are broken down in Note 3 “Liquidity risk”. The carrying amount of the Group’s borrowings is denominated in the following currencies:

	2019	**2018**
Euros	538,420	410,320
US dollars and other currencies	43,837	77,573
	582,257	**487,893**

The Group has the following undrawn credit facilities and other loans:

	2019	**2018**
- maturing within one year	294,963	669,851
- maturing in more than one year	120,050	172,086
	415,013	**841,937**

The agreements for the two syndicated loans held by the Group and the German promissory note financing require that the net financial debt/EBITDA ratio be less than or equal to 3. This condition was met as of the date of authorisation for issue of these annual accounts.

22. Provisions for contingencies and charges

22.1. Provisions for contingencies and charges - Non-current

Description	Provision for estimated losses	Provision for infrastructure	Other provisions	Total provisions for contingencies and charges
Balance at 01/01/2018	**1,310**	**2,000**	**39,892**	**43,202**
Reversals/amounts used	-	-	(4,385)	(4,385)
Transfers	-	-	(27,000)	(27,000)
Charges for the year	2,122	2,000	23,700	27,822
Balance at 31/12/2018	**3,432**	**4,000**	**32,207**	**39,639**
Reversals/amounts used	(844)	-	(4,500)	(5,344)
Charges for the year	-	-	-	-
Balance at 31/12/2019	**2,588**	**4,000**	**27,707**	**34,295**

The amount arising from the Sines lawsuit was transferred to current in 2018 as there is an arbitral award in line with the projections of the Group and its advisors and with the provision recognised in previous years. The customer filed an appeal against the arbitral award with the Portuguese courts.

In compliance with that established in IAS 37, the Group recognises provisions to cover estimated future losses on projects currently in progress.

a) Provision for infrastructure:

For those projects that are completed, the Group also estimates the probable costs that will subsequently be incurred.

b) Other provisions:

This line item relates to provisions arranged to cover other contingencies and charges, provisions for probable risks, provisions for risks of litigation and other non-current payments to be made.

With regard to non-current provisions, given the nature of the risks included, it is not possible to determine a reasonable schedule for the related payments.

22.2. Provisions for contingencies and charges - Current

	Current provisions for contingencies and charges
Balance at 1 January 2018	**3,638**
Reversals/amounts used	(775)
Transfers	27,000
Charges for the year	-
Balance at 31 December 2018	**29,863**
Reversals/amounts used	-
Charges for the year	13,779
Balance at 31 December 2019	**43,642**

23. Revenue

	2019	2018
Income from engineering and construction contracts	4,699,090	4,396,310
Services rendered	18	18
Total revenue	**4,699,108**	**4,396,328**

Note 5 presents the main business segments and geographical areas in which the Group operates.

24. Procurements and other operating income and expenses

24.1. Procurements

“Procurements” includes mainly the amount of materials and the costs of construction subcontracts, such as metal structures, civil engineering work, equipment assembly, etc., and engineering services.

24.2. Other operating expenses

	2019	2018
Services	87,520	69,248
Independent professional services	48,067	56,555
Repairs and upkeep	11,223	11,936
Banking and similar services	43,801	39,472
Transport costs	26,370	25,099
Insurance premiums	13,265	10,835
Utilities and supplies	17,598	13,016
Other	16,940	30,685
	264,784	**256,846**

“Other” includes the period provisions (net of reversals) for current and non-current contingencies and charges amounting to EUR 8,435 thousand (2018: EUR 22,263 thousand).

24.3. Other operating income

"Services" includes the expenses related to the work performed.

	2019	2018
Grants related to income	716	597
Other	7,117	6,209
	7,833	**6,806**

"Other" includes mainly the income obtained from the operation of concessions.

25. Employee benefit expenses

	2019	2018
Wages and salaries	511,287	491,474
Social security expenses	82,659	78,354
Other staff costs	14,831	12,162
Long-term employee remuneration obligations	2,054	2,043
	610,831	**584,033**

"Wages and salaries" includes EUR 5,734 thousand (2018: EUR 6,049 thousand) in termination benefits

26. Financial profit/(loss)

	2019	2018
Finance income:		
Interest income from short-term deposits in banks and others	7,450	6,483
Net gains/(losses) in the fair value of financial instruments at fair value through profit or loss and others	324	(2,547)
Total finance income	**7,774**	**3,936**
Finance costs:		
Interest expense on loans with banks	(10,427)	(9,388)
Net losses on foreign currency transactions	(12,082)	(12,211)
Other finance costs	(14,678)	(1,175)
Interest on lease liabilities	(939)	-
Total finance costs	**(38,126)**	**(22,774)**

"Other finance costs" includes the interest on the tax assessments provisioned amounting to EUR 12,075 thousand.

Note 9 explains the impact of foreign currency hedging contracts on profit/(loss). That impact, as well as any exchange gains or losses generated by the hedged instrument, is recognised as part of profit or loss from operations.

27. Income tax

The companies of the Técnicas Reunidas Group included in the consolidated tax regime are the following: Técnicas Reunidas, S.A., Técnicas Reunidas Internacional, S.A., Termotécnica, S.A., Técnicas Reunidas Construcciones y Montajes, S.A., Técnicas Reunidas Ecología, S.A., Técnicas Siderúrgicas, S.A., Española de Investigación y Desarrollo, S.A., Técnicas Reunidas Proyectos Internacionales, S.A., Técnicas Reunidas Metalúrgicas, S.A., Layar, S.A., Layar Real Reserva, S.A., Eurocontrol, S.A., ReciclAguilar, S.A., Initec Plantas Industriales, S.A.U., Initec Infraestructuras, S.A.U., Eurocontrol International Services, S.L., Euromoody International Services, S.L., Heymo, S.A., S.A. Deportes Valdavia 2017, S.L., Valdavia Gym, S.L. and Valdavia Pádel, S.L.

To calculate the tax base of the tax group and the different individual companies included in the scope of consolidation, the accounting profit/(loss) is adjusted in accordance with the temporary and permanent differences that may exist, giving rise to the corresponding deferred tax assets and liabilities. In general, the deferred tax assets and liabilities arise as a result of valuation adjustments to unify the accounting criteria and principles of individual companies and those of the consolidated group, to which those of the Parent apply.

The breakdown of the tax expense is as follows:

	2019	2018
Current tax	68,325	27,044
Deferred tax	(54,960)	(24,291)
Provision for tax assessments	55,418	-
Other	(2,987)	5,090
Income tax	**65,796**	**7,843**

The tax on the Group's profit before taxes differs from the theoretical amount that would have been obtained using the tax rate applicable to the profits of the consolidated companies as follows:

	2019	2018
Profit before tax	**55,801**	**22,290**
Tax calculated at the tax rate applicable to the profits of the Parent	13,950	5,573
Tax effects of:		
- Tax-exempt profits	(12,709)	(1,549)
- Non-deductible expenses for tax purposes	4,314	6,099
- Effect of difference in tax rates in other countries	(17)	(3,882)
- Tax losses for which no tax asset has been recognised	18,000	-
- Tax credits used and non-recoverable withholdings	(1,398)	(190)
- Tax loss carryforwards	(8,213)	(1,721)
- Provisions for tax assessments	55,418	-
- Other	(3,549)	3,513
Tax expense	**65,796**	**7,843**

The breakdown of the deferred tax assets and liabilities is as follows:

	2019	2018
Deferred tax assets		
recoverable in over 12 months	371,354	285,208
recoverable in under 12 months	16,070	34,052
	387,424	**319,260**
Deferred tax liabilities		
recoverable in over 12 months	25,254	54,293
recoverable in under 12 months	42,243	-
	67,497	**54,293**

The changes in the deferred tax assets and liabilities are as follows:

	Assets	Liabilities
Balance at 1 January 2018	**254,564**	**39,520**
Generated and reversed with impact on the income statement	45,263	20,972
Generated and reversed with impact on equity	19,433	(6,199)
Balance at 31 December 2018	**319,260**	**54,293**
Generated and reversed with impact on the income statement	68,164	13,204
Generated and reversed with impact on equity	-	-
Balance at 31 December 2019	**387,424**	**67,497**

Deferred tax assets and liabilities arise from the following items:

Assets	**2019**	**2018**
Tax loss carryforwards	103,892	41,676
Losses incurred in subsidiaries and permanent establishments	202,488	207,710
Valuation uniformity adjustments to projects	21,270	15,506
Hedging reserve	5,498	3,301
Impact of IFRS 15 and IFRS 9	8,896	18,014
Other	45,380	33,053
	387,424	**319,260**

Liabilities	**2019**	**2018**
- Timing differences in countries	60,097	45,217
- Valuation uniformity adjustments to projects and others	7,274	8,424
- Hedging reserve	126	652
	67,497	**54,293**

Deferred tax assets are recognised to the extent that related taxable profit is likely to be generated through future taxable profits.

A breakdown by geographical area of the tax assets from tax loss carryforwards capitalised at 31 December 2019 and 2018 and of the deferred tax assets arising from losses incurred in subsidiaries and permanent establishments is presented below:

	2019	2018
Spain	62,887	12,108
Middle East	34,746	23,389
America	6,259	5,946
Other	-	233
Total tax loss carryforwards	**103,892**	**41,676**
Spain	202,488	207,710
Total deferred tax assets arising from losses incurred in subsidiaries and permanent establishments	**202,488**	**207,710**

In Spain and Saudi Arabia there is no time limit to apply deferred tax assets and deduct tax losses, respectively, under the current law.

The tax credits and deferred tax assets generated are expected to be recovered through the losses in branches/subsidiaries of the Parent in a period not exceeding 10 years, as, among other actions, there is a plan to liquidate these branches/subsidiaries in a shorter period.

The details of tax loss carryforwards from foreign subsidiaries on which tax assets have not been recognised essentially corresponds to the following:

	2019		2018	
	Tax base	**Tax charge**	**Tax base**	**Tax charge**
Portugal	9,842	2,067	30,467	6,398
Saudi Arabia	147,115	29,423	35,000	7,000

Management does not consider their capitalisation at year-end as it is not possible to reliably estimate their recovery date.

No deferred taxes were generated in 2019 or 2018 from transactions charged or credited directly against equity, in addition to those detailed in the consolidated statement of comprehensive income and those derived from the application of IFRS 9 and IFRS 15.

At 31 December 2019 and 2018, the Group did not have any unused tax credits.

On 28 June 2014, the Spanish Tax Agency notified Técnicas Reunidas, S.A., as the Parent of the Tax Group, of the initiation of an audit for 2008-2011 corporation tax.

In June 2015, the Parent received a settlement proposal for an amount of EUR 138.2 million plus interest, and signed the assessment on a contested basis. The settlement agreement is based on the discrepancies of the Tax Agency with the criteria on which the Group’s transfer pricing strategy is based.

In July 2015, the settlement proposal was unsuccessfully appealed for reconsideration before the Tax Agency. The Company filed an appeal for judicial review against this ruling before the Central Economic Administrative Court on 15 September 2015.

In 2018, the Central Economic Administrative Court (TEAC) ruled partially in favour of the Group, reducing the amount of the settlement by EUR 20.9 million plus interest and establishing the current amount of the claim at EUR 117.3 million plus interest. The Spanish Tax Agency has not filed an appeal against this ruling.

In October 2018, the Group filed an appeal for judicial review with the Spanish National Appellate Court against the corresponding ruling of the TEAC. Throughout 2019, the Spanish National Appellate Court has transferred the case file and the deadline for filing the claim on several occasions, but on all of these occasions Técnicas Reunidas considered that the file was incomplete and has requested and obtained a suspension of the deadline for filing the claim. The National Appellate Court has yet to send the complete file and communicate the new deadline for filing the claim.

The Parent's management and its tax advisers have concluded that it is not likely that the amount of the tax assessments appealed before the National Appellate Court will have to be paid. Management considers that there are technical arguments for the opinions of Técnicas Reunidas to be upheld in their entirety, and that likelihood is higher in the judicial review phase. Técnicas Reunidas' opinion is based on the fact that the agreed assessments signed in 2010 recognised the right of exemption of the unincorporated temporary joint ventures with which the Técnicas Reunidas Group operates abroad and, moreover, defined the intragroup transactions model on which Técnicas Reunidas developed its new transfer pricing model, with the support of its tax advisers.

Consequently, management considered that it was not necessary to recognise any liability.

As of the date of authorisation for issue of these annual accounts, the Parent has not had to make any payment relating to assessments signed on a contested basis. Guarantees have been issued in an amount of EUR 136.2 million for the tax payable and EUR 45 million for late-payment interest. At the Group's request, on 14 February 2020, the Spanish Tax Agency agreed to reduce the amount of these guarantees by approximately EUR 25 million, which is in line with the reduction in tax debt achieved as a result of the economic-administrative appeal being partially upheld.

On 3 July 2017, the tax audit began regarding corporation tax for 2012 to 2014 fiscal years and all other taxes for 2014 to 2015.

In October 2019 the tax assessments for 2012 were signed on an uncontested basis, and the settlement associated with these assessments amounted to EUR 26,826 thousand (specifically EUR 21,251 thousand for the tax charge and EUR 5,576 thousand in interest). This amount was paid in January 2020.

In January 2020 the tax assessments for 2013 and 2014 were signed on an uncontested basis, and the settlement associated with these assessments for 2013 amounted to EUR 28,324 thousand (specifically EUR 23,456 thousand for the tax charge and EUR 4,868 thousand in interest), while the settlement figure for 2014 was EUR 11.924 thousand (specifically EUR 10,293 thousand for the tax charge and EUR 1,631 thousand in interest). The amount for 2014 was paid in January 2020, while the amount for 2013 is still outstanding.

The agreements reached are related to the application of tax exemptions to the execution of projects through unincorporated temporary joint ventures. The Group and the tax authorities agreed that this exemption is partially applicable.

These assessments were signed on an uncontested basis and are intended to reduce the risks associated with the Group's tax litigation. In addition, in the opinion of Group management and its tax advisors, the signing of these assessments does not change the forecast that the appeal filed with the National Appellate Court will be successful.

Also, as a result of the audit of 2012-2014, a number of items were contested, and the amount of these assessments signed on a contested basis for 2012 was EUR 3,566 thousand (EUR 2,823 thousand for the tax charge and EUR 744 thousand in interest), whereas for 2013 and 2014 the assessments contained a proposed settlement amounting to EUR 4,986 thousand (EUR 4,170 thousand for the tax charge and EUR 817 thousand in interest).

The appropriate allegations have been filed against this proposal without the tax authorities having handed down a ruling or modifying them.

The Parent's management and its tax advisers have concluded that it is not likely that the amount of the tax assessments appealed before the TEAC will have to be paid and, therefore, no provision has been recognised in this regard

The detail of the financial years open for review, in addition to those that are being audited, is as follows:

Tax	Years
Income tax	2015-2019
Value added tax	2016-2019
Personal income tax withholdings	2016-2019
Taxes other than income tax	Last 4 years

The varying interpretations of current tax law, inter alia, could give rise to additional liabilities as a result of a tax audit. In any case, the Parent's directors consider that these liabilities, should they arise, would not have a material effect on the consolidated annual accounts.

28. Earnings per share

a) Basic

Basic earnings per share are calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares acquired by the Parent.

b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to reflect the conversion of all the dilutive potential ordinary shares. Given that the Parent does not hold any class of potential dilutive ordinary shares, the diluted earnings per share match the basic earnings per share.

	2019	**2018**
Profit/(Loss) for the year attributable to ordinary equity holders of the Company	(9,230)	11,974
Weighted average number of ordinary shares outstanding	53,698,594	53,711,669
Earnings/(Loss) per share of the profit attributable to ordinary equity holders of the Company (euros per share)	(0.17)	0.22

Dividends per share

No dividends were distributed in 2019.

In 2018, the dividends distributed out of profit for 2017 amounted to EUR 50,000 thousand (of which EUR 35,852 thousand had been declared in 2017 as an interim dividend), which entails a dividend per share of EUR 0.93.

29. Contingencies and guarantees issued

The Group has contingent liabilities for bank guarantees and other collateral related to the normal course of business, which are not expected to give rise to any significant liability in addition to those cases for which provisions were made as mentioned in Note 21. In the normal course of business, which is common practice among companies engaging in engineering and construction activities, the Group has issued guarantees to third parties for a value of EUR 5,861,288 thousand (2018: EUR 5,196,055 thousand) to secure adequate fulfilment of the agreements.

The total guarantees provided include syndicated guarantee lines amounting to EUR 709,316 thousand (2018: EUR 547,259 thousand) that are subject to certain covenants, compliance with which was exempted at 31 December 2019. The Parent's directors expect that the ratios or covenants included in the syndicated guarantee contracts will be met at the end of the next financial year.

In accordance with the general contracting terms of the Company and the Group companies, they are obliged to issue technical guarantees in relation to the execution of the work (bank guarantees) and they must be held for a certain period.

As mentioned in Note 7, the borrowings amounting to EUR 16,886 thousand (2018: EUR 18,604 thousand) financed the construction of the concessions. These loans (except for EUR 1,200 thousand) are secured with the aforementioned concession assets.

In relation to the tax audits mentioned in Note 27, guarantees have been presented before the Tax Agency in an amount of EUR 139.7 million for the tax payable and EUR 45 million for late-payment interest. At the Group's request, on 14 February 2020, the Spanish Tax Agency agreed to reduce the amount of these guarantees by approximately EUR 25 million, which is in line with the reduction in tax debt achieved as a result of the economic-administrative appeal being partially upheld.

The Group is party to certain judicial and arbitration disputes, framed in the closure process of the projects, with customers and suppliers. Based on the opinion of the Group's legal advisers, formulated based on the available information, the Parent considers that, except for the disputes for which the provision corresponding to the best estimate made on the potential impact of the ruling has been recognised (see Note 22), their outcome will not significantly influence the Group's equity position.

30. Commitments

Fixed asset purchase commitments

There are no significant investment commitments in relation to asset purchases at 31 December 2019 or 31 December 2018.

Suppliers and subcontractor purchase commitments

The Group has payment commitments with its suppliers, in addition to those recognised under "Trade payables", as a result of orders in the preparation or construction phase that cannot be invoiced until the contractual milestones are reached. In this regard, the invoices to the Group's customers are issued in accordance with contractual milestones of a similar nature to those that the Group maintains with its suppliers.

Information on the average period of payment to suppliers. Additional provision three. "Disclosure obligation" provided for in Spanish Law 15/2010, of 5 July. (Under the new wording given by final provision two of Spanish Law 31/2014 reforming the Spanish Corporate Enterprises Act [*Ley 31/2014 de reforma de la Ley de Sociedades de Capital*])

As established by the reference law, as well as the ICAC resolution of 29 January 2016, the following information is broken down in reference to the average period of payment to suppliers:

	2019	2018
	Days	**Days**
Average period of payment to suppliers	69	70
Ratio of transactions paid	64	65
Ratio of transactions payable	104	100

	2019	2018
Total payments made	3,464,088	3,682,087
Total payments outstanding	485,298	696,708

The Group complies with the legally established periods with some minor delays due to invoices that are not officially compliant under the provisions of the agreement, failure to receive guarantees or meet other obligations of suppliers under the service agreement or order signed. In view of this, there may be a slight delay in payment.

The calculation of the data of the above table was performed in accordance with the ICAC Resolution of 29 January 2016. For the purposes of this note, trade payables include the items related to payable to suppliers and sundry accounts payable to suppliers of goods and services included in the scope of the regulation on legal payment periods.

For the calculation of the information contained in this note, the transactions performed with the Group's suppliers have been considered after eliminating the reciprocal receivables and payables of the subsidiaries and, as applicable, those of the jointly controlled entities pursuant to the applicable consolidation rules.

The above table only includes the information corresponding to the Spanish entities included in the consolidated group.

31. Related party transactions

Related party transactions in 2019 and 2018 form part of the Company's ordinary business activities. The transactions performed with related parties are as follows:

a) Transactions with the main shareholders of the Company

The Company did not perform transactions with any of its main shareholders in 2019 or 2018.

b) Transactions with directors and executives of the Company and entities related to them

No transactions were performed with the Company's directors in 2019 or 2018, except as detailed below:

- **Transactions performed with Banco Sabadell in 2019:**

The Company director for whom the information is included was not a director until the Annual General Meeting held on 27 June 2018. The information relates to 2019 and 2018.

Transactions performed in the year:

	2019	2018
Finance costs	781	228
Finance income	22	12
Credit facilities	10,000	5,000
Drawn balances	1,800	-
Guarantee lines	77,000	60,000
Used guarantees	51,756	46,960
Foreign exchange hedge	-	15,807
Cash and cash equivalents	32,323	37,910

Note 33 includes information related to the remuneration paid to the directors of Técnicas Reunidas, S.A.

- **Remuneration paid to senior executives**

In addition, in 2019 remuneration (wages and salaries, both fixed and variable) totalling EUR 4,761 thousand (2018: EUR 4,257 thousand), advances of EUR 92 thousand (2018: EUR 335 thousand) and loans of EUR 95 thousand (2018: EUR 0 thousand) were paid to the Group's senior executives.

c) Transactions performed with associates

Details of the balances and transactions with the associates included in Appendix II are presented below:

	2019				2018			
	Trade receivables	Payable to suppliers	Purchases	Sales	Trade receivables	Payable to suppliers	Purchases	Sales
Empresarios Agrupados, A.I.E	-	16	2,123	2,041	134	308	5,889	1,964
Empresarios Agrupados Intemacional, S.A.	1,911	878	886	5,746	3,916	29	13	10,493
Ibérica del Espacio, S.A.	167	-	-	111	1,331	-	-	229

32. Environmental disclosures

In view of the business activities carried on by the Group companies, the Group does not have any environmental expenses, assets, provisions or contingencies that might be material with regard to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated annual accounts.

33. Other information

a) Average number of employees of the Group by category

The average number of people employed during the year by fully consolidated companies, by category, is as follows:

	2019	2018
Executive directors and senior executives	13	13
Graduates, line personnel and clerical staff	9,096	8,729
Non-graduates/Unqualified staff	298	56
Sales staff	54	79
	9,461	**8,877**

The average number of people employed during the year by joint ventures that are proportionately consolidated, by category, is as follows:

	2019	2018
Graduates, line personnel and clerical staff	95	123
Non-graduates/Unqualified staff	21	27
Sales staff	2	4
	118	**154**

Furthermore, the distribution by gender of the employees of fully consolidated companies at year-end is as follows:

	2019			2018		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Executive directors and senior executives	11	2	13	11	2	13
Graduates, line personnel and clerical staff	6,833	2,201	9,034	5,714	3,107	8,821
Non-graduates/Unqualified staff	284	1	285	55	2	57
Sales staff	31	23	54	51	29	80
	7,159	**2,227**	**9,386**	**5,831**	**3,140**	**8,971**

The above figures include 813 subcontracted professionals (2018: 600 employees).

The average number of people employed in 2019 and 2018 by the companies included in the scope of consolidation with a disability greater than or equal to 33% was 31 and 34 employees, respectively, in the “Graduates, line personnel and clerical staff” category.

b) Fees paid to auditors

The fees for services contracted in 2019 and 2018 by companies of the Técnicas Reunidas Group with their respective auditors are as follows:

Fees for audits carried out:

	2019		2018	
	PwC	**Deloitte**	**PwC**	**Deloitte**
Financial audit services	567	599	485	526
Other attest services provided by the auditor	228	36	158	36
Other services rendered by the auditor	31	-	31	-
Other services rendered by entities of the auditor's network	496	158	318	113
	1,322	**793**	**992**	**672**

c) Information required by section 229 of the Corporate Enterprises Act

The Parent's directors do not have any issue to report in relation to section 229 of the Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July, except the following:

- José Lladó Fernández-Urrutia is Chairman of Técnicas Reunidas Internacional, S.A. and Joint Director at Técnicas Reunidas Proyectos Internacionales, S.A.

- Juan Lladó Arburúa is non-executive director of Initec Plantas Industriales, S.A.U., Initec Infraestructuras, S.A.U., Empresarios Agrupados Internacional, S.A., Eurocontrol, S.A. and Master S.A. de Ingenieria y Arquitectura. Moreover, he is the representative of Técnicas Reunidas, S.A. on the Management Committee of Empresarios Agrupados A.I.E., Deputy Chairman of Técnicas Reunidas Internacional, S.A. and Española de Investigación y Desarrollo, S.A., and Joint Director of Técnicas Reunidas Proyectos Internacionales, S.A.

d) Remuneration paid to members of the Parent's Board of Directors

The overall remuneration received by the Company's Board members in the years ended 31 December 2019 and 2018 is presented below:

Allowances for attendance at Board meetings, received by all Board members: EUR 1,851 thousand (2018: EUR 1,884 thousand).

Wages and salaries: EUR 2,310 thousand (2018: EUR 2,750 thousand).

Life insurance and pension plan premiums: EUR 39 thousand (2018: EUR 40 thousand).

Services provided to the Group: EUR 303 thousand (2018: EUR 308 thousand).

Furthermore, the Group paid EUR 137 thousand in 2019 and 2018, respectively, as third-party liability insurance to managers and directors.

34. Events after the balance sheet date

From 31 December 2019 to the date of authorisation for issue of these consolidated annual accounts, no significant events took place that need to be disclosed.

APPENDIX I

Subsidiaries included in the scope of consolidation – 2019

Company name	Registered office	% interest of nominal amount	Company holding the interest	Consolidation method	Business activity	Auditor
Técnicas Reunidas Internacional, S.A.	Calle Arapiles 13, 28015, Madrid (Spain)	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
Termotécnica, S.A.	Conde Valle Suchil, 20. Madrid (Spain)	99.98%	Técnicas Reunidas, S.A. and Técnicas Reunidas Construcción y Montaje, S.A.	Full consolidation	Engineering services and machinery wholesaler	Unaudited
Técnicas Reunidas Construcción y Montaje, S.A.	Calle Arapiles 13, 28015, Madrid (Spain)	100%	Técnicas Reunidas, S.A.	Full consolidation	Property development	Unaudited
Técnicas Reunidas Ecología, S.A.	Calle Arapiles 13, 28015, Madrid (Spain)	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
Técnicas Reunidas Metalúrgicas, S.A.	Calle Arapiles 13, 28015, Madrid (Spain)	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
Técnicas Reunidas Trade Panamá, S.A.	Republic of Panama (Panama)	100%	Técnicas Reunidas, S.A.	Full consolidation	Inactive company	Unaudited
Técnicas Siderúrgicas, S.A.	Calle Arapiles 13, 28015, Madrid (Spain)	100%	Técnicas Reunidas Construcción y Montaje, S.A.	Full consolidation	Engineering services	Unaudited
Técnicas Reunidas Proyectos Internacionales, S.A.	Calle Arapiles 13, 28015, Madrid (Spain)	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
Española de Investigación y Desarrollo, S.A.	Calle Arapiles 13, 28015, Madrid (Spain)	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited

Layar, S.A.	Calle Arapiles 13, 28015, Madrid (Spain)	100%	Técnicas Reunidas, S.A.	Full consolidation	Real estate business	Unaudited
Layar Real Reserva, S.A.	Calle Arapiles 13, 28015, Madrid (Spain)	100%	Layar, S.A.	Full consolidation	Real estate business	Unaudited
Eurocontrol, S.A.	Calle Zurbano 48 (Spain)	80%	Layar, S.A and Layar Real Reserva, S.A.	Full consolidation	Inspection, quality control, technical consulting services	Acisa
Initec Plantas Industriales, S.A.	Calle Maria de Portugal 9-11, Madrid (Spain)	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	PwC/Deloitte
Initec Infraestructuras, S.A.	Calle Rafel Calvo 3-5, Madrid (Spain)	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	PwC/Deloitte
Técnicas Reunidas Chile Ltda.	Badajoz Nº 45, Oficina 1901, Edificio Fundadores, Las Condes, Santiago de Chile (Chile)	100%	Initec Plantas Industriales, S.A.	Full consolidation	Engineering services	Deloitte
ReciclAguilar, S.A.	Calle Rafael Calvo 3-5 (Spain)	80%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
Técnicas Reunidas Gulf Ltd. – Saudi Arabia	P.O. BOX 39561, Dahrahn 31942 (Saudi Arabia)	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	PwC
TR Engineering LLC – Oman	Safeway Building, 2nd floor, Building no. 68, Way no. 3305, Dohat-Al Abad, Muscat, Sultanate of Oman	49%	Initec Plantas Industriales, S.A.	Full consolidation	Engineering services	Deloitte
Técnicas Reunidas Omán LLC	Safe Way Building, Building no. 68, Way no. 3305, Dohah-Al Abad Street, Alkhuwair, Muscat, Sultanate of Oman	70%	Initec Plantas Industriales, S.A.	Full consolidation	Engineering services	Deloitte
Técnicas Reunidas Hellas, S.A. – Greece	Panepisstimiou, 10564, Athens (Greece)	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
Técnicas Reunidas Netherlands B.V.	Parklaan 34, 3016BC, Rotterdam (Netherlands)	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited

Técnicas Reunidas de Construcao Unip. LDA – Portugal	Rua Latino Coelho, n.º 87, District: Lisbon, Concelho: Lisbon, Freguesia: Avenidas Novas, 1050, 132 Lisbon (Portugal)	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	PwC
Técnicas Reunidas Australia Pty Ltd	Level 8, 44 ST Georges Terrace, Perth WA, 6000 (Australia)	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
Técnicas Reunidas TEC – Bolivia	Edificio el Cubo II, 2º Piso, Avenida las Ramblas, Zona Empresarial Equipetrol Norte, Santa Cruz (Bolivia)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	Full consolidation	Engineering services	Deloitte
Técnicas ReunidasR RUP INSAAT TAAHHÜT Limited Sirketi	Kozyatağı Nidakule Değirmen Sok. No:18/19A- 10. Kat Oda :26 Kozyatağı Kadıköy -İst.- P.K.34742 Adres No: 2252546268 (Turkey)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	Full consolidation	Engineering services	PwC
Técnicas Reunidas Dufi CCGT Kft	1077 Budapest, Wesselényi utca 16. 3. em.; new seat: 1138 Budapest, Népfürdő utca 22. Building B. 13th floor (Hungary)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	Full consolidation	Engineering services	Unaudited
TR Canadá Inc	Suite 500, 5004 Avenue SW Calgary, AB - T2P 2V6 (Canada)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	Full consolidation	Engineering services	PwC
TR Saudi Arabia LLC	P.O. Box 40.538, Jeddah 21511, (Saudi Arabia)	100%	Técnicas Reunidas, S.A. / Técnicas Reunidas Proyectos Internacionales, S.A.	Full consolidation	Engineering services	Unaudited
Técnicas Reunidas Saudia for Services and Contracting Company Limited	P.O. Box 77076, 31952 Al Khobar, (Saudi Arabia)	100%	Técnicas Reunidas, S.A. / Técnicas Reunidas Proyectos Internacionales, S.A.	Full consolidation	Engineering services	PwC

Técnicas Reunidas Mühendislik ve İnsaat A.S	Kozyatağı Nidakule Değirmen Sok. No:18/19A- 10. Kat Oda :26 Kozyatağı Kadıköy -İst.- P.K.34742 Adres No: 2252546268 (Turkey)	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
Técnicas Reunidas Engineers India private limited (TREI)	103 Ashoka Estate, Barakhamba Road, New Delhi – 110 001 (India)	100%	Técnicas Reunidas, S.A.	Full consolidation	Consulting services and assistance in international engineering projects	LUTHRA-LUTHRA
Tecreun República Dominicana, S.R.L.	Avda. de los Próceres, Diamond Mall, 1º piso, local 25A, Santo Domingo, (Dominican Republic)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	Full consolidation	Engineering services	PwC
TR Perú Ingeniería y Construcción S.A.C.	Jorge Chavez Avenue 184, Oficina 402, Miraflores, Lima, (Peru)	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
TReunidas México Ingeniería y Construcción de R.L. de C.V.	Avda Álvaro Obregón 151, piso 6, despacho 601 col Roma Norte CP 06700, Del: Cuauhtemoc, Ciudad de México, (Mexico)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	Full consolidation	Engineering services	Unaudited
Técnicas Reunidas de Talara, S.A.C.	Jorge Chavez Avenue 184, Oficina 402, Miraflores, Lima, (Peru)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	Full consolidation	Engineering services	PwC
Técnicas Reunidas Malaysia SDN.	Suite 1005, 10th Floor, Wisma Hamzah-Kwong Hing, No. 1, Leboh Ampang, 40100, Kuala Lumpur, (Malaysia)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	Full consolidation	Engineering services	Deloitte
TR Servicios S.R.L. de C.V.	Calle Tiburcio Monteil 76, San Miguel Chapultepec, Miguel Hidalgo, Distrito Federeal, 11850, (Malaysia)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	Full consolidation	Engineering services	Deloitte

Técnicas Reunidas USA L.L.C.	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, (US)	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
TR Louisiana L.L.C.	Baton Rouge, Louisiana (US)	100%	Técnicas Reunidas USA L.L.C.	Full consolidation	Engineering services	Unaudited
Técnicas Reunidas Houston L.L.C.	1790 Hugues Landing Boulevard, the Woodlands, Texas 77380 (US)	100%	Técnicas Reunidas USA L.L.C.	Full consolidation	Engineering services	Unaudited
Heymo Ingeniería, S.A.	Avenida de Burgos 89, Edificio 3, plnta 6ª, núcleo A, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Deloitte
Técnicas Reunidas Ghana	4 Momotse avenue, Adabraka-Accra Mteropolitan, Greatrer Accra, PO BOX NT 1632, A., (Ghana)	100%	Técnicas Reunidas Netherlands B.V.	Full consolidation	Engineering services	Unaudited
Eurocontrol International Services, S.L.	Calle Zurbano 39 bj - 28010 Madrid (Spain)	80%	Eurocontrol, S.A.	Full consolidation	Engineering services	Unaudited
Euromoody International Services, S.L.	Calle Zurbano 39 - 28010 Madrid (Spain)	80%	Eurocontrol, S.A.	Full consolidation	Engineering services	Unaudited
Tecnicas Reunidas Canada E&C INC.	Suite 500, 5004 Avenue SW Calgary, AB - T2P 2V6, (Canadá)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	Full consolidation	Engineering services	Unaudited
TR Sagemis	Via Zucchi 1, 20900 Monza MB, (Italy)	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
Tecnicas Reunidas UK	Suite 1, 3rd Floor, 11-12 St. James's Square, London, SW1Y 4LB, (United Kingdom)	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
TR Metalúrgica Chile	Avda. Bosque Norte, 107, Las Condes, Santiago de Chile	100%	Termotécnica, S.A.	Full consolidation	Engineering services	Deloitte
Deportes Valdavia	Calle Arapiles 13, 28015, Madrid (Spain)	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited

Valdavia Padel, S.L.	Calle Arapiles 13, 28015, Madrid (Spain)	100%	Deportes Valdavia, S.L.	Full consolidation	Engineering services	Unaudited
Valdavia Gim, S.L.	Calle Arapiles 13, 28015, Madrid (Spain)	100%	Deportes Valdavia, S.L.	Full consolidation	Engineering services	Unaudited
Ibérica del Espacio, S.A.	Calle Magallanes 3, 28015, Madrid (Spain)	100%	Técnicas Reunidas, S.A. and TR Proyectos Internacionales, S.A.	Full consolidation	Engineering services	PwC/Deloitte
TR Alberta	Suite 500, 5004 Avenue SW Calgary, AB - T2P 2V6 (Canada)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	Full consolidation	Engineering services	PwC/Deloitte
TR Argentina	MORENO 957 Piso:2 Dpto:1 1091-CIUDAD AUTONOMA BUENOS AIRES	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
TR Colombia	AK 9 # 127 C 60 OF 311 Municipio: Bogotá D.C	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
TR Projeler	Kozyatagi Mahallesi Degirmen Sk. Nida Kule A Blok Apt. No.: 18/19 Kadikoy/Istanbul	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
Tecnicas Reunidas LLC (Duqm)	The Special Economic Zone at Duqm / Al-Duqm / Al Wusta Governorate / P.O. Box: 2991 / Postal Code 112	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited

APPENDIX I

Subsidiaries included in the scope of consolidation – 2018

Company name	Registered office	% interest of nominal amount	Company holding the interest	Consolidation method	Business activity	Auditor
Técnicas Reunidas Internacional, S.A.	Spain	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
Termotécnica, S.A.	Spain	99.98%	Técnicas Reunidas, S.A. and Técnicas Reunidas Construcción y Montaje, S.A.	Full consolidation	Engineering services and machinery wholesaler	Unaudited
Técnicas Reunidas Construcción y Montaje, S.A.	Spain	100%	Técnicas Reunidas, S.A.	Full consolidation	Property development	Unaudited
Técnicas Reunidas Ecología, S.A.	Spain	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
Técnicas Reunidas Metalúrgicas, S.A.	Spain	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
Técnicas Reunidas Trade Panamá, S.A.	Panama	100%	Técnicas Reunidas, S.A.	Full consolidation	Inactive company	Unaudited
Técnicas Siderúrgicas, S.A.	Spain	100%	Técnicas Reunidas Construcción y Montaje, S.A.	Full consolidation	Engineering services	Unaudited
Técnicas Reunidas Proyectos Internacionales, S.A.	Spain	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
Española de Investigación y Desarrollo, S.A.	Spain	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
Layar, S.A.	Spain	100%	Técnicas Reunidas, S.A.	Full consolidation	Real estate business	Unaudited

Layar Real Reserva, S.A.	Spain	100%	Layar, S.A.	Full consolidation	Real estate business	Unaudited
Eurocontrol, S.A.	Spain	80%	Layar, S.A and Layar Real Reserva, S.A.	Full consolidation	Inspection, quality control, technical consulting services	Acisa
Initec Plantas Industriales, S.A.	Spain	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	PwC/Deloitte
Initec Infraestructuras, S.A.	Spain	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	PwC/Deloitte
Técnicas Reunidas Chile Ltda.	Chile	100%	Initec Plantas Industriales, S.A.	Full consolidation	Engineering services	PwC/Deloitte
ReciclAguilar, S.A.	Spain	80%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
Técnicas Reunidas Gulf Ltd. – Saudi Arabia	Saudi Arabia	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	PwC/Deloitte
TR Engineering LLC – Oman	Oman	49%	Initec Plantas Industriales, S.A.	Full consolidation	Engineering services	PwC/Deloitte
Técnicas Reunidas Omán LLC	Oman	70%	Initec Plantas Industriales, S.A.	Full consolidation	Engineering services	PwC/Deloitte
Técnicas Reunidas Hellas, S.A. – Greece	Greece	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
Técnicas Reunidas Netherlands B.V.	Netherlands	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
Técnicas Reunidas de Construcao Unip. LDA – Portugal	Portugal	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	PwC/Deloitte
Técnicas Reunidas Australia Pty Ltd	Australia	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited

Técnicas Reunidas TEC – Bolivia	Bolivia	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	Full consolidation	Engineering services	PwC/Deloitte
Técnicas ReunidasR RUP INSAAT TAAHHÜT Limited Sirketi	Turkey	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	Full consolidation	Engineering services	PwC/Deloitte
Técnicas Reunidas Dufi CCGT Kft	Hungary	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	Full consolidation	Engineering services	Unaudited
TR Canada Inc.	Canada	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	Full consolidation	Engineering services	PwC/Deloitte
TR Saudi Arabia LLC	Saudi Arabia	100%	Técnicas Reunidas, S.A. / Técnicas Reunidas Proyectos Internacionales, S.A.	Full consolidation	Engineering services	Unaudited
Técnicas Reunidas Saudia for Services and Contracting Company Limited	Saudi Arabia	100%	Técnicas Reunidas, S.A. / Técnicas Reunidas Proyectos Internacionales, S.A.	Full consolidation	Engineering services	PwC/Deloitte
Técnicas Reunidas Mühendislik ve İnsaat A.S	Turkey	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
Técnicas Reunidas Engineers India private limited (TREI)	India	100%	Técnicas Reunidas, S.A.	Full consolidation	Consulting services and assistance in international engineering projects	LUTHRA-LUTHRA
Tecreun República Dominicana, S.R.L.	Dominican Republic	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	Full consolidation	Engineering services	PwC/Deloitte
TR Perú Ingeniería y Construcción S.A.C.	Peru	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
TReunidas México Ingeniería y Construcción de R.L. de C.V.	Mexico	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	Full consolidation	Engineering services	Unaudited
Técnicas Reunidas de Talara, S.A.C.	Peru	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	Full consolidation	Engineering services	PwC/Deloitte

Técnicas Reunidas Malaysia SDN.	Malaysia	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	Full consolidation	Engineering services	PwC/Deloitte
TR Servicios S.R.L. de C.V.	Mexico	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	Full consolidation	Engineering services	Unaudited
Técnicas Reunidas USA L.L.C.	US	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
TR Louisiana L.L.C.	US	100%	Técnicas Reunidas USA L.L.C.	Full consolidation	Engineering services	Unaudited
Técnicas Reunidas Houston L.L.C.	US	100%	Técnicas Reunidas USA L.L.C.	Full consolidation	Engineering services	Unaudited
Heymo Ingeniería, S.A.	Spain	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	PwC/Deloitte
Técnicas Reunidas Ghana	Ghana	100%	Técnicas Reunidas Netherlands B.V.	Full consolidation	Engineering services	Unaudited
Eurocontrol International Services, S.L.	Spain	80%	Eurocontrol, S.A.	Full consolidation	Engineering services	Unaudited
Euromoody International Services, S.L.	Spain	80%	Eurocontrol, S.A.	Full consolidation	Engineering services	Unaudited
Tecnicas Reunidas Canada E&C INC.	Canada	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	Full consolidation	Engineering services	Unaudited
TR Sagemis	Italy	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
Tecnicas Reunidas UK	UK	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
TR Metalúrgica Chile	Chile	100%	Termotécnica, S.A.	Full consolidation	Engineering services	PwC/Deloitte

Deportes Valdavia	Spain	100%	Técnicas Reunidas, S.A.	Full consolidation	Engineering services	Unaudited
Valdavia Padel, S.L.	Spain	100%	Deportes Valdavia, S.L.	Full consolidation	Engineering services	Unaudited
Valdavia Gim, S.L.	Spain	100%	Deportes Valdavia, S.L.	Full consolidation	Engineering services	Unaudited

APPENDIX II

Associates included in the scope of consolidation – 2019

Company name	Registered office	% interest of nominal amount	Company holding the interest	Consolidation method	Business activity	Auditor
Proyectos Ebramex, S. de R.L. de C.V.	Ciudad de Tampico, Tamaulipas, (Mexico)	33.33%	Técnicas Reunidas, S.A.	Equity method	Engineering services	Unaudited
Minatrico, S. de R.L. de C.V.	Ciudad de Tampico, Tamaulipas, (Mexico)	33.33%	Técnicas Reunidas, S.A.	Equity method	Engineering services	Unaudited
Máster S.A. de Ingeniería y Arquitectura	Ronda General Mitre 126, 4ª planta, 08021-Barcelona (Spain)	40.00%	Técnicas Reunidas, S.A.	Equity method	Engineering services	Unaudited

APPENDIX II
Associates included in the scope of consolidation – 2018

Company name	Registered office	% interest of nominal amount	Company holding the interest	Consolidation method	Business activity	Auditor
Empresarios Agrupados, A.I.E.	Spain	43.00%	Técnicas Reunidas, S.A. and TR Proyectos Internacionales, S.A.	Equity method	Engineering services	PwC/Deloitte
Empresarios Agrupados Internacional, S.A.	Spain	43.00%	Técnicas Reunidas, S.A. and TR Proyectos Internacionales, S.A.	Equity method	Engineering services	PwC/Deloitte
Ibérica del Espacio, S.A.	Spain	49.78%	Técnicas Reunidas, S.A. and TR Proyectos Internacionales, S.A.	Equity method	Engineering services	PwC/Deloitte
Proyectos Ebramex, S. de R.L. de C.V.	Mexico	33.33%	Técnicas Reunidas, S.A.	Equity method	Engineering services	Unaudited
Minatrico, S. de R.L. de C.V.	Mexico	33.33%	Técnicas Reunidas, S.A.	Equity method	Engineering services	Unaudited
Máster S.A. de Ingeniería y Arquitectura	Spain	40.00%	Técnicas Reunidas, S.A.	Equity method	Engineering services	Unaudited

APPENDIX III

Joint operations included in the scope of consolidation – 2019

Company name	Registered office	% interest of nominal amount	Company holding the interest	Consolidation method	Business activity	Auditor
Construcción e Ingeniería FIM Ltda.	Chile	33.33%	Técnicas Reunidas Chile, S.A.	Proportionate	Engineering services and project execution	Unaudited
Construcción e Ingeniería FI Ltda.	Chile	50.00%	Técnicas Reunidas Chile, S.A.	Proportionate	Engineering services and project execution	Unaudited
TSGI Mühendislik İnşaat Limited Şirketi	Turkey	33.33%	Técnicas Reunidas, S.A.	Proportionate	Engineering services	PwC
TR Daewoo LLC	Oman	65.00%	Técnicas Reunidas, S.A.	Proportionate	Engineering services	PwC
TR Bapco	Bahrain	32.00%	Tr Saudia S.C LTD	Proportionate	Engineering services	PwC

Appendix III
Joint operations included in the scope of consolidation – 2018

Company name	Registered office	% interest of nominal amount	Joint venture partner entity	Consolidation method	Business activity	Auditor
Construcción e Ingeniería FIM Ltda.	Chile	33.33%	Técnicas Reunidas Chile, S.A.	Proportionate	Engineering services and project execution	Unaudited
Construcción e Ingeniería FI Ltda.	Chile	50.00%	Técnicas Reunidas Chile, S.A.	Proportionate	Engineering services and project execution	Unaudited
TSGI Mühendislik İnşaat Limited Şirketi	Turkey	33.33%	Técnicas Reunidas, S.A.	Proportionate	Engineering services	PwC/Deloitte
TR Daewoo LLC	Oman	65.00%	Técnicas Reunidas, S.A.	Proportionate	Engineering services	Unaudited
TR Bapco	Bahrain	32.00%	Tr Saudia S.C LTD	Proportionate	Engineering services	Unaudited

APPENDIX IV

Unincorporated temporary joint ventures, consortiums and permanent establishments in which the companies included in the scope of consolidation have interests – 2019

Company name	Business activity	Percentage of ownership	Company name	Business activity	Percentage of ownership
TR Abu Dhabi (BRANCH)	Engineering services and project execution	100%	UTE Damietta LNG	Engineering services and project execution	100%
TR TURQUÍA BOTAS	Engineering services and project execution	100%	UTE RAMBLA	Engineering services and project execution	80%
TR AUSTRALIA	Engineering services and project execution	100%	UTE Villamartin	Engineering services and project execution	50%
TR BRANCH VOLGOGRADO	Engineering services and project execution	100%	UTE Puerto de Barcelona	Engineering services and project execution	50%
TR EP UTE OPTARA BELGIUM	Engineering services and project execution	100%	UTE Edif.Servs. Múltiples	Engineering services and project execution	50%

TReunidas Branch Argelia	Engineering services and project execution	100%	UTE TR/ASF. Cons.Aparc.Al	Engineering services and project execution	50%
TR SA ODDZIAL W POLSCE	Engineering services and project execution	100%	UTE JV Hawiyah GPE	Engineering services and project execution	100%
BX TR SPOLKA CYWILNA	Engineering services and project execution	50%	UTE Centro de día	Engineering services and project execution	50%
TR NORUEGA	Engineering services and project execution	100%	UTE TR/INIT. P.I. Rabigh	Engineering services and project execution	100%
EP BANGLADESH	Engineering services and project execution	50%	UTE TR/TREC OPER.DESALAD	Engineering services and project execution	100%
EP JORDANIA	Engineering services and project execution	50%	UTE TR/INITEC INFRA CONST	Engineering services and project execution	100%
TR KUWAIT BRANCH	Engineering services and project execution	100%	UTE INITEC/TR SAIH RAWL	Engineering services and project execution	100%
JV KUWAIT CONSORCIO	Engineering services and project execution	50%	UTE TR/Duro F. CTCC Besós	Engineering services and project execution	50%
TR FINLANDIA	Engineering services and project execution	100%	UTE EVREN/INFRA.JUCAR F.1	Engineering services and project execution	70%
UTE Geocart Catastro RD	Engineering services and project execution	50%	UTE TR/GUEROLA C.TERMOSOL	Engineering services and project execution	50%

UTE Ju'aymah GPE	Engineering services and project execution	100%	UTE PEIRAO XXI	Engineering services and project execution	50%
UTE TFT ARGELIA	Engineering services and project execution	100%	UTE TR/GEA 21 COL.PLUVIA	Engineering services and project execution	80%
UTE INITEC/TR PISCINA HO	Engineering services and project execution	100%	UTE SANHER EL CARAMBOLO	Engineering services and project execution	40%
UTE TR/IN CONS.COMPL.VIÑA	Engineering services and project execution	100%	UTE PERELLÓ	Engineering services and project execution	50%
UTE INITEC/SPIE MEDGAZ	Engineering services and project execution	50%	UTE ROSELL	Engineering services and project execution	50%
UTE TR/Initec Pl. Fenoles	Engineering services and project execution	100%	UTE PALMAS ALTAS SURL	Engineering services and project execution	40%
UTE TR/Initec Pl. Bio Bio	Engineering services and project execution	100%	UTE COLUMBRETES	Engineering services and project execution	50%
UTE TR/IPI Offsites Abudh	Engineering services and project execution	100%	UTE TSK TR ASHUGANJ NORTH	Engineering services and project execution	50%
UTE INITEC P.I./TR Mejill	Engineering services and project execution	100%	UTE TR JJC	Engineering services and project execution	51%
UTE TR/IPI Refi. de Sines	Engineering services and project execution	100%	UTE TR/ SGS PISTA 18R	Engineering services and project execution	50%

UTE P.I./TRSA KHABAROVSK	Engineering services and project execution	100%	UTE TR PHB JORDAN	Engineering services and project execution	50%
TR ELEFSINA	Engineering services and project execution	100%	UTE ELORRIO-ELORRIO	Engineering services and project execution	100%
UTE HYDROCRAKER HUNG.	Engineering services and project execution	100%	SAMSUNG-TR JOINT VENTURE	Engineering services and project execution	29%
UTE TR/IPI TR POWER	Engineering services and project execution	100%	TR OMAN BRANCH	Engineering services and project execution	100%
UTE ALQUILACION CHILE	Engineering services and project execution	100%	UTE HPP Gepesa	Engineering services and project execution	60%
TR ABU DHABI	Engineering services and project execution	100%	UTE TSGI	Engineering services and project execution	33%
UTE TR JUBAIL	Engineering services and project execution	100%	TR MOSCU BRANCH	Engineering services and project execution	100%
UTE TR RUP	Engineering services and project execution	100%	TECNICAS REUNIDAS FR BR.	Engineering services and project execution	100%
UTE TR YANBU REFINERY	Engineering services and project execution	100%	TR KHABAROVSK BRANCH	Engineering services and project execution	100%
UTE TR-IPI ABU DHABI SHAH	Engineering services and project execution	100%	JV DARSAIT	Engineering services and project execution	50%

UTE TR-IPI TANQUE MEJILLO	Engineering services and project execution	100%	CONSORCIO TR/JJC PERÚ	Engineering services and project execution	51%
UTE TR DUFI HUNGRIA	Engineering services and project execution	100%	CONSORC. MOTA ENGIL TRPIC	Engineering services and project execution	50%
UTE PERLA	Engineering services and project execution	100%	JV SOHAR	Engineering services and project execution	50%
UTE VOLGOGRAD	Engineering services and project execution	100%	TR QATAR	Engineering services and project execution	100%
UTE INTEGRATED PROJECT	Engineering services and project execution	100%	JV RAILWAY	Engineering services and project execution	34%
UTE TR JRTP JAZAN	Engineering services and project execution	100%	TRSA INDIA 33059	Engineering services and project execution	100%
UTE TR TALARA	Engineering services and project execution	100%	TRSA INDIA 33065	Engineering services and project execution	100%
UTE TR OPTARA	Engineering services and project execution	100%	TRSA India 33117	Engineering services and project execution	100%
UTE STURGEON	Engineering services and project execution	100%	TR Branch Azerbaijan	Engineering services and project execution	100%
UTE TR INTEGRATED GAS	Engineering services and project execution	100%	UTE TR HARADH GAS COMPRES	Engineering services and project execution	30%
UTE FORT HILLS	Engineering services and project execution	100%	UTE TR ADGAS	Engineering services and project execution	15%

UTE TR MINATITLAN	Engineering services and project execution	100%	UTE TR BU HASA	Engineering services and project execution	15%
UTE TRISA/AST. P. EBRAMEX	Engineering services and project execution	33%	TRD DUQM PROJECT	Engineering services and project execution	65%
UTE TRISA/AST. P. MINATR.	Engineering services and project execution	33%	TR SHARJAH	Engineering services and project execution	100%
UTE IGD	Engineering services and project execution	100%	TR SINGAPOUR	Engineering services and project execution	100%
UTE TR ETO	Engineering services and project execution	100%	UTE TR BALONGAN	Engineering services and project execution	100%
UTE FAHDILI	Engineering services and project execution	100%	UTE TR JURONG	Engineering services and project execution	100%
UTE HAIL	Engineering services and project execution	100%	UTE MARJAN	Engineering services and project execution	100%
UTE TR NAPHTHA RT	Engineering services and project execution	100%	UTE TR MERCURY	Engineering services and project execution	100%
UTE TR NEC	Engineering services and project execution	100%	TR LEDCOR	Engineering services and project execution	100%

APPENDIX IV

Unincorporated temporary joint ventures, consortiums and permanent establishments in which the companies included in the scope of consolidation have interests – 2018

Company name	Business activity	Percentage of ownership	Company name	Business activity	Percentage of ownership
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TR AUSTRALIA	Engineering services and project execution	100%	UTE Villamartin	Engineering services and project execution	50%
TR BRANCH VOLGOGRADO	Engineering services and project execution	100%	UTE Puerto de Barcelona	Engineering services and project execution	50%
TR EP UTE OPTARA BELGIUM	Engineering services and project execution	100%	UTE Edif.Servs. Múltiples	Engineering services and project execution	50%
TReunidas Branch Argelia	Engineering services and project execution	100%	UTE TR/ASF. Cons.Aparc.Al	Engineering services and project execution	50%
TR SA ODDZIAL W POLSCE	Engineering services and project execution	100%	UTE JV Hawiyah GPE	Engineering services and project execution	100%

BX TR SPOLKA CYWILNA	Engineering services and project execution	50%	UTE Centro de día	Engineering services and project execution	50%
TR NORUEGA	Engineering services and project execution	100%	UTE TR/INIT. P.I. Rabigh	Engineering services and project execution	100%
EP BANGLADESH	Engineering services and project execution	50%	UTE TR/TREC OPER.DESALAD	Engineering services and project execution	100%
EP JORDANIA	Engineering services and project execution	50%	UTE TR/INITEC INFRA CONST	Engineering services and project execution	100%
TR KUWAIT BRANCH	Engineering services and project execution	100%	UTE INITEC/TR SAIH RAWL	Engineering services and project execution	100%
JV KUWAIT CONSORCIO	Engineering services and project execution	50%	UTE TR/Duro F. CTCC Besós	Engineering services and project execution	50%
TR FINLANDIA	Engineering services and project execution	100%	UTE EVREN/INFRA.JUCAR F.1	Engineering services and project execution	70%
UTE Geocart Catastro RD	Engineering services and project execution	50%	UTE TR/GUEROLA C.TERMOSOL	Engineering services and project execution	50%
UTE Ju’aymah GPE	Engineering services and project execution	100%	UTE PEIRAO XXI	Engineering services and project execution	50%
UTE TFT ARGELIA	Engineering services and project execution	100%	UTE TR/GEA 21 COL.PLUVIA	Engineering services and project execution	80%

UTE INITEC/TR PISCINA HO	Engineering services and project execution	100%	UTE SANHER EL CARAMBOLO	Engineering services and project execution	40%
UTE TR/IN CONS.COMPL.VIÑA	Engineering services and project execution	100%	UTE PERELLÓ	Engineering services and project execution	50%
UTE INITEC/SPIE MEDGAZ	Engineering services and project execution	50%	UTE ROSELL	Engineering services and project execution	50%
UTE TR/Initec Pl. Fenoles	Engineering services and project execution	100%	UTE PALMAS ALTAS SURL	Engineering services and project execution	40%
UTE TR/Initec Pl. Bio Bio	Engineering services and project execution	100%	UTE COLUMBRETES	Engineering services and project execution	50%
UTE TR/IPI Offsites Abudh	Engineering services and project execution	100%	UTE TSK TR ASHUGANJ NORTH	Engineering services and project execution	50%
UTE INITEC P.I./TR Mejill	Engineering services and project execution	100%	UTE TR JJC	Engineering services and project execution	51%
UTE TR/IPI Refi. de Sines	Engineering services and project execution	100%	UTE TR/ SGS PISTA 18R	Engineering services and project execution	50%
UTE P.I./TRSA KHABAROVSK	Engineering services and project execution	100%	UTE TR PHB JORDAN	Engineering services and project execution	50%
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UTE ALQUILACION CHILE	Engineering services and project execution	100%	UTE HPP Gepesa	Engineering services and project execution	60%
TR ABU DHABI	Engineering services and project execution	100%	UTE TSGI	Engineering services and project execution	33%
UTE TR JUBAIL	Engineering services and project execution	100%	TR MOSCU BRANCH	Engineering services and project execution	100%
UTE TR RUP	Engineering services and project execution	100%	TECNICAS REUNIDAS FR BR.	Engineering services and project execution	100%
UTE TR YANBU REFINERY	Engineering services and project execution	100%	TR KHABAROVSK BRANCH	Engineering services and project execution	100%
UTE TR-IPI ABU DHABI SHAH	Engineering services and project execution	100%	JV DARSAIT	Engineering services and project execution	50%
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UTE TR DUFI HUNGRIA	Engineering services and project execution	100%	CONSORC. MOTA ENGIL TRPIC	Engineering services and project execution	50%

UTE PERLA	Engineering services and project execution	100%	JV SOHAR	Engineering services and project execution	50%
UTE VOLGOGRAD	Engineering services and project execution	100%	TR QATAR	Engineering services and project execution	100%
UTE INTEGRATED PROJECT	Engineering services and project execution	100%	JV RAILWAY	Engineering services and project execution	34%
UTE TR JRTP JAZAN	Engineering services and project execution	100%	TRSA INDIA 33059	Engineering services and project execution	100%
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UTE FORT HILLS	Engineering services and project execution	100%	UTE TR ADGAS	Engineering services and project execution	15%
UTE TR MINATITLAN	Engineering services and project execution	100%	UTE TR BU HASA	Engineering services and project execution	15%
UTE TRISA/AST. P. EBRAMEX	Engineering services and project execution	33%	TRD DUQM PROJECT	Engineering services and project execution	65%

UTE TRISA/AST. P. MINATR.	Engineering services and project execution	33%
UTE IGD	Engineering services and project execution	100%
UTE TR ETO	Engineering services and project execution	100%
UTE FAHDILI	Engineering services and project execution	100%
UTE HAIL	Engineering services and project execution	100%
UTE TR NAPHTHA RT	Engineering services and project execution	100%

Directors' Report

1. Business performance

The year 2019 has been marked by the high level of uncertainty generated by the trade conflict between the US and China, the Brexit negotiations and geopolitical instability in parts of the Middle East. Throughout the year, the International Monetary Fund (IMF), in its WEO report, repeatedly lowered its global growth forecasts for 2019 and 2020. Against this backdrop, the central banks of developed countries shifted their monetary policies and lowered interest rates in a coordinated manner to promote business investment and economic growth, thereby lowering borrowing costs.

In the energy sector, the performance of oil prices has been defined by numerous events and high volatility. After the drop recorded in the fourth quarter of 2018, the reference price of crude oil began the year at the lowest levels since 2017, close to $50/barrel, and rose by almost 40% until April ($75/barrel). This upturn was associated with factors related to crude oil supply, including commitments to make cuts by the OPEC and its partners, US sanctions on Iran and the sharp drop in production in Venezuela (from 2.3 mb/d in January 2016 to 0.8 mb/d in April 2019). However, from May onwards, in the face of a worsening global economic outlook, uncertainties on the demand side began and major official energy agencies, such as the International Energy Agency (IEA), were continually lowering their growth forecasts for global demand in 2019 and 2020. Oil prices ended the year at $66/barrel, which represents a 12% drop from the highest level reached in April and a 23% revaluation in 2019 as a whole.

However, at the sector level, the recovery of the oil and gas plant engineering and construction sector is a reality. Customers have streamlined their investment decisions, the pace at which bids are awarded has gained momentum and the fundamentals for these investments remain solid. The increase in demand in emerging economies, investments to obtain greater return on existing refineries, the adaptation of petroleum products to the most demanding environmental standards and the growing role played by natural gas in the world's energy matrix continue to make investments in refining and gas essential. Furthermore, the factors that drive investment in petrochemicals include, among others, human development and the subsequent urban development, the driving force behind emerging economies, and the integration of petrochemical plants with refining processes to optimise operations.

In the specific case of Técnicas Reunidas, the forecasts for the business continue to improve. The year 2019 was marked by a record number of awards, more than 7 billion, which translates into sustained growth of our order book. Its diversified range of activities has allowed it to be present in works related to refinery, upstream (petroleum), natural gas treatment and energy generation. The proportion of recurring customers once again remained high (Saudi Aramco, ADNOC, Cepsa, Sonatrach, BP, Socar, Exxon, YPF), as did the successful incorporation of new, well-known benchmarks (INEOS and Termocandelaria).

Contracting prospects remain positive in the medium term, underpinned by a very significant portfolio of opportunities to tender. Against this backdrop, Técnicas Reunidas is more selective in terms of technology, geographical area or type of contract. The Company is bidding more on service contract schemes, which help to diversify risks and improve project execution.

In this environment of strong growth, Técnicas Reunidas is focused on cost reduction and efficiency plans, covering all divisions, regions and the central structure. At the beginning of 2019, with the support of external consultants, TR launched the TR-ansforma Project to redefine the Group's cost structure and optimise the Company's operations.

The TR-ansforma Project focuses on four fronts: review and reduction of overheads; implementation of operational cost-saving strategies; optimisation of engineering and supervision procedures; and strategic actions linked to the offer, cash flow and planning stages.

Following the principles of the TR-ansforma plan, the Company has initiated an asset optimisation process, which involves selling non-strategic financial investments and certain real estate assets. TR has already launched this sale process and expects to conclude these divestments in the first half of 2020. Capital gains of around EUR 50 million are expected to be obtained from the sale of these assets.

With regard to the Company's results, sales in 2019 rose by 7% to EUR 4,699 million. The Group's profit from operations was EUR 68 million. Costs not allocated to divisions rose by 4% to EUR 104 million. The net loss amounted to EUR 10 million.

The fact that, in the first half of 2019, the most mature projects were in the mechanical completion phase and that a portion of the portfolio was in the engineering phase explains the reduction in profit. Both phases have a lower accounting contribution in terms of sales and the projects, in their final phases, can impact profit/(loss) in accordance with the closing negotiations with customers and subcontractors. In addition, the drop in operating margins in the Power division due to difficulties relating to the construction phase and a lower absorption of commercial and overhead costs contributes to the deterioration of the Group's consolidated profit.

At the end of 2019, the Company's net cash position was EUR 371 million. Since the beginning of the crisis, management of the financial position has been gaining importance in the sector from the point of view of customers, the supply chain and contractors. Having a sound financial position has become one of the Group's priorities to be able to meet its liquidity needs throughout the life of the projects and to go after the big projects that are carried out in the sector.

In 2019, Técnicas Reunidas performed well in the stock market. The share price rose by almost 12% for the year as a whole. During the first four months of 2019, underpinned by the rise of Brent in the same period, the Company was revalued by 24%. However, since May, along with the worsening global economic outlook and global demand for oil, the Company has lost some of its ground.

With regard to shareholder remuneration, due to the crisis situation that the sector has been experiencing in recent years, the resulting fall in profits that Técnicas Reunidas has experienced and the Company's objective of preserving its cash flow, the Company decided not to propose any dividends for approval at the 2019 General Meeting.

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

Oil and Gas

The outlook of the main reference bodies envisage sustained growth in demand over the next 20 years. Specifically, in its annual World Energy Outlook report for 2019, the International Energy Agency estimates a total investment of USD 58.795 trillion in energy infrastructure until 2040, which would be an average annual investment of USD 2.673 trillion. In relation to the oil and gas sector, the International Energy Agency estimates a total investment of over USD 19.730 trillion for the 2019-2040 period, representing 34% of the estimated investment in global energy.

Técnicas Reunidas studies and analyses in depth the market conditions at any given time, identifying and selecting the opportunities that generate greater value for the continuity of its business. Currently, Técnicas Reunidas envisions some very positive prospects due to the strong investment cycle in the sector and the strengthening of its industrial position in recent years.

In 2019, income from this activity totalled EUR 4.273 billion and represented 90% of the total sales.

a) *Refinery and Petrochemicals*

In 2019, TR was awarded two new refining contracts with Exxon and Sonatrach, located in the Southeast Asian and Algerian markets, and a FEED contract for YPF in Argentina.

The main awards included in the portfolio in 2019 were as follows:

- Refinery project for ExxonMobil in Singapore: ExxonMobil awarded Técnicas Reunidas the engineering, procurement and construction of the process units for the expansion project of its refinery in Singapore. The contract is worth approximately USD 1.5 billion and has a term of 43 months.

  This EPC[1] contract is the continuation of the "FEED"[2] work carried out by Técnicas Reunidas. The project is part of a multi-billion dollar investment made by ExxonMobil in Singapore.

  This expansion is aimed at obtaining higher value products from fuel oil. Técnicas Reunidas will collaborate with ExxonMobil to achieve this objective, which includes different refining units based on both ExxonMobil's own technologies and other licensed technologies.

  The scope of Técnicas Reunidas' contribution includes hydrotreatment conversion units, sulphur recovery, a thermal oil system and associated auxiliary facilities and services.

  This award marks ExxonMobil's second individual award to Técnicas Reunidas and further strengthens the Company's presence in Southeast Asia.

- Técnicas Reunidas (TR) was selected by Sonatrach, the Algerian state oil company, to carry out an EPC (Engineering, Procurement and Construction) project for the full construction of a new oil refinery in Haoud el-Hamra, Hassi Messaoud, Algeria. This project will be carried out in consortium with Samsung Engineering Ltd. Co., of which Técnicas Reunidas will be the leader with a 55% interest. The contract will be executed in 2020.

  The approximate amount of the contract is EUR 3.7 billion, with TR's interest amounting to more than EUR 2 billion. This new refinery will have a capacity of five million tons per year. The complex is expected to begin operations in the first half of 2024.

  The scope of the project includes the complete execution of a new refinery, including all process and environmental units, as well as the necessary auxiliary services. The project comprises some of the most advanced process units with technologies focused on deep conversion, clean fuel production and compliance with the most demanding environmental requirements.

  The new Hassi Messaoud refinery is one of the largest projects ever undertaken in Algeria and is part of an ambitious programme aimed at increasing local energy production to meet the country's growing demand, while adapting the oil products consumed to European environmental standards (Euro V). The design of the plant will comply with the strictest safety and environmental standards in both its construction and operation.

- Técnicas Reunidas began the execution of FEED / OBE services for the new 10 PPM fuel specifications for three YPF refinery complexes in Argentina (Mendoza, Buenos Aires and Neuquén)

In petrochemicals, the Company was awarded four significant design engineering projects. These awards recognise TR's leadership in providing high value-added engineering services in complex oil and gas processing plants.

- FEED for ADNOC/CEPSA: ADNOC and Cepsa, its partner in the project, awarded Técnicas Reunidas the FEED contract of a world-scale linear alkyl benzene (LAB) plant located in the Ruwais Derivatives Park. This project will be the first of all units that will be developed within the ADNOC Downstream investment programme in Ruwais, with a total announced investment of USD 45 billion. LAB is a raw material used in the manufacturing of biodegradable household and industrial detergents, and the production of household cleaning products, among other products.

- A FEED project that includes the design of a new petrochemical complex in Turkey for BP/Socar (Mercury)

- Basic engineering design and FEED for the Tuban project (Indonesia): A joint venture between Indonesia's state-owned oil and gas company, PT Pertamina (55%) and Russia's PJSC Rosneft Oil Company (45%), selected Técnicas Reunidas to execute Basic Engineering Design (BED) and Front End Engineering Design (FEED) for its Tuban megaproject in East Java, Indonesia.

  The complex consists of a new refinery with a capacity of 300,000 barrels per day, an aromatics complex with a capacity of 1.3 million tons per day and an integrated petrochemical complex headed by an ethylene production plant of 1.1 million tons per day.

  The scope of Técnicas Reunidas' contribution is to carry out BED and FEED services for all non-licensed units, services and ancillary systems, and to oversee the development of all licensed unit process design packages throughout the complex.

  This project will employ an average of 500 engineers over a period of 21 months, with more than 700 engineers working on the project.

  The plant will be one of the most technologically advanced in the world, maximising the conversion of waste products into high value-added products, with the objectives of respecting the strictest environmental requirements, minimising emissions and reducing waste. The scope includes several processes with a significant positive environmental impact, such as a sulphur recovery plant, an acid water extraction unit, an amine recovery unit and a wastewater treatment plant.

  The objective of the investments in the Tuban project will be to meet Indonesia's energy needs at a reasonable cost and with the highest standards of safety, sustainability and respect for the environment.

  The project awarded to Técnicas Reunidas is part of the Pertamina Refinery Development Master Plan, which consists of the expansion of four existing refineries and two new refinery projects. For Rosneft, this project is a key element in its strategy to boost its presence in the oil products market in the Asia Pacific region.

- INEOS has selected TR to execute a project to determine the FEED technology configuration for a UPI package of auxiliary services, energy and other infrastructure of a large olefin complex in Antwerp, Belgium, known as Project ONE. This project includes a world-scale propane dehydrogenation plant, an ethane cracking plant, together with the UPI package already mentioned, as well as berthing, storage and logistics infrastructures.

  This project represents the largest investment by the European chemical industry over the last 20 years and will be a benchmark in terms of energy efficiency. If chosen, Técnicas Reunidas could later convert this FEED project into an EPC project.

With regard to the rest of the projects in the portfolio, they are in the execution phase and are progressing at their usual pace. At year-end, the projects that contributed most to the division's turnover, as well as that of the Group as a whole, were the Al Zour refinery process units project for KNPC in Kuwait, the Talara refinery modernisation project for Petroperú in Peru, the RAPID refinery complex for Petronas in Peru and the Tas Tanura refinery clean fuels project for Saudi Aramco in Saudi Arabia.

In terms of project delivery, 2019 was an intensive year. The main jobs completed, delivered or being delivered by the division, in accordance with the expected deadline and specifications, were: Petronas in Malaysia, Jazan for Aramco and Star Refinery for Socar in Turkey.

Upkeep and Maintenance Agreements

In 2019, Técnicas Reunidas signed an agreement with Petroperú within the Talara project for the upkeep and maintenance of the process units. This agreement will ensure the proper upkeep of these main process units until the completion of the auxiliary units, which are currently being carried out by other contractors. It also includes compensation for these new activities, which will ensure an orderly and successful delivery.

Técnicas Reunidas signed a similar contract in 2019 with KIPIC (Kuwait Integrated Petroleum Industries Company) for the Al Zour project in Kuwait. This project, which Técnicas Reunidas is leading with a 50% interest, involves the construction of the eighteen process units (worth USD 4 billion) at the largest refinery ever built in the world at one time. All the Técnicas Reunidas units have already been completed and are at the maximum pre-commissioning level, pending completion of the work being carried out by other contractors. The agreement signed will remunerate the maintenance services required to ensure the upkeep of the eighteen units until their start-up.

Both agreements are very important, as they show that TR continues to deliver, to the customer's satisfaction, important projects that are among the largest and most complex ever carried out in the industry, and that also meet the highest environmental standards.

b) Natural gas and Upstream

The main awards included in the portfolio in 2019 were as follows:

- Marjan oil and gas production programme: Saudi Aramco awarded packages 9 and 11 of the large Marjan investment to Técnicas Reunidas. These two packages are part of the facilities of its new gas plant in Tanajib. The total capacity at Marjan will be increased by 2,500 MMSCFD of gas and 85 MBCD of condensate from the Marjan, Safaniyah and Zuluf fields in eastern Saudi Arabia.

  The contracts, which have a term of 44 months and a combined value of approximately USD 3 billion, include the gas reception, storage and compression packages, as well as the recovery and fractionation of the LNG produced.

  The scope of these contracts includes engineering, supply of equipment and materials, construction, installation and commissioning through to mechanical completion. The new facilities will be used for the supply of gas to the country's state network, reinjection into offshore fields and production of ethane, butane, propane, pentane and other associated products.
- ADNOC OFFSHORE selected Técnicas Reunidas to carry out the FEED for the expansion of the Upper Zakum offshore oil field in the United Arab Emirates, which will increase production by 250,000 barrels per day. This is one of the largest oil fields in the world. With this new contract, Técnicas Reunidas is simultaneously present in ADNOC's two most strategic fields, Bu Hasa and Upper Zakum, which have a combined capacity of approximately 1.3 million barrels per day.

In 2019, the projects that contributed most to the division's sales were the Fadhili and Haradh gas project, both for Saudi Aramco in Saudi Arabia, and the gas train no. 5 (GT5) project for KNPC in Kuwait.

Power

The activities carried out by Técnicas Reunidas in its power generation business cover all manner of technological knowledge that allows the Company to design and build combined cycle, open cycle to combined cycle transformation, coal, cogeneration or biomass plants.

As we have already mentioned, the power generation business has been affected by the degree of volatility in the contracting of this division in recent years. The power division’s sales stood at EUR 331 million for the year, which represents a 43% drop on the previous year, given that four of the division’s five projects have entered the final phase of construction. This has affected the division’s operating margin, as a result of the decision to move the costs forward in order to successfully complete the delivery phase and the lower absorption of the division’s commercial and overhead costs.

Even so, the commercial efforts made over the last few years paid off in 2019. The division’s main awards included in the portfolio in 2019 were as follows:

- Combined cycle plant in Abu Dhabi: Técnicas Reunidas, in consortium with General Electric, signed a new contract for a combined cycle project in the United Arab Emirates. The scope of Técnicas Reunidas’ work in this project totals more than USD 350 million. This new combined cycle plant will be powered by natural gas, meeting the most stringent emission standards and providing electricity to the Emirate of Sharjah. The duration of the project will be 53 months.

- Contract for an emissions reduction project for Suncor: Suncor has awarded Técnicas Reunidas, in a 50% consortium with Ledcor Group, a contract for the execution of a major cogeneration plant for the Coke Boiler Replacement Project.

  The project consists of replacing three petroleum coke boilers with two natural gas cogeneration units in the Suncor complex, located north of Fort McMurray, Alberta, Canada.

  The cogeneration facility will provide the steam needed for Suncor’s operations and will generate 800 megawatts of power, which will be transmitted to the grid, providing baseload power with lower CO_2 emissions, and significantly reducing the total amount of emissions from Alberta’s electricity generation grid.

  According to the figures provided by Suncor, this project will reduce greenhouse gas emissions by 25%, sulphur dioxide emissions by 45%, nitrogen dioxide emissions by 15% and will reduce water consumption by 20%.

  The scope of work awarded to Técnicas Reunidas and Ledcor Group includes the engineering, procurement, construction, start-up and testing for the installation of two MHPS 501JAC gas turbines, their corresponding steam generators and the related auxiliary systems for their interconnection with the grid.

  The project represents another step in consolidating TR’s presence in Canada, where it has been carrying out projects since 2012, and it is the second natural gas cogeneration project that the Company has carried out for Suncor.

- Termocandelaria S.C.A. E.S.P. awarded Técnicas Reunidas a new combined cycle conversion project for its gas turbine plant in Cartagena, Colombia. The project will be completed in 31 months and the work has already begun.

The investment aims to increase current production, improving the plant's overall efficiency and at the same time reducing its carbon footprint by 30%. It will also provide Colombia with additional generation capacity on a flexible basis, which will support the increase of hydroelectric and other renewable energy generation. This project confirms TR's strength in the Latin American energy market.

The projects that contributed most to the sales figure in 2019 were the biomass plant for MGT Teeside in England, the Tierra Mojada combined cycle plant for Fisterra Energy in Mexico and the Turow coal plant for Polska Grupa Eneretyczna in Poland.

In 2019, the Group sold its interest in Empresarios Agrupados and Empresarios Agrupados Internacional, through which it carried out its activity related to the nuclear power business, generating an extraordinary profit before tax of EUR 17 million.

2. Research and development activities

Técnicas Reunidas continues to maintain its firm commitment to R&D, the generation of knowledge, the development of new technologies, the consolidation of already existing technologies and diversification into new sectors and applications.

Técnicas Reunidas' strategic lines of research are focused on the areas of metals, critical raw materials and the environment (recycling of industrial, domestic and agricultural waste).

Technological research and development projects, specifically focusing on the Company's technological needs, are conducted at the José Lladó Technology Centre, one of the most advanced in Spain, featuring more than 70 graduate and PhD staff from different disciplines. In addition, the centre provides technological and technical assistance services, collaborates with the transfer of research findings between various public research centres, technology centres and Técnicas Reunidas, and promotes and participates in the development of cooperative research between companies.

The Technology Centre is a place that nurtures R&D, acting as a driving force for the transfer and dissemination of technology, where the customer is at the centre of activity and innovation provides the lever for competitiveness. The Technology Centre facilitates and allows the Company's dynamic participation in innovation processes and R&D activities.

The Technology Centre, with more than 5000 m2 of state-of-the-art facilities and equipment, allows activities to be conducted at all levels, from the laboratory to the pilot plant, as well as the development of demonstration plants for the developed technologies. It also has the ability to carry out basic or advanced engineering design for the selected option, completing the entire R&D value chain, from idea to industrial implementation of the developed technology.

R&D expenditure in 2019 was over EUR 4 million, maintaining the R&D investment policy, considering not only pure R&D investment but also expenditure on patents, software, marketing of new technologies, etc.

In 2019, Técnicas Reunidas participated in the following projects both nationally and at European level, individually or integrated into strategic consortiums:

- The domestic **3R2020** project, as part of the CIEN programme sponsored by the CDTI, where TR participates in the development of hydrometallurgical processes for the recovery of metals from industrial and urban waste streams with high metal content. The budget is EUR 1.5 million.

- The **LIGNOPRIZED** project, as part of the CIEN programme sponsored by the CDTI, in which TR participates with a EUR 3.3 million budget to develop processes to monetize lignin from different sources (Kraft and Klason) to obtain high added-value products and applications.

- The domestic **MONACITE** project, as part of the PID programme sponsored by the CDTI, with a budget of EUR 1.53 million to develop hydrometallurgical processes to obtain rare earth metals from monazite.

- The domestic **PUREPHOS** project, as part of the PID programme sponsored by the CDTI, with a budget of EUR 0.999 million to develop new phosphoric acid purification technologies using non-traditional mineral raw materials.

- The domestic **VIMAC** project, as part of the PID programme sponsored by the CDTI, with a budget of EUR 0.946 million to develop technologies for the complete valorisation of complex minerals and to recover the maximum value of metals present therein.

- The **WALEVA TECH** project, as part of the PID programme sponsored by the CDTI, with a budget of EUR 1 million to develop a new biorefinery process aimed at obtaining levulinic acid (LEVA) and its derivative gamma-valerolactone (GVL) from the C6 sugar fraction of lignocellulosic biomasses**.**

- The **BIORECOVER** project, as part of the European Commission's H2020 programme, in which TR has a budget of EUR 0.7 million to develop an innovative and sustainable strategy for the selective bio-recovery of critical raw materials from primary and secondary sources.

With the development of these R&D projects, Técnicas Reunidas aims to increase its number of proprietary technologies.

As a result of investment in R&D, Técnicas Reunidas has the following technologies under patent that have already been implemented industrially:

- **ZINCEX^{TM} technology** Zinc solvent extraction technology allows the benefit of leached minerals and zinc concentrates that are difficult to treat by conventional methods. This technology is the number one industrial standard for zinc production through hydrometallurgy using solvent extraction.

  A clear example of the versatility of this technology is its **successful implementation in Spain, Nambia, Japan, Italy and the US** on a wide variety of raw materials (including oxidised minerals, waelz oxides, discharged batteries) and with treatment capacities ranging from **2,000 to 150,000 tons of zinc per year**.

- **ECOLEAD^{TM} technology Lead and silver** recovery technology based on hot brine leaching followed by precipitation of the valuable metals.

  The process can be applied to different types of **metallurgical waste** (**oxides, sulphides and jarositic waste**, among others), with certain variations in its basic structure depending on the type of waste to be treated and the metals being targeted.

In addition to the above technologies, the following technologies have already been developed and are currently being marketed:

- **LIP4CAT^{TM}** and **DATMOS^{TM} technologies** The calcine leaching technology known as **LIP4CAT^{TM}** and the sulphide leaching technology known as **DATMOS^{TM}** allow the processing of new raw materials and the application of the **ZINCEX^{TM}** solvent extraction technology, thus increasing the potential volume of business.

- **HALOMET^{TM} technology** Treatment technology for municipal solid waste incineration to recover **zinc and other metals**. This technology focuses on the secondary metal markets (recycling, landfill revaluation, etc.), since much of the solid waste that ends up in landfills may contain substantial amounts of metals that could be recovered by this technology for reuse.

- **PHOS4LIFE^{TM} technology** Technology for the production of technical grade phosphoric acid from wastewater sewage sludge ash. **PHOS4LIFE^{TM}** technology achieves a process that respects the natural environment, contributing to the protection of the environment, sustainable development and the circular economy by allowing phosphate reserves to be prolonged.

- **WALEVA^{TM}** technology involves the valorisation of agro-food waste, which is currently burned, through a chemical process that makes it possible to obtain **levulinic acid**. **Levulinic acid** is a chemical monomer with high industrial demand due to the numerous possibilities it offers in various applications for sectors such as pharmaceuticals, biofuels, polymers, food and chemicals in general.

There is currently a portfolio of business opportunities for the industrial implementation of these technologies in the coming years.

3. Capital structure

The share capital is made up of 55,896,000 shares, with a par value of EUR 0.10 each. There were no different classes of shares and, therefore, the rights and obligations conferred are the same for all shares. There are no restrictions on the transferability of the shares.

The significant shareholdings are as follows:

Company		Percentage of ownership
Araltec, Corporación S.L.U.	Direct	31.99%
Aragonesa de Promoción de Obras y Construcciones, S.L.U.	Direct	5.10%
Franklin Templeton Investment Management LLC	Direct	3.00%
Ariel Investment, LLC	Direct	3.01%
Norges Bank	Direct	5.04%

4. Restrictions on voting rights

In accordance with Article 16 of the Articles of Association, at least 50 shares must be held in order to attend the General Meetings.

5. Shareholder agreements

There are no agreements of this type.

6. Rules governing the appointment and removal of Board members and amendments to the Company's Articles of Association

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 Técnicas Reunidas, stipulating that:

1. Directors will be appointed, following a report from the Appointments and Remuneration Committee, by the shareholders at the Annual General Meeting or by the Board of Directors, in accordance with the provisions of the Corporate Enterprises Act.

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

3. To fill an independent director position, the Board of Directors may not propose or appoint any persons that hold executive positions at the Company or in its Group or that have family ties and/or professional relationships with executive directors, other senior executives and/or shareholders of the Company or its Group.

4. Directors will be appointed for terms of four (4) years, notwithstanding the possibility that they may be removed early by the shareholders at the General Meeting. At the end of their term of office, they may be re-elected one or more times for equal terms.

5. Independent directors will cease to hold their office when they have held the position for an uninterrupted period of 12 years, from the time that the Company's shares were admitted to listing on the securities market.

6. Directors must tender their resignation to the Board of Directors, should the latter consider it appropriate, in the following situations:

   - When they cease to hold the executive position with which their appointment as Board members is associated.

   - When they become subject to any incompatibility or prohibition provided for by law.

   - When they have been seriously reprimanded by the Board of Directors for having breached any of their obligations as directors.

   - When their remaining on the Board could put the Company's interests at risk or when the reasons for which they were appointed no longer exist (e.g. when a proprietary director disposes of their shareholding in the Company).

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

The Board of Directors has the customary management and representation powers as attributed by the Corporate Enterprises Act and is the maximum decision-taking body at the Company, except with regard to those matters reserved for shareholders at a General Meeting.

The Chairman also holds the same powers as the Board of Directors (except for those established in Article 25 relating to the election of the Chairman and the Deputy Chairmen, or those that cannot be delegated in accordance with the law or internal corporate regulations) and is considered to be the top executive at the Company by virtue of Article 28 of the Articles of Association.

With regard to the powers relating to the possibility of issuing or buying back shares, Article 5 of the Board Regulations stipulates that the Board is responsible for:

- The execution of the treasury share policy within the framework of the authorisation provided by the shareholders at the General Meeting.

- The approval of the Company's general policies and strategies, including the treasury share policy and, in particular, 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.

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

No agreements of this type exist.

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

There are agreements with three senior executives who, in the event of unfair dismissal, are entitled to termination benefits as decided by the courts and in the event of a dismissal for objective purposes, redundancy or any other reason deriving from a decision taken by the Company, the termination benefits would total EUR 5,957 thousand.

10. Average period of payment to suppliers

The average period of payment is as follows:

	2019	2018
Average period of payment to suppliers	69	70
Ratio of transactions paid	64	65
Ratio of transactions payable	104	100

	2019	2018
Total payments made	3,464,088	3,682,087
Total payments outstanding	485,298	696,708

The Group complies with the legally established periods with some minor delays due to invoices that are not officially compliant under the provisions of the agreement, failure to receive guarantees or meet other obligations of suppliers under the service agreement or order signed. In view of this, there may be a slight delay in payment.

11. Significant events after the reporting period

From 31 December 2019 to the date of authorisation for issue of these consolidated annual accounts, no significant events took place that need to be disclosed.

12. Treasury shares

At 31 December 2019, treasury shares represented 3.92% of the Parent's share capital (2018: 3.93%), and totalled 2,193,424 shares (2018: 2,201,389 shares), with a weighted average price of EUR 33.6 per share (2018: EUR 33.67 per share).

13. Financial instruments

See Note 10 to the consolidated annual accounts.

14. Alternative Performance Measures

Following the European Securities and Markets Authority (ESMA) guidelines on Alternative Performance Measures (APMs), Group management considers that certain APMs provide useful additional financial information that should be considered when assessing their performance.

Management uses these APMs when making financial, operating and planning decisions and to assess the Group's performance. Management presents the following APMs that it considers useful and appropriate for investor decision-making and that are most reliable about the Group's performance.

EBITDA

EBITDA ("Earnings before interest, taxes, depreciation and amortisation"): Management uses EBITDA as an indicator of the Group's capacity to generate profits, considering only its productive activity, eliminating amortisation and depreciation, as well as the effect of financial results and income tax. It is calculated by deducting the depreciation and amortisation expense and charges for impairment losses for the period from operating profit.

		Year ended 31 December	
		2019	2018
Income	Sales and other income	4,706.9	4,403.1
Operating expenses	Procurement costs, staff costs, other operating expenses, depreciation and amortisation, and impairment	(4,638.8)	(4,361.0)
Operating profit	**Income - Operating expenses**	**68.2**	**42.1**
Depreciation and amortisation charge and impairment	Depreciation, amortisation and impairment	42.1	18.9
EBITDA	**Operating profit excluding depreciation and amortisation**	**110.2**	**61.1**

Group management confirms that there has been no change in the definition, reconciliation or use of this indicator with regard to that used in the previous year, other than as a result of the application of IFRS 16.

EBIT ("Earnings before interest and taxes"): is an indicator of the Group's operating profit without taking into account financial or tax results. Management uses this indicator as a complement to EBITDA in comparison with other companies in the sector. EBIT is equivalent to "operating profit". It has been calculated as follows:

		Millions of euros	
		Year ended 31 December	
		2019	2018
EBITDA	Operating profit excluding depreciation and amortisation	110.2	61.1
Depreciation and amortisation charge and impairment	Depreciation, amortisation and impairment	(42.1)	(18.9)
EBIT	**Operating profit**	**68.2**	**42.1**

Group management confirms that there has been no change in the definition, reconciliation or use of this indicator with regard to that used in the previous year, other than as a result of the application of IFRS 16.

Net cash. Net cash is the alternative performance measure used by management to measure the Group's level of liquidity. It is calculated as the difference between "cash and cash equivalents" plus "financial assets at fair value through profit or loss" and "borrowings" (excluding "borrowings associated with rights of use of leased assets"). Cash and cash equivalents include cash on hand, demand deposits in banks and other short-term highly liquid investments originally maturing within three months or less. It has been calculated as follows:

		Millions of euros	
		2019	**2018**
Cash and cash equivalents	Cash on hand, demand deposits in banks and other short-term highly liquid investments maturing within three months or less.	887.6	680.8
Financial assets at fair value	Financial assets at fair value through profit or loss	65.1	64.8
Borrowings	Non-current and current bank borrowings	(582.3)	(487.9)
Net cash	**Cash and cash equivalents, plus financial assets at fair value, less borrowings**	**370.5**	**257.7**

Group management also confirms that there has been no change in the definition, reconciliation or use of this indicator with regard to that used in the previous year.

15. Statement on non-financial information

15.1. Business model

15.1.1. Description of the business model

The Técnicas Reunidas (TR) Group engages in the performance of all performance of all manner of engineering and construction services for industrial plants, ranging from viability or basic and conceptual engineering studies to large and complex turnkey engineering and design 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 activity, TR has a solid positioning in the value chain of the oil, gas, energy, fertilisers, hydrometallurgy, water and infrastructure industries.

TR offers its customers optimum technical solutions to develop their sustainability policies, mainly with regard to environmental issues, which allows its customers to develop their emission control objectives through the construction and modernisation of highly efficient industrial plants in the field of energy, thus complying with the regulatory requirements and voluntary commitments in this area.

The Company has a series of values that have been fully integrated into its business model, such as knowledge, flexibility, innovation, credibility, customer focus and quality. These values show TR's commitment to the development of its business activities.

15.1.2. Organisation and structure

Appendices I and II contain the corporate structure of the Company.

15.1.3. Line of business

Técnicas Reunidas, as part of its engineering and construction services activities, operates in various lines of business, mainly in the refining, gas and energy sectors:

- **Oil and natural gas:** the Oil and Natural Gas area provides management, engineering, procurement, construction and commissioning services for facilities throughout the entire oil and natural gas value chain. In addition, the Company has experience with its own basic designs of certain units of these facilities and projects, facilitating the verification of their functionality and operability and contributes to obtaining greater efficiency, ensuring the adaptation of new technologies to its working methods. Furthermore, TR offers its customers the possibility of modernising existing industrial plants with the aim of improving their efficiency and making progress in the sustainability actions and commitments they have decided to implement.

- **Power and water:** the Power and Water area provides engineering and construction services, both at industrial power facilities, and in a variety of water management applications (including desalination plants). The Company's experience ranges from conducting feasibility or basic and conceptual engineering studies to the complete implementation of large-scale and complex turnkey projects.

- **Other industries:** this division carries out several activities, including ecology, ports and coasts, hydrometallurgy and fertiliser projects. It also conducts its own developments in industrial processes and technologies for different purposes, such as fertiliser production or recovery of metals.

The diversification of the lines of business allows for a well-distributed project portfolio.

This commitment to segmentation and innovation has enabled the Company to implement projects of different scopes in multiple regions, including those related to conceptual studies, basic engineering, FEED, PMC, EPC or LSTK, among others.

15.1.4. Business environment and markets

Técnicas Reunidas operates in a constantly changing environment, marked by rising energy demand in emerging countries, continuous adaptation to new environmental standards and the need for refineries to evolve towards more complex and profitable configurations.

In turn, this work context is increasingly demanding, due to even stricter environmental standards, the development of new technologies and growing competition from Asia. In this regard, Técnicas Reunidas takes on increasingly complex projects, highly demanding in terms of technical specifications, deadlines, scope of work and performance conditions.

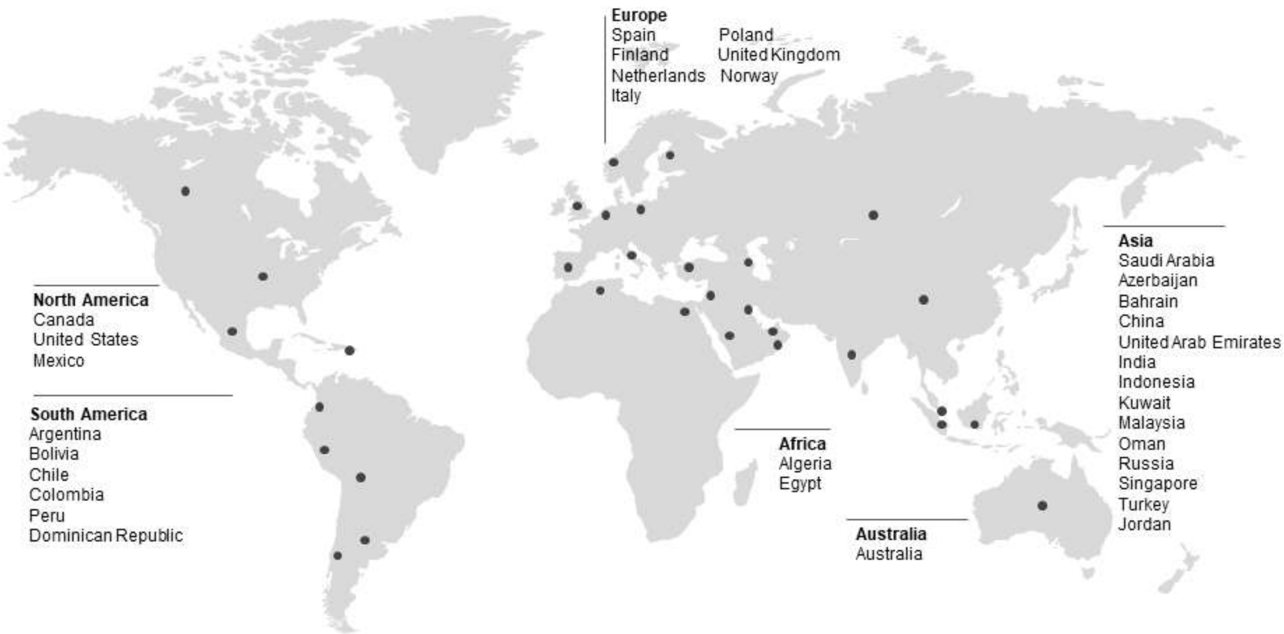
Diversification by product and geographical area allows Técnicas Reunidas to take new opportunities that may arise in connection with its activities.

In 2019, market conditions continued to improve compared to previous years, allowing TR to achieve a significant number of awards in 2019, exceeding EUR 7,000 million, and in the 15 months prior to year-end, it had been awarded major EPC projects for ADNOC, Saudi Aramco, Exxon, General Electric/Sumitomo, Suncor and Sonatrach, as well as eight major FEED projects for Pertamina/Rosneft, ADNOC/Exxon, ADNOC/Cepsa, Socar/BP, YPF, Gunvor, BPC and INEOS.

These awards are in line with the forecasts of international organisations, such as the International Energy Agency and OPEC, and relevant operators including BP and Exxon Mobil, which conclude that global demand and energy consumption will continue to grow in the medium to long term, and that the Oil and Gas sector will continue to play a very significant role in this growth.

To supply a growing demand for energy, investments must be made in oil, gas and power generation, where Técnicas Reunidas is well-positioned and has the credentials demanded by investors and proven experience nearly sixty years worldwide and, in particular, in regions where most of the investments are likely to be made.

LIST OF MARKETS WHERE TÉCNICAS REUNIDAS OPERATES



15.1.5. Factors and trends that may affect the Company's performance

Apart from market developments, the Company may be affected by factors related to other areas of its business. Therefore, Técnicas Reunidas detects and analyses emerging factors that could have an impact on its management model in order to take action in this regard and adapt its business strategy.

	FINANCIAL ENVIRONMENT	OPERATING ENVIRONMENT	SAFETY REQUIREMENTS	ENVIRONMENTAL REQUIREMENTS
TRENDS	Contracting and execution models that delay collections from customers (invoicing by milestones rather than progress payments, reduction in prepayments, delays in resolving claims and high volume of guarantee guarantees). Increased tax burden from governments to offset deficits. Volatility of certain currencies. Increased perception of risk by financial institutions with regard to the engineering sector. Uncertainty regarding the performance of the economic cycle.	Uncertainty regarding the changes in crude oil prices, which impact investment decisions and project execution. Geopolitical uncertainty: Middle East, United States, China, United Kingdom, Latin America and North Africa. Regular use by customers of turnkey contracts, transferring greater risks to the contractor. Increased competition in turnkey projects. Increased customer litigation. New customer demands on the execution structure of projects (e.g. joint ventures or revamping).	Adaptation to occupational safety requirements established by the countries where construction projects are carried out. Increased demand from customers regarding the qualifications and requirements of onsite personnel with health and safety responsibilities. Need for more practical works-oriented training programs. Incorporation of new technologies for improved performance and monitoring of safety and health projects.	Growing concern from customers regarding the environmental and social requirements of projects. Stricter environmental and social requirements from entities such as customers, the World Bank, financial institutions or accredited certification bodies. Audits by financial institutions with increasingly stringent social and environmental requirements.

	FINANCIAL ENVIRONMENT	OPERATING ENVIRONMENT	SAFETY REQUIREMENTS	ENVIRONMENTAL REQUIREMENTS
		Postponement of final phases of the project due to critical negotiations with customers and suppliers. Customers’ need to seek financing for their projects.		
HOW IS IT PREPARED?	Increase in available lines of financing. Customer and supplier management (collection and payment periods, discounts, reverse factoring). Development of policies aimed at allocating profits to the countries where they are generated (BEPs). Currency hedging policy by using forwards. Development of a pool of highly diversified banks, with a large presence of local banks.	Launch of the TR-ansforma plan aimed at reducing overheads and improving efficiency. Geographic and product diversification. Experience in sustainable markets. Selective management of potential projects. Closer integration with customers from the initial phase onwards. Capacity for managing complex projects. Consolidated know-how and work procedures. Knowledge of suppliers and collaboration with relevant suppliers and subcontractors.	Implementation of a Regulatory Compliance System that covers, among others, environmental, health and occupational safety risks (HSE). Training project managers in international health and safety standards. Stronger collaboration between human resources and the departments involved in the construction phases. Acquisition of specific software and migration of periodic reports. Organisation of meetings with critical suppliers to discuss safety issues.	Strengthening the system for evaluating the social and environmental compliance of local suppliers. Conducting internal audits on environmental and social matters. Identification and monitoring of environmental risks and opportunities

	FINANCIAL ENVIRONMENT	OPERATING ENVIRONMENT	SAFETY REQUIREMENTS	ENVIRONMENTAL REQUIREMENTS
		Alliances with competitors for specific projects. Leverage based on proprietary technologies. Strengthening of the legal team and involvement in the various phases of project implementation. Support to customers in finding sources of financing for the implementation of projects, including bank financing covered by export credit insurance provided by Export Credit Agencies (ECAs).		

	SUPPLY CHAIN AND SUBCONTRACTS	INNOVATION AND NEW TECHNOLOGIES	GOVERNANCE AND CSR	HUMAN RESOURCES
TRENDS	Increased importance of sharing processes and management techniques in the supply chain with multicultural and sector companies. Decline in demand, which can reduce the capacity and quality of the supplier market and lead to a growing financial risk linked to increased non-conformities in quality and supply delays. Volatility of commodities and currencies. Selection of competitive construction and assembly companies. Protectionism of companies towards local staff. Increased supplier litigation.	Importance of digitisation and the use of new technologies to increase efficiency, ensure swifter customer responses and reduce costs, among other reasons. Focus on raw materials and especially on certain critical or strategic raw materials for relevant sectors such as telecommunications, defence and aeronautics, and energy. Sustainability, environmental legislation, circular economy etc. as a clear business opportunity for the development of technologies in relation to waste management. Reduction of emissions in regulations on nitric acid plants regarding greenhouse gases (NOx, N2O). Improved recovery of effluents with high nitrate content in ammonium nitrate plants in order to minimise the risk of soil contamination.	Increased disclosure demands for non-financial information. Stricter requirements from public administrations, customers and suppliers regarding regulatory compliance. Greater demand to publicly disclose the policies that promote diversity in corporate management bodies. Intensifying activity of corporate governance bodies and need to strengthen internal control and risk management systems. Need to ensure equitable treatment of shareholders and take the concerns of other stakeholders into consideration. Particular attention to CSR and sustainability-related matters.	Demand from customers for increasingly skilled human resources to master not only the technical aspects but also management, monitoring, safety and quality assurance skills. Consolidating the internationalisation of the business.

	SUPPLY CHAIN AND SUBCONTRACTS	INNOVATION AND NEW TECHNOLOGIES	GOVERNANCE AND CSR	HUMAN RESOURCES
		Establishing lines of collaboration with customers, partners, suppliers and subcontractors.		
HOW IS IT PREPARED?	Development of technological tools for supply chain management, global and adaptable for use by other Group companies in different locations. Strengthened presence in the supplier's workshops. Strengthening synergies report with greater focus on the supplier's financial position. Implementation of historic material price indicators during the tender process, together with spot market correction factor. Maximising the use of insurance to minimise commodities volatility. Directing and controlling the activities of assembly and construction subcontractors, at micro-management levels where required.	In-house developments in all areas of activity. Strategy in the field of digitisation to strengthen competitiveness, adapt to customer demands and optimise processes. Specialists in R&D and knowledge management in the areas of development. Offering optimal technical solutions for the development of efficient industrial plants that allow customers to execute their sustainability and emission control and reduction strategies. José Lladó Technology Centre, with specialised skills and resources. Contact with suppliers of catalysts to implement treatments for minimising greenhouse gases in nitric acid plants.	Expanding CSR and sustainability actions both globally and in the projects implemented. Study of policies and agreements to strengthen the commitment to diversity. Strengthening the role of Board committees, mainly in non-financial reporting. Continuous development and adaptation of internal documents aligned with best corporate governance practices. Supervision by the corporate governance bodies of tax and information security risks. Reinforcing communication channels with key stakeholders.	Management training, focusing on risks and opportunities and developing skills and abilities. Special attention to motivation, monitoring and innovation. Globalisation of Human Resources management hand-in-hand with the departments concerned. Multi-country management: adapting internal policies to local labour and tax regulations, and to the local culture through direct management of expatriate employees from their destination countries. Development of tools to continuously analyse the labour market and locate available highly-qualified professionals.

	SUPPLY CHAIN AND SUBCONTRACTS	INNOVATION AND NEW TECHNOLOGIES	GOVERNANCE AND CSR	HUMAN RESOURCES
	Expanding and updating the Company's worldwide database of subcontractors. Conducting technical and physical analyses to ensure the ability of subcontractors to perform construction works.	In-depth analysis of projects to plan their management throughout the implementation period. Introduction of virtual reality in project design and implementation.	Reporting and verification of CSR and sustainability information in accordance with the highest standards. Development of a Criminal Compliance Management System and the prevention of criminal risks. Approval of new regulatory compliance policies.	Establishment of internal staff rotation policy when required. Allocation of key personnel during the implementation phase of the project design. Onsite presence of design staff at works to adapt the design to specific country and customer needs.

15.1.6. Objectives and strategy

TR's strategy is structured around four essential pillars: methodology, diversification, quality and safety.

a. **Methodology:**

The methodology is based on the development, systemisation and proper use of all the know-how that TR has acquired since 1960 executing projects around the world. This commitment to methodology allows the efficiency of work processes to be optimised and guaranteed. Both the excellent human capital of Técnicas Reunidas, with highly qualified professionals, and innovation, which is an integral part of TR's DNA, are essential in this pillar.

b. **Diversification:**

TR has a highly diversified portfolio of customers, products and geographical areas. In turn, the Company has customers of recognised prestige that contribute to consolidating its presence in the market and their business is highly recurring.

c. **Quality:**

TR's emphasis on the quality of all its processes (and those of its suppliers and subcontractors) guarantees the execution of every project in accordance with its customer's needs and requirements.

d. **Safety:**

TR fosters the creation of a specific corporate culture in occupational health and safety, introducing training processes for staff and encouraging their participation in prevention efforts and improving working conditions, promoting shared responsibility at various levels of the organisation.

TR's annual objectives are established at department level. This allows objectives to be adapted to the Company's strategy while at the same time including the specific needs of each areas. As a result, the objectives are defined ad hoc, which facilitates both their adaptation to each specific case and their traceability and comparability. The objectives established by Técnicas Reunidas for each area are detailed below:

General Secretariat Objectives	- Approval of a Long-Term Remuneration Plan for executive directors. - Planning and development of the activities of the Board's delegated committees through the Regulations of the Delegated Committees. - Development of specific regulations for the Audit and Control Committee and the Appointments and Remuneration Committee. - Development of corporate policies, such as the Director Selection and Diversity Policy, the Policy on Relationships with Shareholders, Investors and Other Stakeholders, the Sustainability Policy, or the Risk Management and Control Policy. - Updating of the Articles of Association and Board of Directors Regulations. - Updating of the Company's Internal Code of Conduct on the Stock Market. - Adaptation to the insider trading regime and the way it is communicated to the regulatory bodies. - Implementation of the actions proposed in the Board's Self-Assessment Report, such as continuing to make progress in the exchange of information between directors and the Company's executives.
HR Objectives	- Globalisation and development of new functionalities of Central Employee's tools.
Environmental Objectives	- Renewal of the Environmental Management System Certifications for TR S.A., TR Sagemis International and TREI-Tecnical in accordance with ISO14001-2015. - Reduction of 3.5% in electricity consumption, 3% in paper consumption and 80% in plastic bags at the Madrid offices. - Implementation of associating the environmental requirements of a project in the EP phase to the environmental SDGs applicable. - LEED certification of the Adequa offices. - Not exceeding the TEIF (0.025) or SSIF (0.007) targets for the works. - Issuance and communication of a HSE ALERT for each significant spill that occurred on site. - Carrying out training/awareness-raising campaigns for separating waste. - Reuse of materials/products on site to prevent them from becoming waste.
Innovation Objectives	- Start-up of the zinc production plant with ZINCEX^{TM} technology for AMERICAN ZINC PRODUCTS (AZP) in the US. Technical assistance for the start-up until maximum production capacity is reached. - Start-up of the lead and silver production plant with ECOLEAD^{TM} technology for AMERICAN ZINC PRODUCTS (AZP) in the US. Technical assistance for the start-up until maximum production capacity is reached. - Development of the basic engineering for a plant to produce zinc from municipal waste. - Development of the basic engineering of the pilot plant, and its operation, for the process of producing phosphoric acid from phosphate rock. - Continuing to market the new technologies: PHOS4LIFE^{TM} (production of phosphoric acid from wastewater incinerator sewage sludge), WALEVA^{TM} (production of levulinic acid from biomass waste), and HALOMET^{TM} (production of zinc and other metals from municipal solid waste), with the development of each of the commercial plans and the actions laid out in these plans aimed at introducing these technologies on the market. - Improvements in the incorporation of N2O greenhouse gas abatement technologies with efficiency exceeding 90%.

Financial Objectives	- Establishment of a tax model with the tax authorities through a Prior Assessment Agreement. - Development of a plan aimed at increasing liquidity and guarantee lines. - Restructuring of financing to seek terms exceeding three years. - Implementation of the TR-ansforma plan.
Procurement Objectives	- Improving the efficiency of internal processes in the supply chain. - Reinforce communication channels (Inter-departmental Intranet) in order to speed up problem solving. - Increase close collaboration with our customers, sharing technical knowledge in industry forums and publications. - Training process aimed at base level of departments to ensure the dissemination of knowledge at this level. - Implementation of improvements arising from the development of the Innova project to optimise the digitalisation processes. - Implementation of the TR-ansforma plan.
Construction Objectives	- Continue with the implementation of "eSAM" in all projects. (*) - Integration of the computer tool "eCost" with "eSAM", to optimise the control of construction costs. - Development of the "Site Workforce Control" software to control the construction staff. - Review of structures and optimisation of construction resources. - Marjan Project, KSA. - Duqm Project, Kuwait. - Hassi Messaoud Project, Algeria. - Termocandelaria Project, Colombia. - Celaya Project, Mexico. - EPC conversion of the SOCAR-HAOR project, Azerbaijan. - Implementation of the TR-ansforma plan. (*) Only for projects that are not carried out as a JV, as they are usually governed by procedures agreed in the JV that may not be adapted to this IT tool.
HSE Objectives	- Increase in the number of HSE inspections of suppliers and a reduction of unsatisfactory inspections. - Increase in the HSE training ratio on site compared to 2019. - Reduction in the 5 HSE indices (LTIR, TRIR, SR, TEIF and SSIF) compared to 2019 - Issue H.O. communications to give greater visibility to the actions carried out in other projects or in H.O. - Obtain certification under ISO 45001. - Promotion of actions aimed at making TR a "Healthy Company". - Completion of implementing a mobile application to log onsite observations. - Implement the actions resulting from the Plan for a Safety Commissioner in all our projects. - Implementation of the TR-ansforma plan.
Regulatory Compliance Unit Objectives	- Review and updating of the Corporate Code of Conduct. - Continue the deployment of the criminal compliance management system in other geographical areas/subsidiaries. - Preparation and approval of the Anti-Fraud Policy, Trade-Control Policy, Sponsorship and Donations Policy. - Implementation of the Control Map and its documented monitoring. - Verification of the design and effectiveness of the Criminal Compliance Management System. - Classroom-based training sessions on specific contingencies to which it is particularly exposed (directors, senior executives, Purchasing, Subcontracting and Commercial areas).

Social Objectives	- Ensuring high percentage of local procurement and outsourcing. - Collaboration with a high number of social action organisations. - Carrying out social action initiatives during the execution of projects.

15.2. Risk factors (non-financial) associated with the business

Técnicas Reunidas has tools and procedures that help it identify, prevent, minimise and manage the risks associated with its activity.

The Company's comprehensive methodological framework for managing key risks covers all areas and projects.

Using this comprehensive framework, a catalogue of the key risks identified is prepared in accordance with the COSO II methodology.

To manage these risks, Técnicas Reunidas has developed various procedures and management policies, including the following:

- Procedures related to the nature of the projects, such as their selection, geopolitical risk diversification policies and policies to preserve the technical capacity necessary to execute the projects, and to share the risks in their execution with third parties, contracting insurance, ways of contracting quality suppliers, etc.

- Procedures related to the financial management of projects: management of foreign currency risk, liquidity risk and tax risks.

- Procedures related to Health and Safety Management Systems.

The Company's main operating risks are listed below, including non-financial areas such as environment, health and safety, personnel and reputation. The management mechanisms available to TR for each of these risks are set out below.

Risk	Description	Main risk management and mitigation mechanisms
Changes in project costs	Several factors may give rise to a change in project cost estimates in turnkey projects (the complete price is closed at the start while execution costs may change), such as the volatility of raw material prices, changes in project scope, performance by construction and assembly subcontractors on time and with required quality, litigation by customers or suppliers, decisions of a geopolitical nature that have an immediate impact or weather conditions, among others. The assessment of all these factors implies a high level of judgement and estimates. Failure to comply with delivery times may result in compensation to the customer.	- Development of new contracting methods to mitigate risks. - Inclusion of indemnity clauses in contracts with suppliers and subcontractors. - Intense acquisition during the first few months of execution of key equipment with a high level of sensitivity to the price of raw materials. - Use of derivatives that allow the acquisition of certain essential raw materials and equipment in instalments. - Distribution of the execution of work among several subcontractors and including subcontractors as project partners. - Increased supervision of construction and assembly subcontractors. - Inclusion of contingencies for deviations in budgets. - Reliance on opinions of external consultants in the preparation of estimates and judgements. - Close monitoring of project execution deadlines to detect delays, which allows mechanisms to be implemented that accelerate the work and mitigate the risk of penalties.
Changes in the price of crude oil.	The price of crude oil, in addition to other factors, affects the investment, award and execution decisions of the Group's customers and suppliers, competitors and shareholders. Recent drops in the price of crude oil have caused customers to offer more unfavourable payment terms and be more demanding in negotiating changes in scope and claims. The Group's commercial activity is conditioned by the investment efforts of our customers.	- Predomination of NOCs (national oil companies) over IOCs (independent oil companies) in the portfolio (which include factors beyond purely financial considerations in their decision-making, such as geopolitical and social criteria). - Diversification of products and geographical areas. - Mitigation of negotiation risks with customers and suppliers by the early detection of those matters that may represent a change in the contractual price.

Risk	Description	Main risk management and mitigation mechanisms
Execution of projects in multiple geographical areas.	TR's projects are carried out in numerous geographical areas, each of which has a different risk profile to be mitigated: political and social tensions, locations with limited access, limited legal certainty, demands in relation to local content, growing tax pressure in all geographical areas in which the Group carries out its activity or the complexity of the process of assigning margins in projects carried out simultaneously in multiple geographical areas, etc. Performance of projects for the first time in a certain geographical area increases the risk of deviations in margins.	- Selection of projects based on a detailed analysis of the customer and the country (establishing a local presence before submitting bids), and other matters such as the specific margins on the project and the risks involved. - Use of modular construction methods in locations with limited labour availability or where the site conditions allow for savings compared with other options. - Where possible, TR's contracts include the resolution of disputes at courts or in arbitration in countries where it has prior experience. - Where possible, TR's contracts include clauses that allow prices to be changed in the event of amendments to laws. - Flexibility to adapt to domestic content requirements. - Development of BEPS policies. - The Group's Internal Tax Risk Manual, which sets out the Group's tax strategy and internal procedures for managing tax risks, includes training actions and internal investigation plans. - In the offer phase, tax strategies are determined with local advisors that minimise risk, even in the Group's customary markets. - In the execution phase, the tax assessments submitted are monitored, with the support of local advisors, and events or deviations from the initial strategies are identified with the aim of correcting them with the support of the operations area.

Risk	Description	Main risk management and mitigation mechanisms
Concentration in a low number of customers.	At certain times the portfolio may feature a high concentration in a low number of customers and suppliers in certain countries.	- Concentration only in markets in which the Group has sufficient prior experience. - Diversification policy that allows TR to access very different markets. - Deployment of relevant commercial action with new customers in markets in which TR does not yet have a presence. - Atomisation and diversification strategies for construction with local and international suppliers.
Environmental and safety requirements.	TR carries out projects where incorrect performance entails high risks of impact on the environment or health and safety risks. The Group works to control and minimise those risks by collaborating with its customers, subcontractors and suppliers in this area.	- TR has an Environmental Management and Safety System. - Assurance of environmental management from the engineering phase. Extension of this assurance to suppliers and subcontractors through audits and training. - Reinforcement of the safety of processes from the design phase. - Promotion of occupational safety at suppliers and subcontractors.
Economic variables.	Certain economic circumstances (changes in exchange rates, interest rates, availability of financing, taxes, etc.) may have an impact on TR's business activities and profits. Period of geopolitical tensions with high impact on economic variables. Greater weight in the decisions of our customers of the entities or organisms that finance their investments.	- Continuous monitoring of the risks associated with currencies and the arrangement of foreign currency hedges. - Management of a sound balance sheet and availability of adequate lines of financing. - Mitigation of customers' risk of illiquidity by actively participating in the process of obtaining financing for them, through banks that support the operations in which TR participates, and through the use of export insurance through banks that support the operations in which TR participates and direct contact with the financing institutions of our customers, as well as through the use of export insurance.

Risk	Description	Main risk management and mitigation mechanisms
Information technology.	As the Group's digital presence has increased, the risk of intrusions into its systems by cybercriminals has increased.	- Information Security Management System certified in accordance with ISO 27001:2015. - Employee training on cybersecurity matters. - An Information Security Committee has been created to analyse the development of the strategic cybersecurity plan, the results of the audits and the main risks faced and measures taken.
Retention of key personnel and adaptation of resources to the workload.	The loss of key personnel, as well as gaps in their training, may increase the risk of not executing projects adequately. Furthermore, the excessive concentration of projects or delays may give rise to inefficiencies in personnel management.	- Procedures to identify essential employees that must be retained and the application of policies that contribute to their retention. - Implementation of a flexible human resource structure to adapt swiftly to market changes. - Global management of human resources to unify the criteria applied at the various subsidiaries.
Integrity and reputation.	Improper or irresponsible behaviour by employees or other third parties with which the Group collaborates (suppliers and subcontractors) may negatively affect the reputation and results obtained by Técnicas Reunidas.	- Internal regulations and training to guarantee the proper behaviour of professionals and the availability of a Code of Conduct and a Whistleblower Channel. - Demanding minimum requirements from suppliers and subcontractors regarding the environment, human rights, health and safety.
Quality of execution.	Quality in the execution of the works ensures not only the successful completion of the project, but also obtaining projects of a similar nature or with the same customer.	- Quality supervision mechanisms in all project phases. - Creation of databases recording the Group's know-how and best practices. - Quality Department responsible for drawing up procedures.

Risk	Description	Main risk management and mitigation mechanisms
Climate change.	Climate change requirements may have an impact on the needs of customers and the way in which TR implements its projects.	- The Company has high technical capabilities in engineering that allow it to offer customers solutions that enable them to carry out their activities in the area of sustainability and their initiatives to reduce emissions through, for example, the modernisation of pre-existing industrial facilities. - The Company has advanced technical procedures that enable it to implement projects under extreme environmental conditions, as demonstrated in locations such as Saudi Arabia and Canada.

In addition to the operational risks mentioned above, Técnicas Reunidas assesses other potential non-financial contingencies of minor impact to the Company with the aim of always ensuring maximum performance levels in terms of corporate social responsibility and sustainability. The details of the procedures applied by the Company to manage these risks may be found in each of the related chapters of this document.

Notably, the Company also uses all the tools at its disposal to assess, manage and mitigate any non-financial risks present in its immediate environment.

Despite this, TR has identified the following impacts:

- Margin variances as a result of the structure of the turnkey projects, which sets the sale price and leaves open the possible costs associated with the construction of the plant.
- Costs arising from the agreement reached with the Spanish Tax Agency for 2012-2014.

With regard to other non-financial issues, Técnicas Reunidas did not have to account for any additional significant impact in the year.

15.3. Information on environmental matters

15.3.1. Corporate environmental policy and management systems applied for the identification and management of impacts on the Company in this area

For Técnicas Reunidas, environmental management is a priority that is integrated into the Company's strategy, responding both to the Group's operations and to the activities of its value chain, and establishing environmental requirements in all its facilities and projects based on the corporate policy in this regard.

Since 1997 TR has adapted its Environmental Management System to regulatory requirements and stakeholder demands. This system is implemented and certified in accordance with ISO 14001:2015 for Técnicas Reunidas S.A., TR Sagemis and TR Engineering India and will be renewed in July 2020.

Técnicas Reunidas develops products, systems and services with the aim of obtaining energy that is more affordable, reliable and responds to current environmental requirements. Our projects are subject to new and increasingly rigorous environmental requirements, which must comply, among others, with climate change initiatives focused on reducing CO2 emissions and improving the waste management system, committing to waste reduction from a circular economy perspective. To this end, we have implemented methodologies that ensure the monitoring and verification of environmental information in all projects. At the corporate level, internal environmental audits and external verification of environmental performance and carbon footprint indicators, among others, are carried out.

As a result of the set of tools and policies applied, over the last five years, Técnicas Reunidas has obtained zero non-conformities in the external certification carried out by AENOR based on ISO 14001:2015. These excellent results demonstrate the maturity of the management system and the Company’s commitment to applying the best available environmental practices.

One of the Company’s strengths is the systematic identification and monitoring of environmental risks and opportunities, identifying and implementing the actions related thereto, both in projects and in offices.

Currently, the main environmental risks are those related to climate change (see section 13.3.2) in the geographical areas where TR implements its projects, and those arising from changes to design limits or applicable law during project development.

There are also great opportunities in environmental matters, including the competitive advantage of a high degree of knowledge of applicable laws and standards, which gives the Company great flexibility when developing projects anywhere in the world and waste management within the framework of the circular economy.

Furthermore, the Company offers its customers its skills and experience to include performance criteria and environmental consulting in the design of the projects, optimising the environmental performance of the project in its operating phase, and achieving greater efficiency during this phase with less impact on the environment. In this regard, Técnicas Reunidas has adopted, among others, the following measures

- Optimisation of resources with an exhaustive analysis of the environmental impact at the offer phase, allowing the real needs of each project to be identified in the pre-execution phases of the project.
- Appointment of an environmental manager as part of the task force team.
- Increased role and responsibilities of the project’s environmental manager in terms of internal environmental consulting.
- Realtime monitoring of environmental indicators for each project to avoid deviations.

The effect that Técnicas Reunidas’ activities have on the environment derives mainly from greenhouse gas emissions, energy consumption, the generation of waste and the consumption of materials, which are detailed in each of the following sections. In the future, the important environmental aspects are expected to be the same. However, given Técnicas Reunidas’ activities as an engineering company, each year it undertakes different projects in different phases of action, so a detailed forecast in quantitative terms does not reflect the reality of its performance for the years to come. Environmental KPIs are subject to the stage of completion of the projects in progress, peak staffing levels, implementation phase and new projects that may be won in each year. Given these circumstances, future estimates associated with environmental KPIs do not give an accurate picture of the Company’s reality.

In this regard, Técnicas Reunidas focuses its efforts on keeping close watch on the environmental performance of its projects, in accordance with the definition of specific indicators in relation to their material aspects in this area.

In addition, Técnicas Reunidas has made significant progress in recent years in expanding the scope of the activities monitored based on the data collected. To this end, the Company has established 2017 as the base year. It is important to highlight that, depending on the progress of each project, these ratios may vary significantly from year to year, as mentioned in the previous paragraph. Not surprisingly, the execution of EPC projects involves different phases with highly variable workloads, supply phases and staff levels.

The monitoring and analysis of all this information allows Técnicas Reunidas to design multiple actions to improve its environmental performance.

15.3.2. Climate change

The main sources of greenhouse gases associated with TR's activity correspond to the consumption of fossil fuels in the Company's road fleet and facilities (level 1), electricity consumption at these facilities (level 2) and the emissions corresponding to employee travel and to purchases of products and services from suppliers and contractors (level 3).

In 2019, the emissions in level 1 increased by 66.42% compared to 2018, due to an increase in fuel consumption in the projects, in level 2 there was a decrease of 29.28% compared to 2018, thanks to the increase in consumption of electricity from renewable sources, and in level 3 there was a decrease of 3.56% compared to 2018, due to a decrease in air travel.

Emissions generation	2018	2019*
Level 1 emissions (tCO2eq)	45,396.44	75,549.98
Level 2 emissions (tCO2eq)	1,079.72	763.63
Level 3 emissions (tCO2eq)	21,253.09	20,495.76
TOTAL	**67,729.25**	**96,809.37**

** The emissions associated with the last three months of the year were estimated. For level 1 and 3, the estimate consisted of a projection for the months of October to December based on the average emissions of the first 9 months. For level 2, however, since electricity consumption is mainly in offices and depends largely on the time of year, the last three months were estimated based on the emissions produced from October to December 2018.*

TR is committed to the corporate goal of reducing level 1 and 2 emissions by 12% in the 2017-2030 period. To this end, the Company works continuously on the identification and implementation of effective measures. In 2019, the most notable measures related to collaborating with the owner of the Adequa buildings in preparation for the process of obtaining "LEED Gold" Certification in 2020 and providing responsible mobility courses for access to the TR facilities in the north.

In relation to this last point, TR is highly aware of the potential impact that climate change may have on its business, and it has developed a climate risk and opportunity matrix together with the relevant adaptation plan, transparently reporting its climate change performance through participation in initiatives such as the Carbon Disclosure Project (CDP) in which Técnicas Reunidas has participated for several years. In the 2019 edition, the Company has remained among the leading companies in Spain with a score of "A-", demonstrating its commitment to the environment and fostering transparency in communication with its stakeholders.

The Company continuously monitors all climate-related issues to analyse them and adapt its objectives and business strategy accordingly. This monitoring draws from different sources of information that show the main market trends in climate issues.

Técnicas Reunidas has identified the main climate change risks to which the Company is exposed in the CDP questionnaire. TR is primarily exposed to transition risks, in particularly those that depend on regulatory developments that could have an impact on its customers in the Oil & Gas sector. Furthermore, due to their geographical location, some of TR's customers are subject to extreme temperatures (e.g., Middle East, Russia or Canada), exposing them to physical risks that can lead to changes in working conditions during the execution of projects.

On the other hand, TR is well positioned in the field of climate change opportunities to take advantage of stronger regulatory pressure in environmental matters given that the Company has appropriate technology for its customers to deal with increasingly stringent environmental requirements.

Finally, with regard to climate responsibility, the Secretary to the Board of Técnicas Reunidas coordinates the activities of the Board of Directors and the other areas of the Company, facilitating the implementation of resolutions on climate issues, this being the main mechanism of governance of Técnicas Reunidas in relation to climate change.

15.3.3. <u>Circular economy and waste prevention and management</u>

Técnicas Reunidas is strongly committed to implementing an environmental strategy based on the principles of the circular economy to minimise the potential impacts of its activities. TR's project-related activities generate various types of waste, both hazardous and non-hazardous.

To manage this waste, TR has implemented actions such as promoting prevention, reuse and recycling rather than generation and dumping, along with waste mitigation and control through the integration of cutting-edge techniques in the environmental design of the processes at its plants and conducting awareness campaigns at its offices and worksites.

Within the circular economy strategy, the Company focuses on two main lines of work, which involve, on the one hand, a reduction in the waste generated, and on the other, a reduction in the consumption of raw materials. This has resulted in the following activities:

a. Reuse of waste and wastewater treated on site:

    - Excavated soils and land for filling foundations and trenches, land levelling or similar. Along this line, notable projects include Hamriyah IPP (United Arab Emirates), Ras Tanura (Saudi Arabia), Jazan IGCC (Saudi Arabia) and Duqm (Oman), given that most of the work related to earth movements during the year was carried out in these projects.

    - Concrete rubble from demolitions. This material, with minimal crushing treatment on site, has been used to improve the roads used during construction. This action was carried out in the Hamriyah IPP project (United Arab Emirates).

- Wastewater after treatment on site. This action can be carried out at all construction sites where there is the possibility of installing a wastewater treatment plant in the site's facilities. This was possible in the following projects: Duqm (Oman), Jazan IGCC (Saudi Arabia), Jazan Refinery (Saudi Arabia), Haradh (Saudi Arabia) and Fadhili (Saudi Arabia), where treated water is used for irrigation required in construction, dust control of roads and paths and irrigation of landscaped areas at work sites and construction offices.

- Reuse of wood, metal and other waste materials that are left over from the various construction activities to make information boards, handrails, pedestals and other support elements. This action, in addition to being an activity that directly supports the circular economy, is a key activity in promoting awareness among workers.

b. Reuse of waste off site:

- This action includes the sales made to companies that engage in the management of reusable waste materials, such as cable reels, scrap metal, pallets, cable scraps and drums that will go back into the supply chain. This action is being carried out on a regular basis in most projects and, in particular, has been quantified for the last year in the following projects: Duqm (Oman), Hamriyah IPP (United Arab Emirates), KNPC (Kuwait), Ras Tanura, Fadhili, Jazan IGCC (Saudi Arabia).

On the other hand, new separate collection bins have been installed at the office level, which contribute to the optimisation of waste management in the Madrid offices. The goal is for these to replace the personal waste bins at work desks in 2020.

In this regard, the waste generated by the Company in 2019 is included in the following table. Furthermore, the changes with regard to 2018 (around 20-30%) depend only on the stage of completion of the projects in each year:

Generation of waste*	Amount generated in 2018 (t)	Amount generated in 2019 (t)
Hazardous waste (including oils, electrical and electronic equipment and other minor fractions).	231.80	166.13
Non-hazardous waste (includes wood, municipal waste and other categories)	39,902.40	48,432.90

** The waste associated with the last three months of the year was estimated. The estimate consisted of a projection for the months of October to December based on the average waste generated during the first nine months.*

15.3.4. Actions to combat food waste

Aside from the waste from its operations, in recent years TR has implemented various measures to prevent food waste at subcontracted canteens, actively promoting its environmental commitments with responsible actions at work sites.

Given that most of the works performed by the Company are located at sites far away from urban centres, the measures are aimed at preventing waste and promoting the responsible use of food, including aspects relating to transportation, storage, handling, processing and consumption. The following preventive measures have been implemented in the management of these services:

- Planning purchases and calculating portions adapted to staff histograms, while also ensuring a balanced diet that meets nutritional needs.
- Managing stock rotation to plan food preparation.
- Preference for quality ingredients from local markets to serve fresh, locally-sourced meals.
- Transport, handling and adequate storage of food, respecting the conditions that each requires depending on the type of food, to take advantage of food preservation and its full use.
- Facilities designed and adapted to best provide the service, also using kitchen equipment and utensils that ensure proper storage, handling and preparation processes, to ensure the safety, conservation and consumption of meals in adequate conditions.
- Optimal hygiene conditions to avoid contamination and the subsequent need to discard damaged products.

15.3.5. Sustainable use of resources

Energy is one of the main resources needed for all the Company's operations. In 2019, the Group consumed 1,043,342.79 GJ in its activities (mainly in the form of diesel, petrol and electricity), up 61.77% on the previous year. This increase is due to the a greater need for fuel in some of the Company's projects and an improvement in the calculation of electricity consumption in 2019, which has led to a more adjusted figure:

Energy consumption	Amount generated in 2018 (GJ)	Amount generated in 2019* (GJ)
Diesel	570,710.57	874,480.86
Petrol	43,888.63	133,687.67
Fuel oil	827.65	N/A***
Total electricity consumption	29,542.32	35,174.26
Total consumption of electricity from renewable sources**	20,648.07	30,655.75
TOTAL	**644,969.18**	**1,043,342.79**

** The fuel consumption for the last three months was estimated. For fuel, the estimate consisted of a projection for the months of October to December based on the average fuel consumed during the first nine months. For electricity, however, since consumption is mainly in offices and depends largely on the time of year, the last three months were estimated based on the consumption recorded from October to December 2018.*

*** The supply of renewable energy is implemented in all offices in Spain: Arapiles 13 and 14, Adequa 3, 5 and 6, Gorbea, Maria de Portugal, Technological Centre and office in Cartagena.*

**** No fuel consumption in 2019.*

To ensure proper management of this energy consumption, TR implemented various actions in 2019, including the adoption of energy efficiency plans and conducting awareness campaigns.

In addition, the various measures launched in 2018 to promote the use of renewable energy in offices have continued. In 2019, all Técnicas Reunidas offices in Spain consumed energy exclusively from 100% renewable sources. This consumption of renewable energy represents 87.15% of the total electricity consumed, thanks to which Técnicas Reunidas has been able to prevent the emission of 2,597.22 tons of CO_2 equivalent into the atmosphere.

TR has worked on optimising the use of material resources in all phases of the value chain and the recovery of materials through R&D activities. Steel, copper and paper were the main materials consumed by Company as shown in the following table: The changes from one year to another in these indicators strongly depend on the stage of completion of the projects and, therefore, the changes may be significant depending on the phase of the project and the purchases made, as was the case with the changes in copper and steel consumption between 2018 and 2019:

Cost of raw materials used*	Amount generated in 2018 (t)	Amount generated in 2019 (t)
Steel	25,084.43	36,146.76
Copper	888.49	429.61
Paper*	107.09	129.75

** To calculate the reported data, the consumption of materials during the last three months of the year was estimated. The estimate consisted of a projection for the months of October to December based on the average consumption of materials during the first nine months.*

Furthermore, although water consumption is outside the Company's material scope, TR endeavours to make responsible use of this resource at all times, both at work sites and in office buildings.

In relation to its offices, water consumption is outside the scope of Técnicas Reunidas, given that it is the responsibility of the building owners. Nevertheless, the Company conducts campaigns to reduce water consumption in all its offices based on a commitment to savings and efficient consumption.

In the case of its projects, Técnicas Reunidas is responsible, within the scope of the contract, for providing potable water for site and office activities, together with the construction works.

15.3.6. Other forms of contamination

Técnicas Reunidas not only focuses its efforts on minimising greenhouse gas emissions, consumption of materials and waste generation. The Company uses all resources at its disposal to identify the prevailing environmental circumstances in every case and to establish the most appropriate preventive and, if necessary, mitigating measures in accordance with the best available techniques. In addition to emissions, spills, etc., these limits include other forms of pollution, such as noise pollution. With regard to light pollution, office buildings have automatic night-time shutdown systems between 8:00 p.m. and 6:00 a.m. In the case of the construction sites, the lighting provided is in accordance with the corresponding safety and energy efficiency standards of each country. For the proper management of all environmental issues, the Company has a wide range of supporting documentationin the various phases of the project –including the Environmental Management Plan and the Construction Environmental Management Plan–, which identify the limits of mandatory compliance, along with the actions to be implemented at all times. It also has specific Environmental Management Manuals for each certified EMS.

15.3.7. Protection of biodiversity

Técnicas Reunidas carries out all its projects on industrial land, which is why biodiversity is not among the Company's material aspects. In this regard, the activities of Técnicas Reunidas in 2019 have not had any impact on biodiversity.

TR implements its projects in accordance with the environmental impact studies carried out by its customers. In biodiversity matters, Técnicas Reunidas implements the measures required by the customer's contractual scope, offering, when necessary, specific consulting services for customer advice and support. When protection of biodiversity is assumed by Técnicas Reunidas within the scope of the contract, the Company develops various initiatives such as planting trees, aimed at compensating CO2 emissions from these projects, thus reducing its carbon footprint.

15.3.8. Provisions and guarantees for environmental risks

The environmental expenses, assets, provisions and contingencies of the Group companies are not considered significant in relation to their equity, financial position and results. However, the Company identifies these items for each office/subsidiary, as well as for each project through the various accounting items applicable; this makes it easier to monitor these environmental indicators since, based on the concept of sustainable management, the verification documents are the invoices that support these items.

In addition to environmental expenses and provisions, all projects include a contingency account to cover any potential contingencies that may arise in the project for situations that may include environmental contingencies and that are capitalised if necessary.

The Company is also insured under an environmental liability policy that guarantees coverage of potential environmental damage arising from Técnicas Reunidas' activities, including environmental liability at its own facilities and offsite, liability for pollution or liability during transport to and from third-party facilities.

15.3.9. Resources allocated to the prevention of environmental risks

The HSE department is responsible for the prevention and management of environmental risks in projects. The HSE team has interdisciplinary professionals that work in a cross-cutting manner throughout the Group's companies/divisions, implementing a common methodology in all projects.

15.4. Information on social and personnel issues

15.4.1. Employment

Técnicas Reunidas' professionals are the Company's main asset. We have a workforce of 8,181 employees, representing a major management challenge. Relying on various tools and strategies, TR efficiently manages the relationship with its professionals and promotes their development.

The tools available to TR include the various policies, procedures and bodies that govern the principles, guidelines and decisions related to human resources. This framework enables the appropriate management of human resources, providing employees with a safe and dependable environment that reinforces their commitment to the Company.

Técnicas Reunidas is aware of the main risks to which it is exposed in terms of HR, such as retaining key personnel and adapting resources to the workload. The loss of key personnel, as well as gaps in their training, may increase the risk of not being able to adequately implement the various projects. Furthermore, the excessive concentration of projects or delays may give rise to inefficiencies in personnel management. However, the Company is prepared to face all these possible contingencies through a flexible and global HR structure, policies that encourage key employees to remain at the Company and global management, as detailed in section 15. 2. As a result, no significant impact was recognised during the year.

The global management of human resources mentioned above responds to its diversification strategy, in terms of services and projects as well as geographical areas. This approach enables the Group to implement more comprehensive control of all sections related to human resources, increasing the reliability of the information available, optimising the management of these resources and offering a series of basic conditions to all employees.

In this area, TR has implemented a software tool (SAP Success Factors), which enables more efficient management of administrative matters, training, remuneration plans, performance evaluations and absenteeism, among others. In relation to this last point, Técnicas Reunidas has created an access control system based on the Company's Work Time Regulations, which reflects the working hours and the different reasons for the time employees arrive at work. This system enables the personnel management team to be able to follow up on any irregularities that may arise with regard to employee arrival times. In addition, each employee carries weekly workloads that are approved by the heads of each department. If the person records any absences, they must provide justification to the HR department. Depending on the irregularity, the Company could take any action from issuing a verbal or written warning to imposing a sanction that could lead to dismissal.

The Group's workforce at 31 December 2019 stood at 8,181 of its own employees and 1,772 subcontracted workers and independent professionals, who have a contract with the Company. In addition, Técnicas Reunidas' projects, on average, include more than 57,500 subcontracted construction workers (see section 15.7.3). However, the Company does not have a direct link with these workers as they are not direct employees of TR. For this reason, unlike the scope of the annual accounts, the scope of this report only covers Técnicas Reunidas' own employees. In this regard, it should be noted that the tables for 2018, which include the information on subcontracted workers and independent professionals, have been recalculated, including only the information on employees with the aim of guaranteeing comparability between years.

The following tables show the breakdown of the indicators on TR's workforce:

- Distribution of employees by gender, age, country and professional category:

	2018		2019	
Distribution of employees by gender	**No.**	**%**	**No.**	**%**
Men	6,312	75.95%	6,233	76.19%
Women	1,999	24.05%	1,948	23.81%
TOTAL	**8,311**	**100%**	**8,181**	**100%**

	2018		2019	
Distribution of employees by professional category*	**No.**	**%**	**No.**	**%**
Executive directors	2	0.02%	2	0.02%
Senior executives	11	0.13%	11	0.13%
1st management level	62	0.75%	100	1.22%
2nd management level - Middle managers	321	3.86%	219	2.68%
Graduates, line personnel and clerical staff	7,778	93.59%	7,545	92.23%
Supervisors	57	0.69%	257	3.14%
Sales staff	80	0.96%	47	0.57%
TOTAL	**8,311**	**100%**	**8,181**	**100%**

** A quality adjustment was made for the reclassification of professional categories in 2019, which explains the difference in the figures between both years.*

	2018		2019	
Distribution of employees by age*	**No.**	**%**	**No.**	**%**
<30 years	299	3.60%	661	8.08%
>=30 years, < 50 years	7,037	84.67%	5,951	72.74%
>=50 years	975	11.73%	1,569	19.18%
TOTAL	**8,311**	**100%**	**8,181**	**100%**

** A quality adjustment was made for the reclassification of ages in 2019, which explains the difference in the figures between both years.*

	2018		2019	
Distribution of employees by country*	**No.**	**%**	**No.**	**%**
TR ESPAÑA	4,785	57.57%	4,770	58.31%
TR OMÁN	266	3.20%	412	5.04%
TR CHILE	131	1.58%	150	1.83%
TR INDIA	73	0.88%	74	0.90%
TR ARABIA	1,074	12.92%	1,360	16.62%
TR KUWAIT	900	10.83%	476	5.82%
TR PERÚ	290	3.49%	327	4.00%
TR MALASIA	142	1.71%	22	0.27%
TR ABU DHABI	133	1.60%	329	4.02%
TR TURQUÍA	104	1.25%	29	0.35%
TR ARGELIA	99	1.19%	44	0.54%
TR JORDANIA	57	0.69%	18	0.22%
TR UK	46	0.55%	8	0.10%
TR AZERBAIYÁN	45	0.54%	34	0.42%
TR MÉXICO	42	0.51%	35	0.43%
TR CANADÁ	26	0.31%	25	0.31%
TR SINGAPUR	0	0.00%	33	0.40%
TR AUSTRALIA	21	0.25%	0	0.00%
TR POLONIA	20	0.24%	10	0.12%
TR FINLANDIA	15	0.18%	4	0.05%
TR BOLIVIA	10	0.12%	2	0.02%
TR ITALIA	10	0.12%	9	0.11%
TR BÉLGICA	9	0.11%	0	0.00%
TR RUSIA	6	0.07%	7	0.09%
TR USA	5	0.06%	2	0.02%
TR REP. DOMINICANA	2	0.02%	1	0.01%
TOTAL	**8,311**	**100%**	**8,181**	**100%**

** The significant changes in certain subsidiaries are due to fluctuations in the needs of the Company's various projects in the geographical areas in which it operates, having in some cases created new companies and/or extinguished others.*

- Total number and distribution of employment contract types:

	2018		2019	
Distribution of employment contract types*	**No.**	**%**	**No.**	**%**
Permanent	4,055	48.79%	4,199	51.33%
Temporary	4,256	51.21%	3,982	48.67%
TOTAL	**8,311**	**100%**	**8,181**	**100%**

	2018		2019	
Distribution of employment contract types*	**No.**	**%**	**No.**	**%**
Full time*	8,311	100.00%	8,181	100.00%
Reduced work day	556	6.69%	572	6.99%

** 100% of TR's contracts are "full time", so TR does not have "part time" contracts. This table includes those employees that have a full-time contract and that also have a reduced work day.*

- Annual average of contracts by contract type, gender, age and professional category:

Average contracts by gender*	2018			2019		
	Men	Women	TOTAL	Men	Women	TOTAL
Permanent	2,525	1,438	**3,963**	2,632	1,495	**4,127**
Temporary	3,822	515	**4,337**	3,949	486	**4,435**
TOTAL	**6,347**	**1,953**	**8,300**	**6,581**	**1,981**	**8,562**
	8,300			**8,562**		

Average contracts by age*	2018			2019		
	<30	>=30, <50	>=50	<30	>=30, <50	>=50
Permanent	252	2,893	818	97	3,135	894
Temporary	47	4,135	155	647	3,071	717
TOTAL	**299**	**7,028**	**973**	**744**	**6,206**	**1,611**
	8,300			**8,562**		

** A quality adjustment was made for the reclassification of ages in 2019, which explains the difference in the figures between both years.*

Average contracts by professional category*		Executive directors	Senior executives	1st management level	2nd management level - Middle managers	Graduates, line personnel and clerical staff	Supervisors	Sales staff
2018	Permanent	2	11	63	165	3,662	25	35
	Temporary				146	4,116	31	44
	TOTAL	**2**	**11**	**63**	**311**	**7,778**	**56**	**79**
2019	Permanent	2	11	101	206	3,733	27	47
	Temporary				15	4,161	258	1
	TOTAL	**2**	**11**	**101**	**221**	**7,894**	**285**	**48**

** A quality adjustment was made for the reclassification of professional categories in 2019, which explains the difference in the figures between both years.*

- Number of dismissals by gender, age and professional category:

	2018		2019	
No. of dismissals	**No.**	**%**	**No.**	**%**
Distribution by gender				
Men	34	65.38%	39	86.67%
Women	18	34.62%	6	13.33%
TOTAL	**52**	**100%**	**45**	**100%**
Distribution by age	**No.**	**%**	**No.**	**%**
<30 years	3	5.77%	3	6.67%
>=30 years, < 50 years	34	65.38%	30	66.67%
>=50 years	15	28.85%	12	26.67%
TOTAL	**52**	**100%**	**45**	**100%**
Distribution by professional category	**No.**	**%**	**No.**	**%**
Executive directors	0	0.00%	0	0.00%
Senior executives	0	0.00%	0	0.00%
1st management level	0	0.00%	1	2.22%
2nd management level - Middle managers	1	1.92%	0	0.00%
Graduates, line personnel and clerical staff	51	98.08%	40	88.89%
Supervisors	0	0.00%	4	8.89%
Sales staff	0	0.00%	0	0.00%
TOTAL	**52**	**100%**	**45**	**100%**

- Total average remuneration (fixed and variable wages) of the workforce broken down by gender, age and professional category or equivalent value:

Average remuneration by gender (€)	**2018**	**2019**
Men	52,217.47	50,841.77
Women	41,818.41	42,395.53
TOTAL	**49,636.52**	**48,830.61**

Average remuneration by professional category (€)*	2018		2019	
	Men	Women	Men	Women
Senior executives	394,465.19	192,195.48	479,897.41	244,320.48
1st management level	168,472.92	163,165.03	179,464.01	175,621.33
2nd management level - Middle managers	101,080.61	85,244.93	101,932.44	83,452.56
Graduates, line personnel and clerical staff	48,708.72	40,183.32	47,619.38	40,408.28
Supervisors	24,875.00	21,370.00	15,882.72	14,450.00
Sales staff	114,679.03	64,921.41	69,387.37	60,250.14

** A quality adjustment was made for the reclassification of professional categories in 2019, which explains the difference in the figures between both years.*

Average remuneration by age (€)	2018	2019
<30 years	29,788.61	27,091.00
>=30 years, < 50 years	45,835.24	44,691.00
>=50 years	71,317.76	73,690.00

- Wage gap:

Wage gap by professional category*	2018	2019
Senior executives	51.28%	49.09%
1st management level	3.15%	2.14%
2nd management level - Middle managers	15.67%	18.13%
Graduates, line personnel and clerical staff	17.50%	15.14%
Supervisors	14.09%	9.02%
Sales staff	43.39%	13.17%

The gap has been calculated through the following formula:

$$1 - \frac{\textit{average salary of women by professional category}}{\textit{average salary of men by professional category}}$$

** A quality adjustment was made for the reclassification of professional categories in 2019, which explains the difference in the figures between both years.*

- Directors' remuneration:

Total average directors' remuneration by gender (€) - executive directors*	2018	2019
Men	1,485,716.90	1,469,508.30
Women	N/A	N/A
Total average directors' remuneration by gender (€) - non-executive directors*	**2018**	**2019**
Men	182,299.18	167,843.16
Women	164,670.00	157,862.00

* Directors' remuneration is broken down in detail in the Company's Annual Directors Remuneration Report of listed companies.

15.4.2. Work organisation, measures to encourage work-life balance and implementation of disconnection policies

Disconnection policies reflect the new demands of a society that is more aware of the need for a balance between work and personal life. In this regard, the Company has not yet created a formal written procedure on this matter. However, TR encourages the balance between work and personal life as one of its priorities in managing human resources. For over 16 years the Company fostered the introduction of flexible working hours at its offices. To this end, it has implemented a flexitime model for the workforce, based on trust and employee commitment. This model allows workers to manage their time and perform their professional activities while enjoying a better quality of life. In addition, depending on the area where the offices are located, working hours have been adjusted to make going to and from work easier, for traffic reasons, thus reducing employees' travel time. In addition, employees are entitled to request a reduction in working hours.

Aware of the relationship between work and digital disconnection, Técnicas Reunidas is also committed to the use of fixed work devices in its offices such as fixed telephones and desktop computers. In this regard, the majority of office employees do not have mobile phones or laptops that would prevent them from disconnecting from work outside their working hours, with this type of device being used only in those cases when required by the nature of the position (for example: on-site employees).

15.4.3. Disabled employees

As part of its commitment to effective labour integration and development, Técnicas Reunidas has hired a total of 21 employees with disabilities, compared to 27 employees in 2018 (the 2018 figure has been adjusted to include the total number of disabled employees at year-end), offering them stable and quality employment on equal terms.

With regard to accessibility to its buildings, TR complies with the regulations in force in each country where it operates. In addition, with regard to the Company's website, one of the main objectives is accessibility without difficulty, regardless of any physical or technical disability. To this end, TR adheres to the Web Accessibility Initiative (WAI) of the World Wide Web Consortium (W3C). This organisation has developed the Web Content Accessibility Guidelines (WCAG) 1.0 aimed at making web content accessible to people with disabilities.

15.4.4. Training

A key aspect that directly impacts the Company's competitiveness is the safeguarding and enhancement of its intellectual capital. To this end, TR has an active knowledge management system instrumented mainly through the training resources and necessary knowledge that are made available to employees and that enable them to improve their performance at work.

To carry out its training management tasks, TR has three main policies, each with different objectives:

1) "Evaluation process and information records of employees" procedure: assures the quality of talent management processes.

2) "Skills, training and awareness" procedure: ensures that people are capable of performing the tasks assigned to them.

3) "Annual training plan and course management" procedure: describes the process of preparing the Company's training plan, along with how the specific training actions are requested under the plan.

Técnicas Reunidas is aware of the importance of attracting talent through disseminating knowledge Accordingly, the Company offers its employees a complete range of courses and adjusted training plans to help them maximise their skills and growth potential throughout their professional careers. Thanks to this commitment, TR supports its professionals and facilitates the achievement of new goals that contribute to fulfilling the Company's objectives.

To this end, an analysis of skills in each area is performed, identifying specific gaps and implementing specific training plans (training roadmaps). In addition, after each training session the participants' supervisors receive a questionnaire to assess the effectiveness of the training and identify potential improvements and adjustments to the training for the future.

Training by category (h)	2018	2019
Senior executives	46	34
1st management level	921	1,207
2nd management level - Middle managers	3,849	4,025
Graduates, line personnel and clerical staff	90,139	65,523
Supervisors	55	94
Sales staff	959	487
TOTAL	**95,969**	**71,370**
Training by type (h)	**2018**	**2019**
Skills	15,771	13,952
Languages	23,828	14,763
Technical	56,370	42,655
TOTAL	**95,969**	**71,370**

The overall decrease in the 2019 figures has been mainly due to the implementation of the TR100 Plan, which resulted in cutbacks on the number of hours for English classes and the monthly control over the budget with regard to costs and training hours. All this has resulted in the departments prioritising the technical training necessary for employees to carry out there work over other non-essential courses.

In the specific case of officers and first level management, the increase in training hours has been due to the increase in E-learning related to information campaigns and the inclusion of cross-cutting courses.

15.4.5. <u>Equality</u>

Técnicas Reunidas encourages a climate of respect for diversity and guaranteed equal opportunities, where people are judged and valued for their worth and professionalism.

The main policies are based on the principles expressly set out in the TR Code of Conduct (available on the website), which establishes that Técnicas Reunidas "does not accept discrimination in corporate or professional contexts on the grounds of age, race, colour, sex, religion, political opinion, nationality, social origin, sexual orientation, disability, or any other circumstance likely to lead to discrimination".

As reflected in the Code, "The TR Group is committed to promoting the moral and physical integrity of its professionals, guaranteeing conditions of respect and dignity in the workplace. In particular, the Group will take appropriate measures to prevent and, if necessary, correct the following: any manifestation of violence; physical, sexual, psychological, moral or other type of harassment; abuse of authority at work; or any other conduct that intimidates or infringes on the rights of TR Group associated people. Also, in view of the importance of balancing work and personal life, any reconciliation measures and actions in this area will be encouraged."

The Company also has an Equality Plan and an Equality Committee, which meets on a quarterly basis to analyse the current situation and possible conflicts in these areas and, if necessary, to take the appropriate measures. In addition, TR has a Policy Against Workplace and Sexual Harassment.

Thanks to these procedures, TR identifies, manages and mitigates any risks that may arise in this regard during the Company's activities. The implementation of all these preventive measures has prevented the appearance of any significant impacts in this regard.

15.4.6. Occupational health and safety

Achieving a safe and healthy environment for everyone involved in Técnicas Reunidas' business activities is a goal that requires constant effort by employees to improve on a daily basis, and that effort must be guided by management.

To achieve the full integration of occupational health and safety throughout the life cycle of Técnicas Reunidas' projects, the Company has had an Occupational Health and Safety Management System (OHSAS) certified in accordance with OHSAS 18001 for the last 12 years at Técnicas Reunidas, S.A. and INITEC, which considers all phases of the life cycle of the projects, from design to construction and start-up. The implementation of this OHSAS is part of the Corporate Quality, Safety and Environment Policy and is based on three pillars: accident prevention, integration of safety in corporate strategy and continuous improvement of methods and processes.

The Company is also currently in the process of migrating from OHSAS 18001 (which will cease to be valid at the end of March 2021) to ISO 45001.

In terms of HSE, TR's leadership is increasingly more visible among Company management as the standard of a company that looks after the well-being and health of its workers.

As a result of its commitment, Técnicas Reunidas has HSE due diligence procedures covering all the Group's activities, based on an exhaustive analysis of risks and opportunities, as well as an analysis of the needs and expectations of stakeholders. These assessments have most notably identified the following risks associated with TR's activity:

- Recruitment of personnel with little experience in health and safety matters due to the demands by customers to increase the number of local workers hired.
- Increase in high-risk activities as a result of the increase in scope in the commissioning and start-up phases of the projects.
- Adaptation to the characteristics and safety requirements of new countries, customers and subcontractors.
- High rate of potentially serious incidents that may lead to serious accidents if immediate action is not taken.

To mitigate the risks to which the Company is exposed, and to ensure proper implementation of the management system and its adaptation to the established objectives, both HSE evaluations for the pre-qualification of subcontractors and follow-up audits defined in the plans and internal corporate health and safety audits are carried out. The results of these audits are discussed with the customer or subcontractor at the site, increasing the effectiveness of the actions taken to correct any shortcomings.

At the same time, external audits are performed on projects in the construction phase, in order to maintain international health and safety management system certifications. In 2019, a total of 16 internal corporate audits were carried out for Técnicas Reunidas (compared to 15 carried out 2018) during the construction phase of the projects, resulting in the detection of 581 deviations (12% less than in 2018). The average degree of compliance detected in the audits was 90.51% (compared to 87.48% in 2018). In addition, 8 internal corporate audits were carried out this year for Initec, resulting in the detection of 76 deviations.

TR ensures that high standards of occupational safety are observed by its supply chain, establishing specific requirements and promoting good practices in this regard. Onsite health and safety managers oversee the application of specific health and safety plans by subcontractors, implementing any preventive actions considered necessary. To this end, the Company carries out information campaigns, preventive measures and regular medical check-ups.

The Company also works to ensure the standardisation of health and safety procedures throughout the entire organisation, in order to guarantee maximum efficiency in the dissemination and assimilation of corporate policies. This objective is based on intensive training efforts. In 2019, a total of 0.95 hours of training were given for every 100 hours worked (up 55.74% on 2018) in this regard, taking into account both the Company's personnel (in offices) and that of subcontractors. This significant increase is due to the fact that in 2019 the INITEC information was included in the ratio, and that as of 2019 the pre-task talks (Tool Box Talks) are now counted as training hours.

With regard to the effectiveness of its safety policies, Técnicas Reunidas assesses their performance through a system of indicators. At present, based on the Company's materiality principle, the information reported corresponds to projects, given that the greatest safety risks are identified with the type of activities carried out during the construction phase. The evolution of health and safety indicators for 2019 are shown in the following table:

	Value of the indicator in 2018*			**Value of the indicator in 2019**		
	Women	**Men**	**Total**	**Women**	**Men**	**Total**
Lost time incident rate** (LTIR)	0.000	0.011	**0.011**	0.000	0.015	**0.015**
Total recordable incident rate*** (TRIR)	0.000	0.059	**0.059**	0.000	0.052	**0.052**
Severity rate**** (SR)	0.000	0.005	**0.005**	0.000	0.006	**0.006**
Occupational disease rate	0	0	**0**	0	0	**0**

** To ensure the comparability of the data, the information for 2018 has been restated and rounded to three decimal places, as have the indicators for 2019.*

*** LTIR (Lost Time Incident Rate): (No. of accidents with leave/No. of hours worked) * 200,000. This rate refers to the frequency of accidents.*

**** TRIR (Total Recordable Incident Rate): (No. of recordable accidents (according to OHSAS) / No. of hours worked) * 200,000. This rate refers to the frequency of accidents.*

***** Severity rate (SR) = (No. of days lost through incidents/Total no. of hours worked) * 1,000. This rate refers to the severity of accidents.*

Construction work during the year has involved 181,307,688 working hours (compared to 196,437,363 hours in 2018), including hours worked by subcontractors, meaning that the Company has had to manage a volume of more than 62,200 workers at peak times (including Company and subcontractor workers), 3% more than in the previous year. The lost time incident rate (LTIR) and total recordable incident rate (TRIR) have increased by 36.36% and 11.86%, respectively, compared to the previous year, with figures well below the corporate limits set by the Company. The severity rate (SR) rose by 20%.

Unfortunately, however, an accident in 2019 was reported that resulted in the death of four workers, three of whom belonged to subcontractors (compared to one death in 2018). The accident took place during chemical cleaning work on a boiler during the commissioning phase of one of our projects.

Following the accident, an investigation was immediately carried out to identify the causes and take appropriate actions to prevent a recurrence. The lessons learned from the investigation have been distributed throughout the Company.

In addition to the immediate actions taken, causes were identified that led to the need for a corporate action plan aimed at improving safety during commissioning activities in all project activities.

It should be noted that, despite having a lower number of recordable accidents during the year, this serious event has led to a significant increase in the LTIR and SR rates.

Finally, in addition to the data mentioned above, the Group monitors absenteeism rates throughout the Company. The hours of absenteeism for 2019 are shown below:

	Value of the indicator in 2018	Value of the indicator in 2019
Total number of absenteeism hours	273,722	216,965

15.4.7. Labour relations

In relation to trade union organisations of TR employees, there are currently three committees: the equality committee, the training committee and the overseas assignments committee, with which TR meets regularly in order to promote dialogue and consensus with its workers.

Técnicas Reunidas is well aware of the role of unions as the legal representatives of workers' interests. Therefore, the Company guarantees at all times equal and non-discriminatory treatment of its workers, respecting their freedom of association in line with the collective bargaining agreements and legislative framework of the country concerned.

15.4.8. Employees covered by a collective agreement

For all countries where a collective agreement is in place, 100% of employees are covered by the collective bargaining agreement associated with the operating licence granted to the Company (engineering, construction, etc.), as was the case in 2018. In addition, health and safety clauses are included in all collective bargaining agreements, which are adapted to the corresponding local law.

15.5. Information on respect for human rights

From the outset and as one of its priorities, Técnicas Reunidas has always acted with integrity and respect for human rights in the exercise of its business, incorporating these principles as part of TR's corporate culture. To this end, the Company has a CSR and sustainability management framework based on a specific corporate policy that describes the Group's main commitments with regard to corporate governance, environmental and social matters, including respect for human rights.

Accordingly, the Company has developed various internal policies and procedures to ensure its consistent compliance everywhere it conducts business, including the Company's Code of Conduct. In the specific area of human rights, the Code establishes the commitment to act at all times in accordance with current law, guaranteeing respect for human rights and internationally accepted ethical practices.

Furthermore, the Code recognises the need for all the Company's activities to be conducted in a manner consistent with the values and principles contained in the United Nations Global Compact, of which TR is a signatory. Técnicas Reunidas also belongs to a Group whose activities are bound by the principles of the Universal Declaration of Human Rights and the OECD Guidelines for Multinational Enterprises.

Likewise, the Code includes TR's complete rejection of child labour and forced or compulsory labour, as well as the corporate commitment to respect freedom of association and collective bargaining and to recognise the rights of ethnic minorities in the countries where it operates, rejecting any form of discrimination, exploitation and, in particular, child labour, thus ensuring compliance with the provisions of the International Labour Organisation (ILO).

These self-imposed requirements for Company also extend to the value chain. In this vein, TR requires its business partners (e.g., suppliers or subcontractors) to adhere to a series of guidelines in environmental, labour and humans rights matters. In order to identify and redress possible abuses, the Company conducts assessments on respect for human rights. Técnicas Reunidas' requisites also feature an initial approval procedure that ensures that the supply chain operation will always be performed in accordance with the law and complying with all specific human rights requirements, in accordance with the type of business and level of risk.

Furthermore, the Company has incorporated human rights due diligence procedures as part of its global risk management system. Through this system, TR evaluates, prevents and mitigates any significant risks and impacts that could affect the Company globally. The methods applied can be classified into those deployed at the project tender phase and those used during project execution.

With regard to the Code of Conduct, the Company also has a Whistleblowing Channel (Code Mailbox) to facilitate the reporting and prevention of breaches and other matters related to the Code of Conduct, such as human rights. This channel is available to Técnicas Reunidas' employees, partners, suppliers or subcontractors alike.

Técnicas Reunidas has received a total of 5 complaints, through its complaints channel, which could fall under protection of human rights (no complaints received in 2018), of which 4 were substantiated and have been resolved by adopting the appropriate disciplinary and organisational measures. None of these complaints are related to respect for freedom of association and the right to collective bargaining, discrimination in employment and occupation, forced or compulsory labour or child labour and they do not in any way impact on the Company as they have all been duly managed.

However, if despite all the measures implemented by the Company, it detects any human rights breaches or other actions with a negative impact on those rights, Técnicas Reunidas will act immediately and implement the appropriate measures in each case, always adopting a zero-tolerance approach to such actions.

15.6. Information related to the fight against corruption and bribery

15.6.1. <u>Management approach</u>

Técnicas Reunidas' Code of Conduct is the fundamental tool to prevent the corruption, bribery and money laundering activities. Furthermore, the Group has a Regulatory Compliance Unit, tasked with the dissemination of the Code of Conduct, the management of the Whistleblower Channel, and the review and adaptation of the crime prevention and reporting systems

In 2019, Técnicas Reunidas continued to implement the Crime Compliance Management System (based on the Company's Code of Conduct, internal regulatory framework and applicable law). This system enables the Company to minimise risks and enhance its capacity in the prevention, detection and response to critical issues in regulatory compliance and integrity. The Group is currently rolling out the international implementation of this system, to be completed in 2020, with the aim of keeping tighter control of regulatory compliance in all the Company's subsidiaries and projects across the world and reducing the associated risks.

TR's risks in relation to corruption and bribery, both active and passive risks, can be found in the processes of establishing commercial relationships with third parties, especially in new markets and during the critical phases of these relationships, such as the initial contact phase, the commercial phase, the negotiation phase, and the execution phase of our projects, until their completion and delivery to the customers.

To strengthen the Criminal Compliance Management System, TR has several Integrity Policies, including the Criminal Compliance Policy and Catalogue of Criminal Risks and Expected Conduct, Gifts and Entertainment Policy, Policy on Relations with Public Officials and Equivalents, Anti-Corruption Policy, Policy on Conflicts of Interest and Antitrust Policy.

The establishment and dissemination of these policies, through classroom training sessions and their internal publication on the TR Group intranet, leads to the conclusion that the objective of these policies has been met, insofar as the organisation and all its members have been made aware of the rules of conduct expected of the organisation's executives and employees with regard to the risks of corruption and bribery, based on the principle of "Zero tolerance for corruption and bribery".

Furthermore, TR has established a procedure for connecting with business partners (customers, JV partners, suppliers, subcontractors), processes known as Know Your Partner (KYP) and Know Your Client (KYC), which include an integrity analysis to assess and determine whether they, on the one hand, have a similar culture in the fight against corruption and bribery and, on the other, allow for the early detection of any adverse references from these counterparts with regard to corruption and bribery, as well as money laundering and the financing of terrorism, which make it inadvisable to establish a business relationship.

Similarly, in 2019, the Regulatory Compliance team provided classroom training sessions on the fight against corruption and bribery for a total of nearly 200 Company executives.

In addition, risks of a criminal nature were reassessed, a map of risks and associated controls was drawn up, and a training matrix was prepared, which will enable the risks related to corruption and bribery to be effectively monitored in 2020.

In terms of complaints, there were no reports of corruption or bribery with public officials during the year and, therefore, there was no impact in this regard.

With the aim of continuing to make progress on integrating best practices in the area of regulatory compliance, Técnicas Reunidas is also working to adapt the Criminal Compliance Management System to new reference standards that will improve management in the coming years, such as UNE 19601 on Criminal Compliance and ISO 37001 on Anti-Bribery Management Systems.

15.6.2. Contributions to foundations and non-profit entities

In 2019, Técnicas Reunidas allocated EUR 986,450.17 to foundations and non-profit organisations (EUR 626,808 in 2018). For further information, see section 15.7.

In relation to changes, the Company significantly increased its contributions to foundations compared to 2018 as a result of beginning to collaborate with Fundación Diálogo, an entity with which the Company has undertaken numerous actions in 2019.

15.7. Information about the Company

15.7.1. The Company's commitment to the sustainable development of local communities

TR's operations have a social dimension that the Group manages by identifying the possible repercussions of its projects on the environment, promoting dialogue with stakeholders and defining actions to reinforce the positive impacts they generate. The management of relationships with these stakeholders is based on three pillars:

- Participation and dialogue: maintaining regular dialogue with stakeholders in order to gain an awareness of their expectations regarding the business and identifying issues that will help the Group to improve.
- Social action: promoting several initiatives to reinforce positive impacts beyond its business, establishing collaborative efforts with organisations through both financial and other contributions (disseminating knowledge in forums, participation in working groups, etc.).
- Social management of projects: execution of the projects generates several positive and negative social impacts on the environment. TR manages these impacts by identifying their potential consequences and defining actions to maximise the positive impacts and reduce or eliminate the negative impacts.

During the execution of its projects, Técnicas Reunidas prioritises the identification and management of risks relating to the local community, the most relevant risk for the Company being potential damage to the local environment that could arise from any of the projects carried out by Técnicas Reunidas.

To prevent this or any other risk from arising, the Company has established a social management framework (see box below). This enables the planning of specific actions in response to these issues, where coordination with the local environment and different stakeholders (public administrations, partners, suppliers, subcontractors, etc.) is crucial. Issues frequently identified by TR include the recruitment and training of local workers, the development of infrastructure in the local area, potential environmental effects and cultural needs. Throughout 2019, TR continued to make progress in standardising social management tasks in the projects implemented by the Company, not only from a corporate or health and safety standpoint, but also in a broader and more dedicated sense, to address the individualities of each project, construction work or community affected. The Company also applies due diligence procedures to all third parties with which it works.

SOCIAL MANAGEMENT FRAMEWORK	
Social impact assessment and management	Specific analysis at the bidding phase of the social impact of each project. Obtaining the "social license" is the customer's responsibility.
Implementation of projects supporting the local community	Técnicas Reunidas reports on the needs and expectations of the local community to analyse the ways in which it can provide support depending on the characteristics of each project.
Continuous monitoring of the local environment	Técnicas Reunidas continuously monitors the local environment, as well as the performance of third parties involved in the implementation of projects, including suppliers and contractors.
Social impact grievance and reparation mechanisms	Company analyses local regulations in order to detect negative social impacts and provide the appropriate grievance and reparation mechanisms.
Dialogue with local communities	Ongoing dialogue with representatives of the local community during the implementation of all projects is the responsibility of the project manager.

TR pays special attention to adequately selecting the personnel involved in the execution of the projects, an aspect that affects the Company from the employee selection phase and continues to their displacement to the location where the project is executed. Much of this task's success lies in a management procedure that allows local hiring requirements to be met and balanced with the need for expatriate labour, within the deadlines established for the successful and timely implementation of projects.

The projects in which Técnicas Reunidas participates generate various positive impacts on their environment:

- Employment in the local environment.
- Contracting local suppliers and subcontractors, which in turn reinforces the Company's positive economic contribution to the local environment of EUR 2,846.00 million in local procurement and contracting in 2019, representing 78% of the total (EUR 2,951.99 million in local procurement and contracting in 2018, representing 89% of the total).
- Training for local companies and workforces through courses and workshops organised by the Company.
- Strengthening of the local business network.
- Creation of key energy infrastructures through the Company's projects
- Developing initiatives with local communities that allow the development of particularly vulnerable groups.

In 2019, the Company did not identify any centres with significant negative impacts, real or potential, on local communities due to the development of Técnicas Reunidas' projects or operations.

15.7.2. Partnership or sponsorship actions

Beyond the context of its projects, Técnicas Reunidas maintains four areas of work (education, social and business initiatives, culture, and science and research) that demonstrate its commitment to social action, implemented through numerous activities and projects.

When implementing them, the Company seeks out other organisations that share its objectives and assesses possible collaborations, both economic and through other mechanisms such as participation in working groups, forums, etc. Among others, the following actions stand out:

Main organisations with which Técnicas Reunidas collaborates

Promotion of business and entrepreneurial activity

Commitment to social action by Técnicas Reunidas

Culture

Science, research and education

At the sector level, Técnicas Reunidas participates in various associations related to its business activities, collaborating on initiatives including those related to the promotion of business and entrepreneurial activity, and other organisations that promote transparency and CSR.

With regard to partnership and sponsorship, the main risks are those arising from the possibility that inappropriate actions on the part of a third party could give rise to reputational problems for the Company. To avoid any type of contingency in this regard, Técnicas Reunidas carries out due diligence procedures for these types of activities, assessing for each specific case whether the organisations with which Técnicas Reunidas collaborates could be detrimental to the Company.

15.7.3. Subcontracting and suppliers

TR's main aim in managing its supply chain is to achieve competitive procurement of materials, equipment and assembly services in line with the standards demanded by the sector. It is also crucial for the Group's supply chain to be aligned with its values and requirements in terms of health and safety, environment, workers' rights, respect for human rights, equality, ethics and integrity.

As part of this commitment, the Company requires companies in its supply chain to adhere to the Company's Code of Conduct by registering on the e-supplier web portal. In addition, Técnicas Reunidas has a series of specific requirements on environmental and labour matters and the protection of human rights, including specific requirements in line with ISO 14001, compliance with environmental legislation and sustainability reporting. Furthermore, the Company has a Business Partner Relationship Policy to perform, among others, due diligence procedures on suppliers and subcontractors.

With regard to risks, Técnicas Reunidas has analysed those non-financial risks that, due to their nature, are most relevant to the Group, such as collaboration with suppliers that are not committed to human rights (in accordance with the United Nations and International Labour Organisation framework for action), are included on international corruption lists, do not have an anti-money laundering and countering the financing of terrorism policy or do not have confidentiality policies.

In addition to the tools already mentioned, Técnicas Reunidas has a worldwide database of 24,906 suppliers of materials and construction subcontractors (in 2018 it had 24,258 suppliers), of which 2,186 suppliers and 572 subcontractors have already been approved by the Company (compared to 2,095 suppliers and 493 subcontractors approved in 2018). This global supplier market with updated information allows the Company to mitigate the risk in the selection of suppliers and subcontractors from the financial, performance and quality points of view, among other aspects.

Due to the nature of its business, each year the Company handles high volumes of purchases and subcontracts. In 2019, the total spending on purchases from suppliers of materials and engineering subcontracts stood at EUR 3,333.5 million. Furthermore, the number of employees of construction subcontractors exceeded 57,500 workers on average assigned to Técnicas Reunidas projects (and more than 62,200 at peak times).

To manage this complex supply chain, TR has a management framework governing the two main areas responsible for the supply chain: the Procurement Unit (responsible for purchases from suppliers of materials and equipment) and the Construction Area (responsible for construction subcontracting).

These two areas manage TR's supply chain in accordance with five pillars:

- Constant innovation in the management of the supply chain.
- Presence of rules and regulations in all processes (bidding, award and management).
- Development of annual internal strategic plans in line with TR's overall objectives and responding to the business context.
- Existence of an Integrated Management System that enables both individual and global evaluation and monitoring of suppliers' and subcontractors' performance.
- Centralised contract award system that ensures transparency throughout the award procedure for suppliers and subcontractors.

As described in section 15.5, TR considers social and environmental responsibility to be part of its relationships with suppliers and subcontractors. These aspects are not only considered in the approval process, but are kept in mind throughout the relationship with them, monitoring their compliance. After delivery of the supply or completion of the assembly services, the supplier's performance is evaluated in accordance with different aspects. The results of evaluations are disclosed and serve as a reference in identifying improvement actions. Safety and environmental performance are two of the aspects that Técnicas Reunidas includes in its evaluations. Since 2014, the Company has implemented the use of a specific checklist for safety, health and environmental conditions at the workshops, which is filled out by inspectors during their visits to the workshops.

Similarly, subcontractors undergo monitoring during the execution of the work to ensure compliance with all contractual requirements.

These audits involve the inspection of all work performed by the subcontractor, which is only accepted once Company inspectors have verified that it has been carried out in accordance with the project designs and specifications. The verification of corrective actions is a regular practice during these inspections, which is documented in detail in the quality dossiers submitted to the customer.

In the event that Técnicas Reunidas detects any deviation regarding health, safety, environmental or other social issues, this is then studied in detail. Depending on the type of deviation and its severity, the supplier is required to take corrective and preventive actions, and if the deviation is significant, the supplier is blacklisted for new tenders or contract awards.

In 2019, a total of 519 HSE audits were conducted (190 performed in 2018), of which 473 were successfully passed (compared to 161 in 2018), and 46 were unsatisfactory (29 in 2018). All audits featuring incidents will be appropriately addressed by TR with the implementation of improvement plans. The increase in HSE audit indicators is due to the implementation of the "Inspection Management App" in almost all TR projects in 2019, which has streamlined and facilitated the process of HSE inspections at supplier workshops and will contribute to improving HSE conditions at the workshops with which TR usually works.

With regard to impacts, no significant actual or potential negative environmental or social impacts were identified in the supply chain during 2019, having analysed a total of 796 suppliers based on social criteria and 797 suppliers based on environmental criteria (724 suppliers were analysed based on social and environmental criteria in 2018).

15.7.4. Consumers

Técnicas Reunidas has no consumers, as this concept of this term is defined in Spanish regulations.

The Company evaluates 100% of its projects from the point of view of health and safety. Up to the time of delivery, TR ensures that its projects meet both its own health and safety standards, as well as those required by the customer and applicable law.

With regard to complaints mechanisms, given the Company's activity, TR does not deal directly with consumers. Customers can use the contractual claims mechanisms agreed in each case and, like any other business partner related to TR, they can use the Whistleblowing Channel of the Técnicas Reunidas Code of Conduct.

15.7.5. Tax information

The Group operates in countries where it carries out a single project or a set of projects for the same customer and, therefore, information broken down by country may be contrary to commercial interests and the interests of project execution. The figures are disclosed in aggregate, by geographical area, using the same criteria as for the various financial indicators presented in the consolidated annual accounts.

- Profit earned by geographical area

	Profit in thousands of euros	
Geographical area	**2018**	**2019**
America	1,365	152,334
Asia	15,941	2,465
Spain	(255,745)*	(115,826)**
Rest of Europe	1,693	(31,231)
Mediterranean	(116,996)	(123,054)
Middle East	183,755	183,133
	(169,987)	**67,821**

* The data on profit before tax generated in Spain do not include the profit or loss of the Spanish companies included in the Group that are accounted for using the equity method. The figures not included amount to a loss of EUR 989 thousand.

** The data on profit before tax generated in Spain do not include the profit or loss of the Spanish companies included in the Group that are accounted for using the equity method. The amounts not taken into consideration totalled EUR 8,719 thousand.

Countries with profit for the year by geographical area:

America: Argentina, Bolivia, Canada, Chile, Colombia, Mexico, Panama, Peru, Dominican Republic, USA.

Asia: Australia, Bangladesh, India, Malaysia, Singapore

Europe: Belgium, Finland, Greece, Holland, Hungary, Italy, Norway, Poland, Portugal, United Kingdom, Russia

Spain: Spain.

Mediterranean: Algeria, Egypt, Morocco, Turkey

Middle East: Azerbaijan, Bahrain, U.A.E., Jordan, Kuwait, Oman, Saudi Arabia

- Corporation tax paid

	Corporation tax paid in thousands of euros	
Geographical area	**2018**	**2019**
America	19,464	9,532
Asia	2,002	2,436
Spain	(9,917)*	0**
Rest of Europe	1,182	1,435
Mediterranean	3,040	318
Middle East	835	13,525
	16,606	**27,246**

* The corporation tax paid in Spain in 2018 was negative due to the high volume of returns related to surplus prepayments made in 2017 for an amount of EUR 27,593 thousand.

** The corporation tax paid in Spain in 2019 was EUR 0 thousand as a result of offsetting prior years' losses.

Government grants received: EUR 716 thousand (compared to EUR 597 thousand in 2018).

15.8. About the statement non-financial information

By means of this statement of non-financial information, TR meets the requirements of Spanish Law 11/2018, of 28 December. This report has been prepared on the basis of a selection of indicators from the GRI Standards identified in the table of compliance with Spanish Law 11/2018, of 28 December, and using the recommendations of the IIRC integrated reporting framework as a reference.

In relation to the scope of this report, it includes all companies in the financial scope of consolidation of Técnicas Reunidas, included in Appendices I and II of the annual accounts. In those cases where there are significant changes thereto, an explanatory note will be included.

To design the contents of this report and select the most relevant aspects, TR has conducted a materiality analysis that has allowed it to identify the most relevant aspects to be reported to its stakeholders (see the section on stakeholders on pages 98-99 of the Técnicas Reunidas 2017 Integrated Report), and to meet the requirements for reporting non-financial information based on current regulations.

In addition, in all aspects that are not material for Técnicas Reunidas, this report addresses the management approach but does not give detailed information on KPIs or other quantitative indicators, given that these are not considered as representative of the Group's activities. The non-material aspects for the Company required by law are as follows: light and noise pollution, water consumption, food waste and biodiversity. For further information on the methodology used to conduct the materiality analysis, please see the "Basis of presentation for this Report" chapter, of TR's 2017 Integrated Report, available on the corporate website. In this regard, it should be mentioned that the Company has not considered it necessary to update its materiality analysis in 2019 as it has not identified any new demands from its stakeholders and its activity has remained stable.

In addition, Técnicas Reunidas has prepared a traceability analysis that relates the aspects of the law with the associated GRI content published by the Company. See the table of contents in the table attached below:

Table of compliance with Spanish Law 11/2018, of 28 December

Content	Section	Associated GRI indicator
Business model		
- Business environment, organisation and structure, and business model - Markets in which the Company operates - Objectives and strategies - Factors and trends affecting performance	15.1.1-15.1.4 15.1.4 15.1.6 15.1.5	102-2 102-6 102-14 102-15
Policies	15.2 / Section associated with each aspect of the Law	103 - Management approach for each material issue
Risks	15.2 / Section associated with each aspect of the Law	102-15

Environmental issues		
Global - Effects of the Company's activities on the environment and health and safety - Precautionary principle, provisions and guarantees for environmental risks - Resources allocated to the prevention of environmental risks	15.3 15.3.8 15.3.9	103 - Management approach for each material issue related to the environment 102-11 103 - Management approach for each material issue related to the environment

Content	Section	Associated GRI indicator
Pollution - Measures associated with carbon emissions - Measurements associated with air, light, noise and other types of pollution	 15.3.1 15.3.2/15.3.6	103 - Emissions Non-material/103 - Biodiversity/Atmospheric emissions, light pollution and noise are not considered relevant, nor do they have a significant impact given TR's activities.
Circular economy and waste prevention and management - Initiatives for promoting the circular economy - Measures associated with waste management - Actions to combat food waste -	 15.3.3 15.3.3 15.3.4	 103 - Waste 306-2 Non-material/103 – Waste
Sustainable use of resources - Water: consumption and supply - Raw materials: consumption and measures - Energy: consumption, measures and use of renewable sources	 15.3.5 15.3.5 15.3.5	 Non-material/103 - Water 301-1/103 - Materials 302-1
Climate change - Greenhouse gas emissions - Climate change adaptation measures - Emissions reduction targets	 15.3.2 15.3.2 15.3.2	 305-1/ 305-2/ 305-3 103 - Emissions 103 – Emissions

Biodiversity		
- Preservation measures	15.3.7	Non-material/103 - Biodiversity
- Impacts on protected areas	15.3.7	Non-material/304-2
Social and personnel issues		
Employment		
- Total number of employees and distribution by gender, age, country and professional classification	15.4.1	102-8/405-1
- Total number and distribution of employment contract types	15.4.1	102-8
- Annual average number of permanent, temporary and part-time contracts by gender, age and professional classification.	15.4.1	102-8/405-1
- Number of dismissals by gender, age and professional classification	15.4.1	401-1
- Average remuneration and changes therein broken down by gender, age and professional classification or equal value	15.4.1	405-2
- Wage gap, remuneration for the Company's equal or average job positions	15.4.1	405-2
- Average remuneration of directors and executives	15.4.1	102-35
- Disconnection policies	15.4.2	103 - Employment
- Disabled employees	15.4.3	405-1
Organisation of work hours		
- Work organisation	15.4.2	103 - Employment
- Number of hours of absenteeism	15.4.6	403-2
- Work-life balance measures	15.4.2	103 – Employment
Health and safety		
- Occupational health and safety conditions	15.4.6	103 - Occupational health and safety
- Work-related accidents, in particular their rate and severity	15.4.6	403-2
- Work-related illness, broken down by gender	15.4.6	403-2

Content	Section	Associated GRI indicator
Labour relations		
- Organisation of social dialogue	15.4.7	103 - Worker-company relations
- Percentage of employees covered by collective agreements by country	15.4.8	102-41
- Balance of collective agreements on occupational health and safety	15.4.8	403-4
Training		
- Policies implemented in the field of training	15.4.4	103 - Training and education
- Total number of training hours by professional category	15.4.4	404-1
Universal accessibility and integration of disabled people	15.4.3	103 - Diversity and equal opportunity/ 103 - Non-discrimination
Equality		
- Measures taken to promote equality, equality plans and non-discrimination and diversity management policy	15.4.5	103 - Diversity and equal opportunity/ 103 - Non-discrimination
Human rights		
- Due diligence procedures for human rights matters and, if applicable, mitigation, management and redress	15.5	102-16/102-17/103 - Human Rights Assessment/ 103 - Freedom of association and collective bargaining 103 - Child labour/ 103 - Forced or compulsory labour
- Complaints about cases of human rights violations	15.5	406-1
- Promotion of and compliance with ILO conventions related to freedom of association and collective bargaining	15.5	407-1
- Elimination of discrimination in employment, forced or compulsory labour and child labour	15.5	406-1/408-1/409-1
Corruption and bribery		
- Measures taken to prevent corruption and bribery	15.6.1	103 - Anti-corruption
- Anti-money laundering measures	15.6.1	103 - Anti-corruption
- Contributions to foundations and non-profit entities	15.6.2	413-1

Content	Section	Associated GRI indicator
Company		
The Company's commitment to sustainable development		103 - Local communities/
- Impact of the Company's activities on employment, local development, local populations and the territory	15.7.1	103 - Indirect economic impacts
- Dialogue with local communities	15.7.1	413-1
- Partnership or sponsorship actions	15.7.2	102-12/102-13
Subcontracting and suppliers		
- Inclusion of social, gender equality and environmental issues in procurement policy	15.7.3	102-9 / 103 - Management approach to procurement practices
- Consideration in relationships with suppliers and subcontractors of their social and environmental responsibility	15.7.3	308-2/414-2
- Monitoring and audit systems and results	15.7.3	103 - Management approach to procurement practices
Consumers		
- Measures for the health and safety of consumers	15.7.4	416-1/103 - Customer health and safety
- Claims systems, complaints received and complaint resolution	15.7.4	103 - Customer health and safety
Tax information		
- Operating profit earned by geographical area	15.7.5	103 - Economic performance
- Corporation tax paid	15.7.5	103 - Economic performance
- Government grants received	15.7.5	201-4

TÉCNICAS REUNIDAS, S.A.
and subsidiaries

Independent Verification Report
31 December 2019

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 Verification Report

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

Pursuant to Article 49 of the Code of Commerce, we have verified, under a limited assurance scope, the accompanying Statement on non-financial informationeport (hereinafter "SNFI") for the year ended 31 December 2019 of Técnicas Reunidas, S.A. (the Parent company) and subsidiaries (hereinafter "Técnicas Reunidas" or "the Group") which forms part of the Group´s Consolidated Director's Report (hereinafter "CDR").

Responsibility of the Board of Directors

The preparation of the SNFI included in Técnicas Reunidas's CDR and the content thereof are the responsibility of the Board of Directors of Técnicas Reunidas. The SNFI has been drawn up in accordance with the provisions of current mercantile legislation and with the Sustainability Reporting Standards of the Global Reporting Initiative ("GRI Standards") selected, described in line with the details provided for each matter in the table included in the section "15.8. About the statement non-financial information - Table of compliance with Spanish Law 11/2018, of 28 December" of the mentioned SNFI.

This responsibility also includes the design, implementation and maintenance of the internal control considered necessary to allow the SNFI to be free of any immaterial misstatement due to fraud or error.

The directors of Técnicas Reunidas are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the SNFI is obtained.

Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA") which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system, which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialising in non-financial information reviews and specifically in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited verification report based on the work carried out. Our work has been carried out in accordance with the requirements laid down in the current International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for verification engagements on non-financial statements issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas de España").

In a limited assurance engagement, the procedures performed vary in terms of their nature and timing of execution and are less extensive than those carried out in a reasonable assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted of posing questions to Management and several Técnicas Reunidas units that were involved in the preparation of the SNFI, in the review of the processes for compiling and validating the information presented in the SNFI, and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with the Group´s personnel to ascertain the business model, policies and management approaches applied, the main risks related to these matters and to obtain the information required for the external review.

- Analysis of the scope, relevance and integrity of the contents included in the SNFI for 2019, based on the materiality analysis carried by Técnicas Reunidas considering the content required under current mercantile legislation.

- Analysis of the procedures used to compile and validate the information presented in SNFI for 2019.

- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the SNFI for 2019.

- Verification, through sample testing, of the information relating to the content of the SNFI for 2019 and its adequate compilation using data supplied by the Group´s sources of information.

- Obtainment of a management representation letter from the directors and the Parent company´s management.

Conclusions

Based on the procedures performed and the evidence we have obtained, no matters have come to light that might lead us to believe that Técnicas Reunidas's SNFI, for the year ended 31 December 2019 has not been prepared, in all its significant aspects, in accordance with the provisions of current mercantile legislation and following the criteria of the Standards of the Global Reporting Initiative ("GRI Standards") selected, described in line with the details provided for each matter in the table included in section "15.8. About the statement non-financial information - Table of compliance with Spanish Law 11/2018, of 28 December" of the mentioned SNFI.

Use and distribution

This report has been drawn up in response to the requirement laid down in current Spanish mercantile legislation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

(Originally signed in Spanish)

Pablo Bascones

27 February 2020

ISSUER'S IDENTIFICATION DATA

Date of fiscal year end: 31/12/2019

Company tax No. (CIF): A-28092583

Corporate name:

TÉCNICAS REUNIDAS, S.A.

Registered office:

ARAPILES, 13, MADRID

A. OWNERSHIP STRUCTURE

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

Date of last modification	Share capital (€)	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 share classes with different associated rights:

[ ] Yes
[√] No

A.2 Provide details of the direct or indirect holders of significant shares at the close of the fiscal year, excluding directors:

Name or corporate name of the shareholder	% of voting rights corresponding to shares		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
ARIEL INVESTMENTS, LLC	0.00	3.01	0.00	0.00	3.01
FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED	0.00	3.00	0.00	0.00	3.00
ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.U.	5.10	0.00	0.00	0.00	5.10
ARALTEC CORPORACIÓN, S.L.U.	31.99	0.00	0.00	0.00	31.99
NORGES BANK	4.44	0.00	0.60	0.00	5.04

Breakdown of indirect shareholding:

Name or corporate name of the indirect shareholder	Name or corporate name of the direct shareholder	% of voting rights corresponding to shares	% of voting rights through financial instruments	% of total voting rights
ARIEL INVESTMENTS, LLC	ARIEL INVESTMENTS, LLC	3.01	0.00	3.01
FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED	FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED	3.00	0.00	3.00

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

Most significant changes

Norges Bank's holding in the Company's share capital exceeded 5% during fiscal year 2019.

A.3 Complete the following tables on members of the company's board of directors with voting rights from company shares:

Name or corporate name of the director	% of voting rights corresponding to shares		% of voting rights through financial instruments		% of total voting rights	% of voting rights transferable through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
FERNANDO DE ASÚA ÁLVAREZ	0.03	0.00	0.00	0.00	0.03	0.00	0.00
PEDRO LUIS URIARTE SANTAMARINA	0.01	0.01	0.00	0.00	0.02	0.00	0.00
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	0.11	37.09	0.00	0.00	37.20	0.00	0.00

Total % of voting rights held by the board of directors	37.25

Breakdown of indirect shareholding:

Name or corporate name of the director	Name or corporate name of the direct shareholder	% of voting rights corresponding to shares	% of voting rights through financial instruments	% of total voting rights	% of voting rights transferable through financial instruments
PEDRO LUIS URIARTE SANTAMARINA	CASTILLO DEL POMAR, S.L.	0.01	0.00	0.01	0.00
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.U.	5.10	0.00	5.10	0.00
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	ARALTEC CORPORACIÓN, S.L.U.	31.99	0.00	31.99	0.00

A.4 Indicate, where applicable, any familial, commercial, contractual or corporate relationships between significant shareholders, to the extent that these are known to the company, unless they are of negligible relevance or derive from the ordinary course of business, with the exception of those detailed in section A.6:

Name or corporate name	Type of relationship	Brief description
No data		

A.5 Indicate, where applicable, any commercial, contractual or corporate relationships between significant shareholders and the company and/or its group, unless these are of negligible relevance or derive from the ordinary course of business:

Name or corporate name	Type of relationship	Brief description
No data		

A.6 Describe any relationships, unless they are of negligible relevance to the two parties, between the significant shareholders or shareholders represented on the board and the directors, or their representatives, in the case of legal entities.

Explain, where appropriate, how significant shareholders are represented. Specify any directors who have been appointed on behalf of significant shareholders and any directors whose appointments were promoted by significant shareholders or were linked to significant shareholders and/or entities in their group, detailing the nature of these relationships. In particular, indicate the existence, identity and position of any members of the board or representatives of directors of the listed company who are also members of the board of directors, or their representatives, of companies with significant shareholdings in the listed company or in entities from the significant shareholder's group:

Name or corporate name of the related director or representative	Name or corporate name of the related significant shareholder	Corporate name of the company in the significant shareholder's group	Description of relationship/position
ÁLVARO GARCÍA-AGULLÓ LLADÓ	ARALTEC CORPORACIÓN, S.L.U.	ARALTEC CORPORACIÓN, S.L.U.	Álvaro García-Agulló was appointed director of the Company at the proposal of the significant shareholder Araltec, S.L. (the direct holder of this significant shareholding is now Araltec Corporation, S.L.U.).
JOSÉ MANUEL LLADÓ ARBURÚA	ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.U.	ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.U.	José Lladó Arburúa was appointed director of the Company at the proposal of the significant shareholder Aragonesas Promoción de Obras y Construcciones, S.L.U.

A.7 Indicate whether the company has been informed of any shareholders' agreements which might affect it, in accordance with the provisions of Articles 530 and 531 of the Companies Act. Where applicable, describe these briefly and list the shareholders bound by the agreement:

[ ] Yes
[√] No

Indicate whether the company is aware of the existence of concerted action between its shareholders. Where applicable, describe these briefly:

[ ] Yes
[√] No

If any modification or termination of these agreements or concerted actions has occurred during the fiscal year, provide details below:

A.8 Indicate whether there is any natural or legal person who exercises or may exercise control over the company in accordance with Article 5 of the Securities Market Act. Where applicable, identify them:

[ ] Yes
[√] No

A.9 Complete the following tables on the company's own shares:

At fiscal year end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
2,167,553		3.92

(*) Held through:

name or corporate name of the direct shareholder	Number of direct shares
No data	

Explain any significant changes during the fiscal year:

Explain the significant changes

There were no significant changes during the fiscal year.

The Company has issued quarterly reports on the transactions carried out under the liquidity agreement with Santander Investment Bolsa which entered into force on 11 July 2017, in accordance with the provisions of National Securities Market Commission Circular 1/2017 of 26 April on Liquidity Agreements, for the purposes of their classification as an accepted market practice.

A.10 Provide details of the conditions and term of the current resolution by the general meeting of shareholders authorising the board of directors to issue, buy back or transfer own shares.

The Annual General Meeting of Shareholders on 26 June 2019 passed the following resolution:

'(i) To authorise the Board of Directors to repurchase the Company's own shares, whether directly or through subsidiary companies, subject to the following restrictions and requirements:
• Methods of acquisition - acquisition by means of purchase, by any other inter vivos transaction on a payment basis or any other transaction allowed by law.
• Maximum number of shares to be acquired - shares may be acquired at any time up to the maximum amount permitted by law.
• Minimum and maximum acquisition price - shares may not be acquired at a price which is 5% higher or lower than the average market price on the day of acquisition (or within the limits of the minimum and maximum amount permitted by the law in force).
• Maximum trading volume - the maximum daily trading volume for the acquisition of own shares will not exceed 15% of the average daily volume traded in orders in the regulated market or the Spanish multilateral trading facility in the previous thirty sessions.
• Duration of authorisation - five (5) years from the date of this resolution.
These transactions must also comply with the corresponding rules in the Regulations of the Company's Internal Code of Conduct in Securities Markets.

(ii) To revoke the unused part of the authorisation agreed on this matter at the Annual General Meeting held on 27 June 2018.

(iii) To authorise the Board of Directors to allocate all or part of its repurchased shares to remuneration schemes whose purpose or result is the award of shares or share options, in accordance with the provisions of Article 146.1(a) of the Companies Act.'

A.11 Estimated free float:

	%
Estimated free float:	62.80

A.12 Indicate whether there are any restrictions (of a statutory, legislative or other nature) on the transfer of securities and/or any restrictions on voting rights. Specifically, indicate the existence of any kind of restriction which might hinder the takeover of the company through the acquisition of its shares on the market, as well as any prior notice or authorisation systems which, with respect to the acquisition or transfer of the company's financial instruments, are applicable to the company under sectoral regulations.

[ ] Yes
[√] No

A.13 Indicate whether the general meeting has resolved to adopt any neutralisation measures against potential takeover bids, in virtue of the provisions of Law 6/2007.

[ ] Yes
[√] No

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

A.14 Indicate whether the company has issued any securities that are not traded on a regulated EU market.

[ ] Yes
[√] No

Where applicable, indicate the different share classes and their corresponding rights and obligations:

B. ANNUAL GENERAL MEETING

B.1 Indicate and, where applicable, provide details of any differences between the required minimums set out in the Companies Act and the quorum for general meetings.

[ ] Yes
[√] No

B.2 Indicate and, where applicable, provide details of any differences from the system for passing company resolutions set out in the Companies Act:

[√] Yes
[ ] No

	Enhanced majority different from that established in Article 201.2 of the Companies Act for the circumstances set out in Article 194.1 of the Act	Other circumstances for enhanced majority
% established by the entity for passing resolutions	0.00	50.01

The last paragraph of Article 20 of the Articles of Association stipulates that the Annual General Meeting may only issue instructions to the Board of Directors or submit for its authorisation the adoption of decisions on management matters by means of resolutions that comply with the information and majority requirements for amendments to the articles of association set out in Articles 194.1, 194.2 and 201.2 of the Companies Act.

B.3 Indicate the rules applicable to amendments to the company's articles of association. Specifically, report the majorities required for amendment of the articles of association and, where applicable, the rules set out for the protection of shareholders' rights in the amendment of the articles of association.

Article 20(g) of the Articles of Association and Article 5(g) of the Regulations of the General Meeting stipulate that the General Meeting is competent to amend the Articles of Association. The rules applicable to amendments to the Company's Articles of Association are those laid down in the Companies Act. In this regard, the first call for the Annual General Meeting requires attendance by shareholders, whether in person or by proxy, who hold at least 50% of the subscribed capital with voting rights, in which case the resolution may be passed by an absolute majority. The second call requires attendance of 25% of the subscribed capital, in which case this will require a vote in favour by 2/3 of the capital present or represented at the Meeting when the shareholders in attendance represent at least 25% but less than 50% of the subscribed capital with voting rights.

Without prejudice to the above, the Board is competent to change the registered office within the national territory in accordance with the provisions of Article 285 of the Companies Act and Article 3 of the Articles of Association.

Shareholders' rights in relation to General Meetings are those set out in the Companies Act, reflected in Articles 14, 16 and 17 of the Articles of Association and detailed in the Regulations of the General Meeting in the following terms:

Right to information

Article 9 of the Regulations states that from the date of publication of the announcement of the General Meeting until five days before its scheduled date, shareholders may request any information or clarification that they consider necessary regarding items on the agenda or submit, in writing, any questions that they consider relevant. Within the same time limit and in the same way, shareholders may request any information and clarification from the directors that they consider necessary regarding publicly available information submitted to the National Securities Market Commission since the last General Meeting and regarding the audit report.

Requests for information may be submitted at the registered office or sent to the Company by post or by electronic means. Electronic requests for information will be accepted provided they incorporate the sender's legally recognised electronic signature or any other mechanism that adequately guarantees the identification and authentication of the shareholder.

The shareholder's request must include their name and surname(s), with proof of the number of shares that they own, in order that this information can be verified by the Company. It is the shareholder's responsibility to provide evidence that the request has been sent to the Company in due form and time. The Company website will provide detailed explanations regarding the exercise of shareholders' right to information.

These requests for information will be answered once shareholder status and identity have been verified, before the General Meeting.

Directors are obliged to provide the information in writing before the day of the meeting, except in cases where:

(i) the requested information is not necessary for the protection of the shareholder's rights, or there are objective grounds for considering that it could be used for purposes unrelated to the Company, or its public knowledge would harm the Company or related companies;
(ii) the request for information or clarification is not related to items on the agenda or to publicly available information which was submitted to the National Securities Market Commission since the last General Meeting;
(iii) the information or clarification requested could be considered unfair or excessive;
(iv) it has been determined as such by legal or regulatory provisions or court decision;
(v) the relevant information is clearly, expressly and directly available to all shareholders on the Company website in a question and answer format.

The exception in point (i) above will not apply when the request is supported by shareholders representing at least 25% of the share capital. The Board may authorise any of its members, the Chairpersons of its Committees or its Secretary to respond to requests.

The means of sending the requested information will be the same as that used for the request, unless the shareholder indicates that one of the other designated means should be used. Valid requests for information, clarifications or questions submitted in writing and the answers provided in writing by the Board will be posted on the Company's website.

Right to representation

Article 12 states that any shareholder who is entitled to attend the General Meeting may be represented by a proxy, even if this proxy is not a shareholder. Additionally, shareholders with less than 50 shares may join together for the purposes of exercising their right to attend and vote at the General Meeting, appointing one of them to be their representative. A specific proxy must be appointed for each General Meeting, either in writing or by means of distance communication, as expressly set out in the notice of meeting, provided that the corresponding requirements are met and the identity of both the principal and the proxy can be duly verified.

Right to remote voting

Article 24 stipulates that shareholders with the right to attendance, whether by individual entitlement or jointly with other shareholders, have the right to cast a remote vote by post or other electronic means. It authorises the Board to implement these provisions and to establish the appropriate rules and procedures in line with the available technology for the casting of remote votes and the appointment of proxies by electronic means.

B.4 Indicate the attendance details for the general meetings held during the fiscal year to which this report corresponds and for the two previous fiscal years:

	Attendance details				
			% casting remote votes		
Date of general meeting	% present in person	% represented by proxy	Electronic votes	Other	Total
29/06/2017	0.14	61.14	0.00	0.00	61.28
Including free float	0.05	23.88	0.00	0.00	23.93
27/06/2018	0.17	61.18	0.00	0.00	61.35
Including free float	0.06	23.93	0.00	0.00	23.99
26/06/2019	3.95	60.24	0.01	0.00	64.20
Including free float	0.06	21.32	0.01	0.00	21.39

B.5 Indicate whether there were any items on the agenda at the general meetings held during the fiscal year which were not, for any reason, approved by the shareholders:

[ ] Yes
[√] No

B.6 Indicate whether there are any restrictions in the articles of association establishing a minimum number of shares required to attend the general meeting or to cast a remote vote:

[√] Yes
[ ] No

Number of shares required to attend the general meeting	50
Number of shares required to cast a remote vote	50

B.7 Indicate whether it has been established that certain decisions, other than those set out by law, which entail the acquisition, disposal or transfer to another company of essential assets or other similar corporate transaction must be submitted for approval at the annual general meeting:

[ ] Yes
[√] No

B.8 Indicate the company's web address and how to access the information on corporate governance and other information about general meetings that must be made available to shareholders through the company website:

The Company website is www.tecnicasreunidas.es.

Information on corporate governance can be accessed by clicking on the 'Shareholders and Investors/Corporate Governance' tab and then the 'Corporate Governance documents' tab. Information on Annual General Meetings can be found in the same section.

C. COMPANY ADMINISTRATION STRUCTURE

C.1 Board of directors

C.1.1 Maximum and minimum number of directors provided for in the articles of association and the number fixed at the general meeting:

Maximum number of directors	15
Minimum number of directors	7
Number of directors fixed at the meeting	15

C.1.2 Complete the following table detailing the members of the board:

Name or corporate name of the director	Representative	Category of director	Position on the board	Date of first appointment	Date of last appointment	Election procedure
FERNANDO DE ASÚA ÁLVAREZ		Other external director	3rd DEPUTY CHAIRPERSON	10/05/2006	27/06/2018	VOTE AT GENERAL MEETING OF SHAREHOLDERS
PETRA MATEOS-APARICIO MORALES		Independent director	DIRECTOR	29/02/2016	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS
WILLIAM BLAINE RICHARDSON		Other external director	DIRECTOR	22/06/2011	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS
PEDRO LUIS URIARTE SANTAMARINA		Independent director	DIRECTOR	22/06/2011	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA		Executive director	CHAIRPERSON	10/05/2006	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS
JUAN MIGUEL ANTOÑANZAS PÉREZ-EGEA		Other external director	2nd DEPUTY CHAIRPERSON	10/05/2006	27/06/2018	VOTE AT GENERAL MEETING OF SHAREHOLDERS
ÁLVARO GARCÍA-AGULLÓ LLADÓ		Shareholder director	DIRECTOR	10/05/2006	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS

ALFREDO BONET BAIGET		Independent director	DIRECTOR	27/06/2018	27/06/2018	VOTE AT GENERAL MEETING OF SHAREHOLDERS
JOSÉ NIETO DE LA CIERVA		Independent director	DIRECTOR	27/06/2018	27/06/2018	VOTE AT GENERAL MEETING OF SHAREHOLDERS
JUAN LLADÓ ARBURÚA		Executive director	1st DEPUTY CHAIRPERSON	10/05/2006	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS
JOSÉ MANUEL LLADÓ ARBURÚA		Shareholder director	DIRECTOR	10/05/2006	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS
FRANCISCO JAVIER GÓMEZ-NAVARRO NAVARRETE		Other external director	DIRECTOR	10/05/2006	27/06/2018	VOTE AT GENERAL MEETING OF SHAREHOLDERS
ADRIÁN RENÉ LAJOUS VARGAS		Independent director	DIRECTOR	29/06/2016	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS
RODOLFO MARTÍN VILLA		Other external director	DIRECTOR	26/06/2019	26/06/2019	VOTE AT GENERAL MEETING OF SHAREHOLDERS

Total number of directors	14

Indicate any terminations, whether as a result of resignation or removal or for any other reason, within the board of directors during the reporting period:

Name or corporate name of the director	Category of director at the time of termination	Date of last appointment	Date of termination	Specific committees of which they were a member	Indicate whether the termination occurred before the end of their mandate
JAVIER ALARCÓ CANOSA	Independent director	29/06/2017	26/06/2019	Appointments and Remuneration Committee	YES

Cause of the termination and additional information

Javier Alarcó Canosa's termination from his position as Company director was effectuated on 26 June 2019, pursuant to Article 21.1 of the Regulations of the Board of Directors, which stipulates that the Company's independent directors will retire from their positions 'when they have held their position for an uninterrupted period of 12 years', given that he was first appointed as a Company director on 26/06/2007.

C.1.3 Complete the following tables on the members of the board and their categories:

EXECUTIVE DIRECTORS		
Name or corporate name of the director	Position within the company structure	Profile
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	Chairperson	Doctorate in Chemical Sciences and Industrial Chemistry, honorary member of the American Chemical Society. Senior member of the General Council of the Association of Spanish Chemists. Spanish Ambassador to the United States (1978-1982). Minister of Commerce and Minister of Transport and Communications (1976-1978). Founder of the Foundation for the Support of Culture at the Colegio Libre de Eméritos Universitarios, of which he is Vice President, and Vice President of the Círculo de Empresarios.
JUAN LLADÓ ARBURÚA	1st Deputy Chairperson	Degree in Economics from Georgetown University, Washington DC. Master of Business Administration from the University of Texas at Austin. 1st Deputy Chairperson at Técnicas Reunidas S.A. since 1998. Treasurer at Argentaria Bank (1997-1998). President of the Spain-China Foundation.

Total number of executive directors	2
% of total of the board	14.29

EXTERNAL SHAREHOLDER DIRECTORS		
Name or corporate name of the director	Name or corporate name of the significant shareholder represented or proposing their appointment	Profile
ÁLVARO GARCÍA-AGULLÓ LLADÓ	ARALTEC, S.L.	Doctorate in Civil Engineering (Roads, Canals and Ports). Construction Manager at Rota Airport (1955-56). Engineer and representative at HUARTE in Catalonia (1957-61). Director General at Técnicas Reunidas S.A. (1962-96). Director at Técnicas Reunidas S.A. (1997-present). Director at Técnicas Reunidas Internacional, S.A.

JOSÉ MANUEL LLADÓ ARBURÚA	ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.U.	BSBA from Georgetown University and MBA from the University of Chicago. Manager of the International Corporate Finance Division at Citibank N.A. (1986-1990), General Manager at Chase Manhattan Bank with responsibility for Global Market Sales for Spain (1990-2001). Assistant Deputy General Manager at Banesto, with responsibilities for the International and Treasury divisions (2001-2004). Founding partner of Summa Financial Services (2004-present). Managing Director at Ideon Financial Services (2008-present). Member of the board of directors at Aragonesas Promoción de Obras y Construcciones, S.L. (director), Araltec, S.L. (deputy chairperson), Layar Castilla, S.A. (chairperson), Summa Investment Solutions, S.A. (chairperson), Choice Financial Solutions, S.L. (director), Fintonic Servicios Financieros, S.L. (director) and León Valores S.A., SICAV (director).

Total number of shareholder directors	2
% of total of the board	14.29

INDEPENDENT EXTERNAL DIRECTORS	
Name or corporate name of the director	Profile
PETRA MATEOS-APARICIO MORALES	Doctorate (cum laude) in Economics and Business Studies from the Complutense University of Madrid and Professor of Financial Economics. Vice President of the Executive Committee of the Spain-US Chamber of Commerce since July 2011 and member of the Board of Directors of Unicaja Banco since February 2014. Executive Chairperson at Hispasat (2004-2012), Non-executive Chairperson at Hisdesat (2005-2011), Director at Hispamar Satélites (Brazil), Director at Xtar LLC (United States) (2005-2012) and Independent Member of the Board of Directors at Solvay (2009-2013). From 1983 to July 1985, she was a director at Iberia and Banco Exterior de España, where she was Assistant General Manager from 1985 to 1987. She was also a director at Banco CEISS (2004-2018) in the Unicaja Group, from 2014 until its merger with Unicaja in September 2018. Her extensive academic experience (1982-2015) includes positions as Professor in Financial Economics at the Department of Business Economics and Accounting in the Faculty of Economics and Business Studies at the National Distance Education University and Professor of Financial Economics at the Colegio Universitario de Estudios Financieros. She has been a member of the National Executive Committee of the Spanish Institute of Financial Analysts (IEAF) (2011-2017) and a member of the Board of ANECA (2009 to 2015). She has also been awarded various distinctions including among others Knight of the Legion of Honour of the French Republic, Business Leader of the Year (2010) from the Spain-US Chamber of Commerce and the Women Together Award (2009) from the United Nations Economic and Social Council (ECOSOC).

PEDRO LUIS URIARTE SANTAMARINA	Degree in Economics and Law from the Universidad Comercial de Deusto in Bilbao. His extensive professional experience over his 52-year career encompasses 9 years in industry, 23 years in finance, during which he was Deputy Chairperson and CEO at BBV and BBVA, 14 years in consultancy, 2 years in R&D&I and 4 years in Public Administration, as Regional Minister for Economy and Finance in the first Basque Government, from 1980 to 1984. He was a professor at the Universidad Comercial de Deusto for seven years, lecturing in subjects related to business transformation and advanced management. Subsequently, he has collaborated with various business schools, including Deusto Business School, IESE and ESADE. Since 2002, he has been Executive Chairperson at Economía, Empresa, Estrategia, a strategic consulting company that he founded. He combines this position with his duties as director and advisor at various companies, and cooperates in different university-based and social activities.
ALFREDO BONET BAIGET	Degree in Economics and Business Studies from the Complutense University of Madrid and State Economics and Trade Expert. Economic and Trade Advisor for Spain in Miami (1987-1991) and Milan (1993-1997). Director General of Altair Asesores (1997-2001). General Manager of Promotion of the Spanish Institute for Foreign Trade (ICEX) (2001-2004). Secretary General for Foreign Trade and member of the Board of Directors of Instituto de Crédito Oficial (ICO) and Navantia (2004-2010). Secretary of State for Foreign Trade and President of ICEX and Invest in Spain (2010-2012). Chief Economic and Trade Adviser to the Spanish Delegation to the OECD (2012-2015). International Director at the Spanish Chamber of Commerce (2015-2018). Secretary General of the Círculo de Empresarios (2018-present).
JOSÉ NIETO DE LA CIERVA	Degree in Economics and Business Studies from the Complutense University of Madrid. His career has included holding the following positions: KPMG Spain - Consulting Department (1988-1989), JP Morgan (1989-2002) - Director at the Chase Manhattan Bank (1998-2002) and Managing Director of Corporate Banking at the Chase Manhattan Bank in Spain (1998-2002), Banesto (2002-2010) - Assistant General Manager of Business Banking (2002) and General Manager of Wholesale Banking (2006), Banca March Group (2010-2017) - President of Banco Inversis and CEO at Banca March, Director and member of the Audit Committee at Corporación Financiera Alba, director and member of the Executive Committee at Ebro, director at Consulnor and director at Aegon España. He is also Assistant General Manager at Banco Sabadell (2018-present).
ADRIÁN RENÉ LAJOUS VARGAS	Degree in Economics from the Autonomous University of Mexico and Master's Degree in Economics from King´s College, University of Cambridge. Full-time lecturer and researcher at the College of Mexico (1971-76). He worked at the Energy Secretariat of Mexico between 1977 and 1982, where he was Director General for Energy. In 1983 he joined Pemex, holding a number of executive positions: Executive Coordinator of Foreign Trade, Corporate Director of Planning, COO and Manager of Refining. In 1994 he was appointed CEO of Pemex and chairperson of the boards of directors of Pemex's operating companies, positions from which he resigned in December 1999. Adrián Lajous is currently a visiting researcher at the Center on Global Energy Policy at Columbia University, chairperson at Petrométrica SC, and non-executive director at Ternium and Técnicas Reunidas, as well as the Oxford Institute of Energy Studies and the Mario Molina Centre. He is also a member of the board at the College of Mexico Foundation. He has chaired the Oxford Institute of Energy Studies and has been a member of the boards of directors at Schlumberger, Repsol, Trinity Industries, the Federal Electricity Commission and other state-owned industrial and financial companies. From 2001 to 2011 he was an advisor at McKinsey & Company and also an advisor to the World Bank.

Total number of independent directors	5
% of total of the board	35.71

Indicate whether any independent director receives any payment or benefit from the company or its group other than their remuneration as director, and whether they maintain or have maintained a business relationship with the company or any company within its group during the last fiscal year, either in their own name or as a significant shareholder, director or senior manager of a company that maintains or has maintained such a relationship.

Where appropriate, include a reasoned statement from the board, setting out the reasons why it considers that this director may perform their duties as an independent director.

Name or corporate name of the director	Description of the relationship	Reasoned statement
No data		

OTHER EXTERNAL DIRECTORS			
Identify the other external directors and provide reasons why they may not be considered shareholder directors or independent directors, indicating their links with the company, its managers or its shareholders:			
Name or corporate name of the director	Reasons	Company, manager or shareholder with whom they are linked	Profile
JUAN MIGUEL ANTOÑANZAS PÉREZ-EGEA	Juan Antoñanzas has served as an independent director for a continuous period exceeding 12 years.	TÉCNICAS REUNIDAS, S.A.	Doctorate in Industrial Engineering. He was General Manager of Manufacture and Assembly at Barreiros-Chrysler for 10 years. He also worked for five years at ITT as Operations Manager for Spain, and was CEO of Marconi Española and Vice-President of ITT España. He was Director of Planning and President of Instituto Nacional de Industria 1973-1976, CEO of Seat 1977-1984 and Chairperson of the Board of Directors of Uralita 1998-2002.
FERNANDO DE ASÚA ÁLVAREZ	Fernando de Asúa has served as an independent director for a continuous period exceeding 12 years.	TÉCNICAS REUNIDAS, S.A.	Qualified in Economics and Computer Science at the Complutense University of Madrid and graduated in Business Administration and Mathematics at the University of California (USA). His professional experience involves an extensive career at IBM and IBM España between 1959 and 1991, including positions as General Manager for the South America Area and later Europe, CEO of IBM España and director at IBM World Trade Corp. He was Deputy Chairperson of the Board of Grupo Banco Santander from 2004 to February 2015.
FRANCISCO JAVIER GÓMEZ- NAVARRO NAVARRETE	Francisco Gómez-Navarro has served as an independent director for a continuous period exceeding 12 years.	TÉCNICAS REUNIDAS, S.A.	Degree in Industrial Engineering, specialising in Chemistry, from the Madrid School of Industrial Engineers and studies in Economics. He has held various executive and managerial positions at Editorial Tania (1979-1983), the International Tourism Trade Fair (1980-1983), of which he is founder, and Viajes Marsans (1983-1985), where he is Chairperson and CEO. In the public sphere, he was appointed Secretary of State and President of the National Sports Council (1987-1993) and later Minister for Trade and Tourism and International Cooperation (1993-1996), as well as Governor, on behalf of Spain, of the Inter-American, Asian and African Development Banks from 1993 to 1996. He was subsequently appointed President of the Spanish High Council of Chambers of

			Commerce, Industry and Navigation (2005-2011) and Executive Chairperson at Aldeasa (2005-2012). He currently heads the consulting firm MBD, dedicated to business consulting, mergers and acquisitions, and has been a director of Promotora de Informaciones, S.A. since November 2017. He holds several important Spanish and international decorations, including the Grand Cross of the Order of Carlos III, the Order of Civil Merit and the Royal Order of Sporting Merit and the Gold Medal for Tourism, as well as the highest category of Order of Merit from France, the Gold Olympic Order and the Order of the Condor of the Andes from Bolivia.
WILLIAM BLAINE RICHARDSON	William Richardson has a contractual relationship with the Company.	TÉCNICAS REUNIDAS, S.A.	Degree in Political Science from Tufts University (Medford/Somerville), 1970. Master's Degree in Foreign Affairs from the Fletcher School of Law and Diplomacy at Tufts University, 1971. Member of the House of Representatives for the State of New Mexico (1983-1997). United States Ambassador to the United Nations (1997-1998). Secretary of State for Energy (1998-2001). Governor of the State of New Mexico in 2002 and re-elected in 2006. President of the International Advisory Council at APCO Worldwide. Member of numerous advisory boards at for-profit and non-profit entities.
RODOLFO MARTÍN VILLA	Rodolfo Martín Villa is a member of the board of directors of Initec Plantas Industriales, S.A.U., a wholly-owned subsidiary of Técnicas Reunidas S.A. and, in this regard, he has received various amounts for his membership.	TÉCNICAS REUNIDAS, S.A.	Industrial engineer. Member of the State Financial Inspectorate. Civil Governor of Barcelona (1974-1975). Minister for Trade Union Relations (1975-1976), Minister of the Interior (1976-1979) and Minister for Territorial Administration (1980-1981). Vice-President of the Government (1981-1982) Member of Parliament (1979-1983 and 1989-1997) Chairperson of the Budget Committee (1989-1996), the Justice and Home Affairs Committee (1996-1997) and the Toledo Pact for public pensions. President at Ibercobre (1979-1980), U.C.B. Spain (Union Chimique Belge) (1990-97) and the Madrid Savings Bank Control Commission (1993-1997). President at Endesa, S.A. (1997-2002), Endesa Italia (2001-2003) and Enersis (Chile) (1997-1999). Chairperson of Sogecable (2004-2010). Member of the Board of Trustees at the Pontifical University of Salamanca, the Colegio Libre de Eméritos Universitarios and the Ramón Menéndez Pidal Foundation.

Total number of other external directors	5
% of total of the board	35.71

Indicate any changes that have occurred during the period with regard to the category of each shareholder:

Name or corporate name of the director	Date of change	Previous category	Current category
No data			

C.1.4 Complete the following table on the number of female board members at the end of the last 4 fiscal years, as well as their corresponding categories:

	Number of female directors				% of total directors in each category			
	Fiscal year 2019	Fiscal year 2018	Fiscal year 2017	Fiscal year 2016	Fiscal year 2019	Fiscal year 2018	Fiscal year 2017	Fiscal year 2016
Executive directors					0.00	0.00	0.00	0.00
Shareholder directors					0.00	0.00	0.00	0.00
Independent directors	1	1	1	1	20.00	16.67	12.50	12.50
Other external director					0.00	0.00	0.00	0.00
Total	1	1	1	1	7.14	7.14	7.69	7.69

C.1.5 Indicate whether the company has diversity policies in force in relation to the company's board of directors, with respect to aspects such as age, gender, disability, training and professional experience. Small and medium-sized entities, as defined in the Law on Auditing, must at least provide information on any policy they have implemented in relation to gender diversity.

[ ] Yes
[ ] No
[√] Partial policies

If yes, describe these diversity policies, including their targets and measures, how they have been implemented and their outcomes during the fiscal year. Also state the specific measures taken by the board of directors and the appointments and remuneration committee to achieve balance and diversity among the directors.

If the company does not have a diversity policy, explain why not.

Description of the policies, including targets and measures, how they have been implemented and their outcomes

The criteria on which the implementation of diversity policies must be based are set out in Article 6.3 of the Regulations of the Board of Directors, which stipulates that the Board of Directors must ensure that the selection procedures for its members encourage diversity of gender, experience and knowledge and are not affected by any underlying bias that would hinder the selection of female directors.

In addition, in accordance with Article 14.2 of the Regulations of the Board, the Appointments and Remuneration Committee is responsible for establishing a representation target for the under-represented gender on the Board of Directors and issuing guidelines on how to reach this target.

In addition, and in light of the adoption of Law 11/2018 of 28 December, amending the Commercial Code, the consolidated text of the Companies Act, approved by Royal Legislative Decree 1/2010 of 2 July, and Law 22/2015 of 20 July on Auditing, with respect to non-financial information and diversity, the Company's Board of Directors and the Appointments and Remuneration Committee are assessing ways of supplementing the diversity criteria included in the corporate rules referred to above, in line with the new legal requirements in this area. In this regard, the Company is evaluating the possibility of approving a Policy for Director Selection and Diversity on the Board of Directors.

C.1.6 Explain any measures adopted by the appointments committee to ensure that selection procedures are not biased in such a way as to hinder the selection of female directors, and to ensure that the company deliberately seeks women with the required professional profile and includes them as potential candidates, enabling balance to be achieved between women and men:

Explanation of the measures
In line with the statements in Section C.1.5 above, when the Company has had the opportunity to begin a selection procedure as a result of a vacancy or other factor, this procedure has taken into account the diversity criteria included in the corporate documents, as described above, and, in particular, the avoidance of any kind of gender discrimination during the selection procedures, which has improved opportunities for female candidates in this regard.

Where, despite the measures adopted, there are few or no female directors, provide justification:

Explanation of the reasons
In line with the sections above and in light of the existence of a new vacancy on the Board, as was the case at the Annual General Meeting on 26 June 2019, the criteria used in the selection procedures for filling this vacancy included compliance with the principle of diversity. This was applied without prejudice to the other requirements for directors, such as competence, experience, availability and personal conditions of freedom of opinion and judgment, which must be met by members of the Company's Board, and taking into account not only the individual suitability of its members but the needs and composition of the Board of Directors as a whole and the desirability of endowing the structure of the Board of Directors with a certain degree of stability, which will ensure improved performance of its functions over the medium term. Without prejudice to the above and in all cases, the Company prioritises candidates' suitability for appointment as directors. Consequently, after the appropriate comprehensive assessment by the Appointments and Remuneration Committee and the Board of Directors, the proposal for a new appointment, which was submitted to the Annual General Meeting on 26 June 2019, included the most suitable candidate to meet the Company's needs at that time, regardless of gender.

C.1.7 Explain the conclusions of the appointments committee on the verification of compliance with the selection policy for directors. Specifically, explain how this policy is promoting the goal that by 2020 female directors will comprise at least 30% of the total members of the board of directors.

The Company's Appointments and Remuneration Committee considers that the selection procedure for directors facilitated the selection of a female director when a vacancy on the Board of Directors arose during fiscal year 2016. For the 2019 General Meeting, it therefore maintained the same selection criteria, geared toward explicitly and deliberately seeking candidates with suitable profiles based on the characteristics of the vacancy to be filled and the composition of the Company's governing bodies.

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

Name or corporate name of the shareholder	Reason
No data	

Indicate whether there has been any failure to address formal requests for representation on the board from shareholders whose equity stake is equal to or higher than that of other shareholders whose requests have resulted in the appointment of shareholder directors. Where applicable, explain why the request was not addressed:

[ ] Yes
[√] No

C.1.9 Indicate any powers or capacities delegated by the board of directors to directors or board committees:

Name or corporate name of the director or committee	Brief description
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	In accordance with Article 28 of the Articles of Association, the Chairperson holds all the powers of the Board of Directors except those set out in Article 25 of the Articles of Association with respect to the election of the Chairperson and the Deputy Chairpersons and those which are non-transferrable in accordance with legal provisions or the Company's internal regulations. In accordance with Article 28 of the Articles of Association, the powers held by the Chairperson may be delegated to third parties. Likewise, the Chairperson is considered the Company's most senior executive and is conferred with the powers necessary to exercise this authority.

C.1.10 Identify, where applicable, any members of the board who hold directorships or represent directors or who hold management positions in other companies belonging to the same business group as the listed company:

Name or corporate name of the director	Corporate name of the entity	Position	Do they have executive functions?
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	Técnicas Reunidas Internacional, S.A.	Chairperson	YES
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	Técnicas Reunidas Proyectos Internacionales, S.A.U.	Director with authority to act jointly	YES
JUAN LLADÓ ARBURÚA	Empresarios Agrupados Internacional, S.A.	Chairperson	NO
JUAN LLADÓ ARBURÚA	Española de Investigación y Desarrollo, S.A.	Deputy Chairperson	NO
JUAN LLADÓ ARBURÚA	Técnicas Reunidas Internacional, S.A.	1st Deputy Chairperson	NO
JUAN LLADÓ ARBURÚA	Master S.A. Ingeniería y Arquitectura	Director	NO
JUAN LLADÓ ARBURÚA	Técnicas Reunidas Proyectos Internacionales, S.A.U.	Director with authority to act jointly	YES
JUAN LLADÓ ARBURÚA	Initec Infraestructuras, S.A.U.	Director	NO
JUAN LLADÓ ARBURÚA	Initec Plantas Industriales, S.A.U.	Director	NO
JUAN LLADÓ ARBURÚA	Empresarios Agrupados, A.I.E.	Physical person representing TR on Management Committee	NO
JUAN LLADÓ ARBURÚA	Eurocontrol, S.A.	Director	NO

C.1.11 Provide details, where applicable, of any company directors or representatives of directors that are legal entities who are also members of boards of directors or representatives of directors that are legal entities at other entities listed on official securities markets other than those of the company's group, of which the company has been notified:

Name or corporate name of the director	Corporate name of the listed entity	Position
FRANCISCO JAVIER GÓMEZ-NAVARRO NAVARRETE	PROMOTORA DE INFORMACIONES, S.A.	DIRECTOR

C.1.12 Indicate, and where applicable explain, whether the company has established rules on the maximum number of boards on which its own directors may serve and identify, where appropriate, where this is governed:

[ ] Yes
[√] No

C.1.13 Indicate the amounts corresponding to the following items of overall remuneration for the board of directors:

Remuneration paid to the board of directors during the fiscal year (thousands of euros)	4,943
Amount of the accrued entitlements corresponding to pension rights accumulated by current directors (thousands of euros)	
Amount of the accrued entitlements corresponding to pension rights accumulated by former directors (thousands of euros)	

C.1.14 Identify any senior managers who are not also executive directors, and indicate the total remuneration paid to them during the fiscal year:

Name or corporate name	Position(s)
FRANCISCO MARTÍNEZ-BORDIÚ DE CUBAS	Chief Human Resources Officer
EDUARDO SAN MIGUEL GONZÁLEZ DE HEREDIA	Chief Financial Officer
ANA SÁNCHEZ HERNÁNDEZ	Chief Procurement Officer
MIGUEL PARADINAS MÁRQUEZ	Assistant General Manager
LAURA BRAVO RAMASCO	Secretary of the Board of Directors
ENRIQUE RUBÉN ALSINA MASSANA	Chief Corporate Development Officer
FELIPE REVENGA LÓPEZ	Chief Operating Officer
EMILIO GÓMEZ ACEVEDO	Chief Legal Officer
JOSÉ MARÍA GONZÁLEZ VELAYOS	Internal Auditor
ARTHUR W. CROSSLEY SANZ	General Manager of Upstream & Gas
CÉSAR SUÁREZ LEOZ	Energy Division Manager
Total senior management remuneration (thousands of euros)	4,761

The Company has granted loans and advances totalling 187 thousand euros to senior managers during fiscal year 2019.

C.1.15 Indicate whether any changes were made to the regulations of the board during the fiscal year:

[ ] Yes
[√] No

C.1.16 Indicate the procedures for the selection, appointment, re-election and removal of directors. Provide details of the competent bodies, the procedures to be followed and the criteria to be used in each of the procedures:

Article 23 of the Articles of Association stipulates that the Board of Directors will consist of at least 7 and at most 15 members, and the specific number will be determined at the Annual General Meeting.

With regard to the selection and appointment of directors, Article 17 of the Regulations of the Board stipulates that directors will be appointed by the General Meeting or the Board of Directors, in accordance with the provisions of the Companies Act. Proposals for the appointment and re-election of directors submitted by the Board of Directors for the consideration of the General Meeting and resolutions on appointments adopted by the Board by virtue of its legally assigned powers to appoint by co-option will in all cases be subject to the procedure and criteria for director selection set out in the Regulations of the Board. In this respect, any proposal must be preceded by:

(a) the corresponding proposal by the Appointments and Remuneration Committee, in the case of independent directors; and

(b) the corresponding proposal by the Board of Directors, in the case of other directors, which must also be preceded by a report from the Appointments and Remuneration Committee.

In addition, the proposal must in all cases be accompanied by a supporting document from the Board, evaluating the competence, experience and merits of the proposed candidate, which will be attached to the minutes of the General Meeting or the meeting of the Board.

At the same time, with respect to the appointment of external directors, Article 18 of the Regulations of the Board stipulates that the Board of Directors must ensure that candidates for appointment are persons with verified solvency, competence and experience, and must exercise due rigour in relation to the appointment of independent directors, in accordance with Article 6 of the Regulations.

In the case of the re-election of directors, in addition to the above requirements, Article 19 of the Regulations of the Board stipulates that before proposing the re-election of directors to the General Meeting, the Board of Directors, excluding the persons concerned, will evaluate the proposed directors' quality of work and dedication to duties during the preceding term of office.

In accordance with Article 20 ('Term of Office'), directors will serve on the board for a term of four years, without prejudice to the possibility that they may be removed before this time by the General Meeting. At the end of their term of office, they may be re-elected one or more times for terms of equal duration.

Directors' appointments will expire when, at the end of their term of office, the next General Meeting has been held or the legal deadline has passed for holding the General Meeting at which the previous year's accounts must be approved.

Any vacancies that arise may be filled by the Board of Directors by co-option, in accordance with the law. If vacancies arise after the General Meeting has been convened and before the date on which it is held, the Board will reserve its powers of co-option until the following General Meeting.

Directors appointed by co-option must have their positions ratified on the date of the first General Meeting immediately following their appointment.

Directors completing their mandate or retiring from office for any other reason may not be a director or hold an executive position in any other entity with the same corporate purpose as the Company for a period of two years. The Board of Directors, if it considers it appropriate, may release outgoing directors from this obligation or shorten its duration.

With respect to the removal of directors, Article 21 of the Regulations of the Board of Directors stipulates the following:

'1. Directors will cease their duties when the term of office for which they were elected has expired or as determined by the General Meeting in the exercise of its legally or statutorily assigned powers. In the case of independent directors, this will occur when they have held their position for an uninterrupted period of 12 years, as of the time that the Company's shares were first traded in the Securities Market.

2. Directors must offer their resignation to the Board of Directors and, if the Board considers it appropriate, formally tender their resignation in the following cases:

(a) when they no longer hold the executive position that was associated with their appointment as director;

(b) when they fall within the scope of cases of conflict of interest or prohibitions set out in law;

(c) when they have received a serious reprimand from the Board of Directors for breach of their obligations as directors;

(d) when their continued presence on the Board might jeopardise the Company's interests or when the reason for which they were appointed no longer holds (e.g., when a shareholder director disposes of their shares in the Company).

3. Directors must immediately inform the Board of any criminal charges brought against them and the outcome of any subsequent legal proceedings. As soon as they are charged with or ordered to stand trial for any of the offences indicated in Article 213 of the Companies Act, the Board must review the case and, in light of the specific circumstances and the potential effect on the Company's standing and reputation, decide whether to demand the director's resignation.'

C.1.17 Explain to what extent the board's annual evaluation has led to significant changes in its internal organisation and the procedures applicable to its activities:

Description of changes

With respect to the evaluation of directors, Article 5.6 of the Regulations of the Board stipulates that the Board of Directors must carry out an annual evaluation of its operation (based on the Report by the Appointments and Remuneration Committee) and that of its committees and their chairpersons, on the basis of which it will propose a plan of action to rectify any identified deficiencies. (The outcome of the evaluation will be entered in the minutes of the meeting or incorporated into the minutes as an annex.)

While the evaluation showed that the Board's composition, internal organisation, operation and frequency of meetings were satisfactory, the Company carried out various activities as a result of the annual evaluation of the Board. These included the acceptance during fiscal year 2019 of submissions related to various aspects of the Company (including submissions on the functioning of the Regulatory Compliance Unit and on the Group's insurance scheme).

Describe the evaluation processes and any areas assessed by the Board of Directors, where appropriate, assisted by an external consultant, with respect to the operation and composition of the board and its committees and any other areas or aspects that have been evaluated.

Description of the evaluation process and areas assessed

The 2019 evaluation of the various board committees was based on the reports that they submitted to the Board of Directors, while evaluation of the Board itself was based on the report by the Appointments and Remuneration Committee.

The process also included the administration of an assessment questionnaire for completion by all directors, which was analysed in order to obtain a unified result for the members of the Board of Directors.

During the evaluation process, the Board of Directors was assisted by the external consultants KPMG, who held interviews with Board members as part of the evaluation process.

The areas assessed during the Board's evaluation process included the following:

• the operational efficiency and composition of the Board of Directors;
• the operation and composition of its committees;
• the performance of the Chairperson of the Board of Directors and the performance and contribution of each director.

C.1.18 Provide a breakdown, for the fiscal years in which the evaluation has been assisted by external consultants, of any business relationships between the consultants or any company in their group and the company or any company in its group.

The external consultant KPMG Asesores, S.L. and other companies of the KPMG group have provided various services to the Company and other companies of his group during the year 2019 for a total amount of 523,435 euros. Among these additional services to assist in the evaluation of the performance of the directors and additional ones such as regulatory compliance advice, in application of the procedures of due diligence of the Company, as well as tax advice.

C.1.19 Indicate the circumstances under which directors are obliged to resign.

As indicated in Section C.1.16 above, in accordance with the provisions of Article 21.2 of the Regulations of the Board of Directors, directors must offer their resignation to the Board of Directors and, if the Board considers it appropriate, formally tender their resignation in the following cases:

(a) when they no longer hold the executive position that was associated with their appointment as director;

(b) when they fall within the scope of cases of conflict of interest or prohibitions set out in law;

(c) when they have received a serious reprimand from the Board of Directors for breach of their obligations as directors;

(d) when their continued presence on the Board might jeopardise the Company's interests or when the reason for which they were appointed no longer holds (e.g., when a shareholder director disposes of their shares in the Company).

Directors must immediately inform the Board of any criminal charges brought against them and the outcome of any subsequent legal proceedings.

As soon as they are charged with or ordered to stand trial for any of the offences indicated in Article 213 of the Companies Act, the Board must review the case and, in light of the specific circumstances and the potential effect on the Company's standing and reputation, decide whether to demand the director's resignation.

Likewise, Article 21.1 of the Regulations of the Board of Directors of the Company stipulates that the Company's external independent directors will retire from their positions 'when they have held their position for an uninterrupted period of 12 years.'

C.1.20 Are enhanced majorities, other than those stipulated by law, required for any type of decision?

[ ] Yes
[√] No

Where applicable, describe the differences.

C.1.21 Explain whether there are specific requirements, other than those relating to directors, for appointment as chairperson of the board of directors.

[√] Yes
[ ] No

Description of requirements

Article 8.2 of the Regulations of the Board of Directors of the Company stipulates that the Chairperson of the Board of Directors must be an executive director and their appointment requires a vote in favour by two thirds of the members of the Board of Directors.

C.1.22 Indicate whether the articles of association or the regulations of the board establish any age limit for directors:

[ ] Yes
[√] No

C.1.23 Indicate whether the articles of association or the regulations of the board establish a limited term of office or any other requirement that is more stringent than those established by law for independent directors, other than that set out in the regulations:

[ ] Yes
[√] No

Additional requirements and/or maximum number of years of service

C.1.24 Indicate whether the articles of association or the regulations of the board of directors establish specific rules on the appointment of proxies within the board of directors to act on behalf of other directors, how this is undertaken and, specifically, the maximum number of proxies that a director may have, and whether there is any restriction on the categories from which a proxy may be appointed, other than the restrictions imposed by legislation. Where applicable, briefly detail these rules.

Article 26 of the Articles of Association stipulates that any director may authorise, in writing, another director to be their proxy. Non-executive directors may only appoint another non-executive director as their proxy.

Article 16 of the Regulations of the Board of Directors stipulates that directors must do everything in their power to ensure that they attend Board meetings. When unable to attend in person, they will appoint another member of the Board as their proxy, in writing and specifically for each session, including the appropriate instructions and notifying the Chairperson of the Board of Directors. Notwithstanding the above, non-executive directors may only appoint another non-executive director as their proxy.

C.1.25 Indicate the number of meetings that the board of directors held during the fiscal year. Also indicate, where applicable, the number of times that the board met without the chairperson's attendance. Proxies with specific instructions will be considered as attendances:

Number of board meetings	9
Number of board meetings without the chairperson's attendance	7

The meetings which the Company's Chairperson was unable to attend during fiscal year 2019 were all chaired by the 1st Deputy Chairperson, in accordance with the provisions of Article 9.1 of the Regulations of the Board of Directors.

Indicate the number of meetings held by the lead independent director with the other directors, without the attendance or representation of any executive director:

Number of meetings	0

Indicate the number of meetings held by the board's various committees during the fiscal year:

Number of meetings of the Appointments and Remuneration Committee	7
Number of meetings of the Audit and Control Committee	9

C.1.26 Indicate the number of meetings that the board of directors held during the fiscal year and the attendance figures for its members.

Number of meetings attended in person by at least 80% of directors	9
% of in-person attendance out of total votes during the fiscal year	94.44
Number of meetings attended in person, or by proxies with specific instructions, by all directors	9
% of votes cast through in-person attendance and by proxies with specific instructions, out of total votes during the fiscal year	100.00

C.1.27 Indicate whether the annual stand-alone and consolidated financial statements submitted to the board are certified before being drawn up:

[√] Yes
[ ] No

Identify, where applicable, the person(s) who certified the company's stand-alone and consolidated financial statements before their submission to the board:

Name	Position
EDUARDO SAN MIGUEL GONZÁLEZ DE HEREDIA	Chief Financial Officer

C.1.28 Explain any mechanisms established by the board of directors to ensure that the stand-alone and consolidated financial statements which it has drawn up are not submitted to the general meeting with a qualified opinion in the audit report.

Article 39.3 of the Regulations of the Board of Directors stipulates that the Board must endeavour to draw up the financial statements so as to ensure that there are no grounds for the auditor to issue a qualified opinion. Nevertheless, when the Board considers that it must uphold an opinion, it will issue a public explanation of the content and scope of any discrepancies.

At the same time, the Audit and Control Committee will generally meet on a quarterly basis, for the purpose of reviewing the periodic financial reports that must be submitted to the authorities, together with the information that the Board of Directors must approve and include within its annual public reporting.

In this regard, Article 13.2 of the Regulations of the Board of Directors assigns the Audit Committee the following functions:

- Reviewing the Company's accounts and monitoring compliance with legal requirements and the correct application of accounting principles, with the direct collaboration of the internal and external auditors.
- Supervising the process of preparing and presenting the Company's mandatory financial reports and, where appropriate, submitting recommendations or proposals to the Board of Directors aimed at safeguarding integrity, verifying compliance with regulatory requirements and the correct application of accounting principles. Understanding, monitoring and verifying the adequacy and integrity of the Company's internal control systems, and reviewing the appointment or replacement of senior management.
- Supervising, on a regular basis, the efficiency of the Company's internal control system, the internal auditing and the risk management systems, as well as addressing, together with the auditor, any significant weaknesses in the internal control system detected during the audit, without undermining their independence. For this purpose, when appropriate, the Committee may submit recommendations or proposals to the Board of Directors and the corresponding timeframe for follow-up.
- Reviewing the periodic financial reports that, as a listed company, the Company must provide to the markets and their supervisory bodies, ensuring that interim accounts are drawn up using the same accounting principles as the annual financial statements.

C.1.29 Is the secretary of the board also a director?

[ ] Yes
[√] No

If the secretary is not a director, complete the following table:

Name or corporate name of the secretary	Representative
LAURA BRAVO RAMASCO	

C.1.30 Indicate the specific mechanisms established by the company to safeguard the independence of external auditors, as well as any mechanisms to safeguard the independence of financial analysts, investment banks and rating agencies, including how legal provisions have been implemented in practice.

Article 39 of the Regulations of the Board stipulates that the Audit and Control Committee must not propose to the Board of Directors and, in turn, the Board must not submit to the General Meeting the appointment as auditor of the Company's accounts of any auditing firm that falls within the scope of incompatibilities set out in current accounting legislation, nor any firms where the fees expected to be paid by the Company, for all services, are higher than five per cent of total income for the previous fiscal year.

The Audit and Control Committee is, therefore, responsible for maintaining the appropriate relationships with the Company's external auditors, receiving information on any issues that might undermine their independence and any other issues related to the performance of the auditing, as well as any other communications provided for in the auditing legislation and technical auditing standards, in accordance with Article 29(e) of the Articles of Association and Article 13.2 of the Regulations of the Board of Directors.

In addition, and for the purposes of safeguarding auditor independence, the Audit and Control Committee has agreed to limit the amount payable for services invoiced by the auditing firm for non-audit services.

At the same time, Article 38 of the Regulations of the Board governs the Company's relationships with the markets in general. In this regard, Técnicas Reunidas' relationships with financial analysts and investment banks, as well as other entities, is based on the principles of transparency and non-discrimination. The Company coordinates its dealings with these entities, managing both their requests for information and those from institutional and individual investors.

With regard to rating agencies, the Company is not subject to credit ratings.

C.1.31 Indicate whether the company changed its external auditor during the fiscal year. If so, identify the incoming and outgoing auditors:

[ ] Yes
[√] No

If there were any disagreements with the outgoing auditors, explain their basis:

[ ] Yes
[√] No

C.1.32 Indicate whether the auditing firm carries out any non-audit work for the company and/or its group and, where applicable, state the fees for this work and the percentage this represents of all fees invoiced to the company and/or its group:

[√] Yes
[ ] No

	Company	Companies in the group	Total
Fees for non-audit work (thousands of euros)	794	155	949
Fees for non-audit services/auditing fees (%)	37.54	7.33	44.87

C.1.33 Indicate whether the audit report on the financial statements for the previous fiscal year includes any reservations or qualified opinions. If applicable, indicate the explanations given to shareholders at the General Meeting by the chairperson of the audit committee on the content and scope of these reservations or qualified opinions.

[√] Yes
[ ] No

Explanation

The audit report on the financial statements for fiscal year 2018 includes no qualified opinions. Notwithstanding the above, the conclusion of the Independent Verification Report on the Statement of Non-financial Information, issued by PricewaterhouseCoopers, S.L. (PWC) dated 28 February 2019, does include a qualified opinion on the Group's omission of a country-by-country profit breakdown. The Company considers that this level of detail affects its commercial interests and decided instead to provide this information grouped into its main geographical areas of operation (Americas, Asia, Spain, Europe, Mediterranean and Middle East).

C.1.34 Indicate the number of consecutive fiscal years during which the current auditing firm has been auditing the company's stand-alone and/or consolidated annual financial statements. Likewise, indicate the percentage represented by the number of fiscal years for which the current auditing firm has been the auditor with respect to the total number of fiscal years in which the financial statements have been audited:

	Stand-alone	Consolidated
Number of consecutive fiscal years	3	3

	Stand-alone	Consolidated
No. of fiscal years of auditing by the current auditing firm/No. of fiscal years in which the company or its group has been audited (%)	15.79	15.79

For fiscal years 2017, 2018 and 2019, the Company has implemented a joint audit system for its annual accounts involving the audit firms PricewaterhouseCoopers and Deloitte. PricewaterhouseCoopers has audited the stand-alone and consolidated annual financial statements for all fiscal years since the Company's flotation (fiscal year 2006), while Deloitte has audited the stand-alone and consolidated annual financial statements for fiscal years 2017, 2018 and 2019.

C.1.35 Indicate and, where applicable, detail whether there is any procedure for ensuring that directors can obtain the information needed in sufficient time to prepare for meetings of the management bodies:

[√] Yes
[ ] No

Details of the procedure

In accordance with Article 26(a) of the Regulations of the Board, directors' duties include ensuring that they are informed and adequately prepared for the meetings of the Board and any delegated bodies to which they belong.

In this regard, the duties of the Secretary of the Board include providing the directors with the necessary advice and information, assisting the Chairperson in ensuring that the directors receive the relevant information for the performance of their duties sufficiently in advance and in the appropriate format, in accordance with the provisions of Article 10 of the Regulations of the Board.

Likewise, Article 23 ('Rights to information and powers of inspection') of the Regulations of the Board of Directors sets out the following procedure for directors to exercise their rights to information:

'1. Directors may request information on any aspect of the Company and examine its books, records, documents and other documentation. The right to information extends to the associate companies, provided this is possible.

2. Requests for information must be addressed to the Secretary of the Board of Directors, who will forward them to the Chairperson of the Board of Directors and the appropriate person at the Company.

3. The Secretary will advise the director of the confidentiality of the information requested and received and of their duty of confidentiality in accordance with the provisions of these Regulations.

4. The Chairperson may deny access to the information if they consider that: (i) it is not strictly necessary for the proper performance of the director's duties or (ii) its cost is unreasonable in view of the scale of the problem and the Company's assets and income.'

At the same time, Article 24 of the Regulations of the Board, which governs directors' assistance by experts, provides that external directors may request the hiring of legal advisers, accountants and financial or other experts, at the Company's expense. The request must relate to specific problems of a certain importance and complexity that arise during the performance of duties.

The decision to contract an external adviser must be reported to the Company's Chairperson and may be vetoed by the Board of Directors if it is ascertained that:

(a) it is not strictly necessary for the proper discharge of the duties assigned to the external directors;

(b) its cost is unreasonable in view of the scale of the problem and the Company's assets and income; or

(c) the technical assistance involved can be adequately provided by Company experts and specialists.

C.1.36 Indicate and, where applicable, detail whether the company has established rules obliging directors to report and, where appropriate, resign under circumstances that might harm the company's standing and reputation:

[√] Yes
[ ] No

Explain the rules

Article 21.2(d) of the Regulations of the Board of Directors stipulates that directors must offer their resignation to the Board of Directors and, if the Board considers it appropriate, formally tender their resignation when their continued presence on the Board might jeopardise the Company's interests or when the reason for which they were appointed no longer holds (e.g., when a shareholder director disposes of their shares in the Company).

In addition, Article 21.3 of the Regulations of the Board stipulates that directors must immediately inform the Board of any criminal charges brought against them and the outcome of any subsequent legal proceedings. As soon as they are charged with or ordered to stand trial for any of the offences indicated in Article 213 of the Companies Act, the Board must review the case and, in light of the specific circumstances and the potential effect on the Company's standing and reputation, decide whether to demand the director's resignation.

C.1.37 Indicate whether any member of the board of directors has informed the company that they have been charged with or ordered to stand trial for any of the offences indicated in Article 213 of the Companies Act:

[ ] Yes
[√] No

C.1.38 Provide details of any significant agreements that have been entered into by the company that will come into force or be modified or terminated in the event of a change in control of the company resulting from a takeover bid, and their effects.

The Company has not signed any agreements of this kind.

C.1.39 Identify, on an individual basis in the case of directors and on an aggregated basis in other cases, any agreements between the company and its directors, managers or employees that provide for compensation, guarantees or golden handshakes on their resignation or unfair dismissal, or if the contractual relationship is terminated because of a public takeover bid or other type of operation.

Number of beneficiaries	3
Type of beneficiary	Description of the agreement
Executive directors and senior management	(1) Executive directors: All executive directors' employment contracts provide for financial compensation in the event of their termination by the Company for reasons not related to breach of obligations. This payment is up to a maximum amount of the last two years of (a) the fixed remuneration, (b) the variable remuneration, and (c) the amounts received pursuant to any special Social Security agreements that may have been subscribed. (2) Senior managers: There is an agreement with directors which, in the event of unfair dismissal, provides that compensation would be determined through judicial proceedings. In the event of an objective dismissal, redundancy or other discharge deriving from a Company decision, the total amount for these 3 types of compensation would be 5,957 thousand euros.

Indicate whether the company or group bodies must be notified of and/or must approve these contracts, other than in the circumstances provided for by law. If yes, specify the procedures, circumstances provided for and the nature of the bodies responsible for their approval or notification:

	Board of directors	General meeting
Body authorising the clauses	√	

	Yes	No
Is the general meeting notified of the clauses?	√	

C.2 Committees of the board of directors

C.2.1 Provide details of all the committees of the board of directors, their members and their proportions of executive, shareholder, independent and other external directors:

Appointments and Remuneration Committee		
Name	Position	Category
FERNANDO DE ASÚA ÁLVAREZ	MEMBER	Other external director
ALFREDO BONET BAIGET	CHAIRPERSON	Independent director
JOSÉ MANUEL LLADÓ ARBURÚA	MEMBER	Shareholder director
JOSÉ NIETO DE LA CIERVA	MEMBER	Independent director
RODOLFO MARTÍN VILLA	MEMBER	Other external director

% of executive directors	0.00
% of shareholder directors	20.00
% of independent directors	40.00
% of other external directors	40.00

Explain the functions assigned to this committee, including any which are additional to those required by law, and describe its organisational and operational rules and procedures. For each of these functions, indicate the most important actions taken during the fiscal year and how each of its assigned functions has been implemented in practice, whether these are derived from the law, the articles of association or other corporate agreements.

The Committee’s main functions, procedures and rules of organisation and operation are set out in Article 30 of the Articles of Association and Article 14 of the Regulations of the Board.

The Chairperson of the Committee will be appointed by the Board of Directors from among its members for a four-year term and may be re-elected one or more times for terms of equal duration. The Chairperson must be an independent director.

In accordance with Article 14.2 of the Regulations of the Board of Directors and without prejudice to any other functions which might be assigned to it by the Board of Directors, the Committee's basic responsibilities include the following:

• Assessing the necessary competences, knowledge and experience of the Board of Directors. For this purpose, the Committee will define the required functions and skills for candidates for each vacant position and assess the time and dedication needed to perform their duties effectively.
• Establishing a representation target for the under-represented gender on the Board and issuing guidelines on how to reach this target.
• Submitting proposals to the Board of Directors nominating independent directors for appointment by co-option or submission to the decision of the Annual General Meeting, as well as proposals to the Annual General Meeting for the re-election or dismissal of these directors.
• Reporting on proposals designating natural persons to represent a director that is a legal entity.
• Reporting on proposals nominating other directors for their appointment by co-option or submission to the decision of the Annual General Meeting, as well as proposals to the Annual General Meeting for their re-election or dismissal.
• Proposing members for positions on each of the Committees, taking into account their knowledge, competences and experience and the tasks of each Committee.
• Reporting on proposals for the appointment and dismissal of the Company's senior managers and the basic terms and conditions of their contracts.
• Reporting to the Board of Directors on the appointment of its internal positions (Chairperson, Deputy Chairperson, Chief Executive Officer, where appropriate, and Secretary and Vice-Secretary).
• Examining and organising the succession of the Chairperson of the Board of Directors and the Chief Executive Officer of the Company and, where appropriate, making proposals to the Board of Directors to ensure the transition is orderly and well-planned.
• Proposing to the Board of Directors the remuneration policy for the directors and general managers or anyone in senior management who reports directly to the Board, the Executive Committee or the Chief Executive Officers, as well as individual remuneration and the remaining contractual conditions of the executive directors, ensuring that these are met.
• Formulating and reviewing the criteria governing the composition of the management team of the Company and its subsidiaries and for the selection of candidates, and informing the Board of Directors of the appointment or dismissal of managers reporting directly to the Board of Directors.
• Submitting proposals to the Board of Directors nominating senior managers reporting directly to the Board, with the aim of their appointment.
• Analysing, formulating and periodically reviewing proposals for policies on the recruitment, loyalty and dismissal of managers.
• Analysing, formulating and periodically reviewing proposals for policies on the remuneration of managers, considering their suitability and effectiveness.
• Reporting annually to the Board of Directors on the performance evaluation of the Company's senior management.
• Informing the Board of Directors about the systems for and the amount of annual remuneration for directors and senior management and preparing the information for inclusion in the annual public report on directors' remuneration.
• Ensuring transparency on remuneration.
• Informing the Board of Directors about transactions that involve potential conflicts of interest.
• Reporting on the appointments and removals of the Company's senior managers, as well as, where appropriate, proposing the basic conditions of the contracts that are entered into with them.

The Appointments and Remuneration Committee's most important activities during fiscal year 2019, and their corresponding implementation, were as follows:

(a) With respect to the appointment of directors and senior management:

The Committee proposed the appointment of Rodolfo Martín Villa as other external director of the Company and issued the corresponding mandatory report for submission to the Board of Directors. The report verified that the candidate has an outstanding academic background and extensive professional experience in both the public and private sectors.

At the same time, the Committee is fully aware of the need to ensure diversity among the members of the Board of Directors in terms of age, training and education, professional experience and gender, as well as the need to ensure that selection procedures encourage diversity and, in particular, that they facilitate the selection of a sufficient number of female directors to achieve a balanced participation of women and men. In this regard, the Committee is also aware of the need for reflection on the incorporation of more women on the Board, and this issue has been raised and evaluated at various meetings.

The Committee also received information from representatives of the Company's Human Resources Department, the International Human Resources Officer, the Compensation and Benefits Department and the Head of Personnel Administration about the Plan for Resource and Structure Optimisation, prepared by the Human Resources Department with the help of external consultants Ernst & Young and McKinsey, which is in turn part of the Optimisation Plan for personnel of pensionable age.

(Continued in Section H.)

Audit and Control Committee		
Name	Position	Category
PETRA MATEOS-APARICIO MORALES	CHAIRPERSON	Independent director
PEDRO LUIS URIARTE SANTAMARINA	MEMBER	Independent director
JOSÉ NIETO DE LA CIERVA	MEMBER	Independent director
JOSÉ MANUEL LLADÓ ARBURÚA	MEMBER	Shareholder director

% of executive directors	0.00
% of shareholder directors	25.00
% of independent directors	75.00
% of other external directors	0.00

Explain the functions assigned to this committee, including any which are additional to those required by law, and describe its organisational and operational rules and procedures. For each of these functions, indicate the most important actions taken during the fiscal year and how each of its assigned functions has been implemented in practice, whether these are derived from the law, the articles of association or other corporate agreements.

The Committee's main functions, procedures and rules of organisation and operation are set out in Article 13 of the Regulations of the Board and Article 29 of the Articles of Association, as follows:
The Chairperson of the Committee is elected by the Board from among the independent directors for a term that will not exceed 4 years, and must be replaced at the end of this term. They may be re-elected after a period of 1 year from their retirement from office.
Without prejudice to any other functions required by legal provisions or assigned at any time by the Board, the Committee's responsibilities will include:
• Reporting to the General Meeting on issues raised there concerning matters within its competence and, in particular, on the outcome of the audit, explaining how this has contributed to the integrity of financial reporting and the role the Committee has played in this process.
• Submitting proposals to the Board of Directors on the selection, appointment, renewal and replacement of the external auditor, as well as their contracting conditions, and regularly requesting information from the auditor about the audit plan and its implementation, in addition to safeguarding their independence in the performance of their duties.
• Reviewing the Company's accounts and monitoring compliance with legal requirements and the correct application of accounting principles, with the direct collaboration of the internal and external auditors.
• Supervising the process of preparing and presenting the Company's mandatory financial reports and, where appropriate, submitting recommendations or proposals to the Board of Directors aimed at safeguarding integrity, verifying compliance with regulatory requirements and the correct application of accounting principles. Understanding, monitoring and verifying the adequacy and integrity of the Company's internal control systems, and reviewing the appointment or replacement of senior management. Supervising, on a regular basis, the efficiency of the Company's internal control system, the internal auditing and the risk management systems, as well as addressing, together with the auditor, any significant weaknesses in the internal control system detected during the audit, without undermining their independence. For this purpose, when appropriate, the Committee may submit recommendations or proposals to the Board of Directors and the corresponding timeframe for follow-up.
• Establishing the appropriate relationships with the external auditors in order to gather information on any issues that might undermine their independence, for consideration by the Committee, and any other issues related to the performance of the audit and, when applicable, the authorisation of services other than those which are prohibited, as well as any other communications provided for in auditing legislation and auditing standards. In all cases, the Committee must receive from the external auditors an annual declaration of their independence from the Company and its directly or indirectly associated entities, as well as detailed and itemised information on any type of additional services provided to these entities and the corresponding fees received by the external auditor, or by persons or entities linked to them, in accordance with the provisions of regulatory legislation on auditing.
• Monitoring compliance with the audit engagement, ensuring that the opinion on the annual financial statements and the main contents of the audit report are drawn up clearly and accurately, as well as evaluating the results of each audit, receiving information on a regular basis from the external auditor about the audit plan and the outcome of its implementation, and verifying that recommendations are taken into account by senior management. The Committee will also ensure compliance with the current regulations on the provision of non-audit services, and restrictions on the auditor's business combinations, and in general, any other standards for ensuring auditor independence.
• Reviewing the periodic financial reports that, as a listed company, the Company must provide to the markets and their supervisory bodies, ensuring that interim accounts are drawn up using the same accounting principles as the annual financial statements.
• Issuing an annual report, prior to the issuance of the Audit Report, expressing an opinion on whether the independence of the auditor or

auditing firm has been jeopardised. This report will, in all cases, include a justified evaluation of the provision of every additional service, considered individually and in their entirety, separate from the statutory audit and related to the rules on independence and the regulations governing auditing.
• Verifying compliance with the Internal Code of Conduct, the Regulations of the Board and, in general, the Company's rules of governance, and making the necessary proposals for improvements.
• Understanding the fiscal policies implemented by the Company. In this regard, receiving information from the head of tax affairs on the fiscal policies implemented, prior to the drawing up of the annual financial statements and the submission of the Corporate Income Tax Return, and, where relevant, on the tax implications of corporate operations whose approval is subject to the Board of Directors.
• Monitoring and supervising compliance with the risk management policy, whether directly or through subcommittees created for this purpose.

(Continued in Section H.)

Identify any members of the audit committee who were appointed considering their knowledge and experience of accounting, auditing or both, and indicate the date of appointment of the current chairperson of this committee.

Name of the directors with experience	PETRA MATEOS-APARICIO MORALES PEDRO LUIS URIARTE SANTAMARINA JOSÉ NIETO DE LA CIERVA JOSÉ MANUEL LLADÓ ARBURÚA
Date of appointment of the current chairperson	31/07/2018

C.2.2 Complete the following table with information on the number of female directors on the committees of the board of directors at the end of the last four fiscal years:

	Number of female directors							
	FY 2019		FY 2018		FY 2017		FY 2016	
	Number	%	Number	%	Number	%	Number	%
Appointments and Remuneration Committee	0	0.00	1	20.00	0	0.00	0	0.00
Audit and Control Committee	1	25.00	0	0.00	0	0.00	0	0.00

C.2.3 Indicate, where applicable, whether there are any regulations governing the board's committees, where these regulations may be consulted and any changes made during the fiscal year. Likewise indicate whether any annual reports on the committees' activities have been drawn up on a voluntary basis.

The rules governing the organisation and functioning of the Audit and Control Committee and the Appointments and Remuneration Committee are included in the Articles of Association and the Regulations of the Board of Directors, which are available to view on the Company website (www.tecnicasreunidas.es), accessed by clicking on the 'Shareholders and Investors/Corporate Governance' tab in the 'Corporate Governance' section. During fiscal year 2019, the Company made no changes to the Regulations of the Board of Directors or the Articles of Association. Nevertheless, the Audit and Control Committee and the Appointments and Remuneration Committee have started work on the approval of two specific regulations to incorporate the National Securities Market Commission Technical Guide 3/2017 on audit committees at public interest entities and Technical Guide 1/2019 on appointments and remuneration committees, which will have to be coordinated with the corresponding revision of the Regulations of the Board of Directors.

The Audit and Control Committee and the Appointments and Remuneration Committee draw up reports on their activities and operation during the fiscal year, which are made available to shareholders at the time of the Annual General Meeting.

D. INTRAGROUP AND RELATED-PARTY TRANSACTIONS

D.1 Explain, where applicable, the procedure and the competent bodies responsible for approving intragroup and related-party transactions.

Article 5 of the Regulations of the Board of Directors stipulates the following:

'Except in matters which are exclusively the competence of the General Meeting, the Board of Directors is the Company's highest-level decision-making body, and will assume the powers legally reserved for its direct attention, as well as any others necessary for its responsible exercise of general oversight, including, but not limited to, the functions assigned to it by the Companies Act and, in particular, the non-delegable functions set out below.

(…)

(xii) the approval, subject to a report from the Audit and Control Committee, of transactions that the Company, or companies in its group, carries out with directors or with shareholders with a significant stake, whether individually or jointly with others, including shareholders represented on the Board of Directors, in the Company or other companies in its group or with persons related to them ('related-party transactions').

The directors concerned, or who represent or are linked to the shareholders concerned, must not participate in any deliberations or voting on the resolution in question.

Authorisation from the Board of Directors is not necessary, however, for related-party transactions that simultaneously meet the following three conditions:

1. They are carried out under contracts whose terms are standardised and are applied en masse to a large number of clients.

2. That they involve market prices or rates which are established on a general basis for whoever may act as a supplier of the goods or services concerned.

3. Their amount does not exceed one per cent (1%) of the Company's annual revenue.

Approval of related-party transactions requires prior approval from the Audit and Control Committee. In addition to neither exercising nor delegating their right to vote, the directors concerned must leave the meeting room while the Board of Directors deliberates and votes.'

At the same time, Article 13.2 of the Regulations of the Board stipulates that, without prejudice to any other duties that may be assigned to it at any time by the Board of Directors, the Audit and Control Committee is responsible for reporting to the Board in advance of its adoption of the corresponding decisions on related-party transactions.

In addition, Article 35 ('Transactions with significant shareholders') of the Regulations of the Board stipulates that any transaction made by the Company with directors and significant shareholders will be subject to a report by the Audit and Control Committee and to authorisation by the Board of Directors. Before authorising any transaction of this nature by the Company, the Board of Directors will evaluate the transaction from the standpoint of equal treatment of shareholders and market conditions.

In addition, the Company engaged the services of a leading third-party advisor (Gómez Acebo & Pombo) in relation to the Company's related-party transactions during fiscal year 2019, who have drawn up the corresponding report.

D.2 Provide details of any transactions that are significant by reason of their amount or material relevance which have been carried out between the company or entities in its group and the company's significant shareholders:

Name or corporate name of the significant shareholder	Name or corporate name of the company or entity in the group	Nature of the relationship	Type of transaction	Amount (in thousands of euros)
No data				N/A

D.3 Provide details of any transactions that are significant by reason of their amount or material relevance which have been carried out between the company or entities in its group and the company's directors or managers:

Name or corporate name of the director or manager	Name or corporate name of the related party	Link	Type of transaction	Amount (in thousands of euros)
JOSÉ NIETO DE LA CIERVA	Banco de Sabadell, S.A.	José Nieto de la Cierva is the Managing Director of Banco de Sabadell, S.A.	Financing agreements: loans	10,000
JOSÉ NIETO DE LA CIERVA	Banco de Sabadell, S.A.	José Nieto de la Cierva is the Managing Director of Banco de Sabadell, S.A.	Guarantees	77,000
JOSÉ NIETO DE LA CIERVA	Banco de Sabadell, S.A.	José Nieto de la Cierva is the Managing Director of Banco de Sabadell, S.A.	Other	32,323
JOSÉ NIETO DE LA CIERVA	Banco de Sabadell, S.A.	José Nieto de la Cierva is the Managing Director of Banco de Sabadell, S.A.	Interest paid	22
JOSÉ NIETO DE LA CIERVA	Banco de Sabadell, S.A.	José Nieto de la Cierva is the Managing Director of Banco de Sabadell, S.A.	Interest charged	781

The Company's transactions with Banco de Sabadell, S.A. as of 31/12/2019 were as follows:

- Credit facility, not used: 5,000 thousand euros.
- Syndicated credit facility: 5,000 thousand euros (1,800 thousand euros of which used).
- Financial guarantees: 47,000 thousand euros (22,688.88 thousand euros of which used).
- Syndicated guarantees: 30,000 thousand euros (29,067.39 thousand euros used).
- Cash and other cash equivalent products: 32,323.20 thousand euros.
- Interest and commission paid: 780.50 thousand euros.
- Interest paid 21.59 thousand euros.

D.4 Provide details of any relevant transactions carried out by the company with other entities belonging to the same group, provided these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's normal business in terms of their purpose and applicable conditions.

In all cases, report on any intragroup transaction carried out with entities based in countries or territories considered tax havens:

Corporate name of the entity in the group	Brief description of the transaction	Amount (in thousands of euros)
No data		N/A

D.5 Provide details of any significant transactions carried out between the company or entities in its group and other related parties which have not been reported in the sections above:

Corporate name of the related party	Brief description of the transaction	Amount (in thousands of euros)
No data		N/A

D.6 Provide details of the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, managers or significant shareholders.

The Regulations of the Board of Directors and the Internal Code of Conduct govern the mechanisms established for detecting and regulating potential conflicts of interest.

In relation to directors, the mechanisms established to detect possible conflicts of interest are regulated in the Regulations of the Board of Directors. Article 29 of the Regulations of the Board of Directors stipulates that directors must report the existence of any conflicts of interest to the Board and refrain from attending or participating in any deliberations on matters in which they have a personal interest. It is also considered that directors have a personal interest when the matter affects any of the following persons:

- their spouse or the person with whom they have an equivalent personal relationship;
- the ascendants, descendants and siblings of the director or the director's spouse;
- the spouses of the ascendants, descendants and siblings of the director;
- the companies in which the director, whether on their own part or through an agent, falls within any of the situations set out in the first paragraph of Article 42 of the Commercial Code.

When the director is a legal entity, the following will be considered related parties:
- partners who fall, with respect to the legal entity, within any of the situations set out in the first paragraph of Article 42 of the Commercial Code;
- directors, whether de facto or de jure, liquidators and legal representatives with general power of attorney of the legal entity;
- companies that belong to the same group and their partners or shareholders;
- persons who, with respect to the representative of the legal entity, are considered related parties in accordance with the provisions of the paragraph above.

In addition, the Regulations of the Board set out other obligations relating to directors' duty to avoid conflicts of interest, including the following:

- Article 28 ('Non-compete obligation') stipulates that directors may neither hold administrative or management positions in companies pursuing activities that are identical, analogous or complementary to the Company's nor perform activities on their own or another entity's account which effectively entail actual or potential competition with the Company or which will in any other way place them in a permanent conflict of interest with the Company, unless expressly authorised by the Company, by resolution of the General Meeting, under the terms established in the law and with the exception of the positions that may be held in group companies. Notwithstanding the above, directors may provide professional services to entities with a corporate purpose wholly or partly analogous to the Company's, provided that they inform the Board of Directors in advance of their intention. The Board may refuse to authorise this activity, stating their reasons.
- Article 30 ('Use of Company assets') of the Regulations stipulates that directors may not make use of the Company's assets, including the Company's confidential information, nor use their position in the Company to gain financial advantage unless they have obtained the corresponding exemption or authorisation from the Company under the conditions established by law.
- Article 32 ('Business opportunities') stipulates that directors may not, whether for personal gain or for a related party under the terms set out in Article 29 of the Regulations, take advantage of a Company business opportunity, unless they have obtained the corresponding exemption or authorisation from the Company under the conditions established by law. For the purposes of the above, a business opportunity is understood as any opportunity to make an investment or commercial transaction that has arisen or come to light in connection with the director's discharge of their duties, or through the use of the Company's resources or information, or under circumstances whereby it would be reasonable to believe that an offer from a third party was in reality addressed to the Company.
- Article 33 ('Indirect transactions') of the Regulations of the Board stipulates that directors will infringe their duty of loyalty to the Company if, with advance knowledge, they allow or do not disclose the existence of transactions by the persons referred to above and indicated in Article 29.1 of the Regulations which have not been subject to the conditions and controls set out in the articles above.

In special cases, the Company may authorise a director to carry out a transaction with the Company, provided this authorisation is agreed at the General Meeting or by the Board, in accordance with the provisions of Article 230 of the Companies Act.

In addition, directors must inform the Company of any positions they hold on Boards of Directors of other listed companies and, in general, of any facts, circumstances or situations that might be relevant in relation to their activities as a director of the Company.

With regard to senior managers, the mechanisms established for detecting and regulating potential conflicts of interest are governed by the Internal Code of Conduct, which are also applicable to directors. Article 11 of the Internal Code of Conduct stipulates that persons subject to its provisions and insiders must at all times act with freedom of opinion, loyalty to the Company and its shareholders, and irrespective of their own or third party interests. They must not, therefore, prioritise their own interests at the expense of the Company's or the interests of some investors at the expense of others'. They must abstain from intervening in or influencing decisions that may affect persons or entities with whom there is a conflict of interest, and from accessing confidential information that affects this conflict of interest.

(Continued in Section H.1.)

D.7 Is more than one of the companies in the group listed on the Spanish securities markets?

[ ] Yes
[√] No

E. RISK MANAGEMENT AND CONTROL SYSTEMS

E.1 Explain the scope of the company's risk management system, including fiscal risk:

At the request of the Audit and Control Committee, the Group has created a catalogue of key risks, described in Section E.3 and drawn up in accordance with COSO 2013 methodology.

Técnicas Reunidas ('TR') has implemented risk management policies, which include the following measures:

- Risks related to project cost variations

There are multiple factors which can lead to variations in cost estimates for turnkey projects (the total price is fixed at the start of the project, while implementation costs may undergo deviations). These include price fluctuations in raw materials, changes in the scope of projects, timeliness and performance quality with respect to construction and assembly subcontractors, litigation by clients and suppliers, geopolitical-nature decisions with immediate effect and weather conditions.

The evaluation of all these factors requires a high level of judgment and estimation.

Failure to meet deadlines may lead to compensation to the client.

Control and management mechanisms:

• Development of new contracting methods to mitigate risks.
• Inclusion of indemnity clauses in contracts with suppliers and subcontractors.
• Intensive acquisition, during the first months of implementation, of any equipment which is both critical and very sensitive to the price of raw materials.
• Use of derivatives that enable certain essential raw materials and equipment to be purchased by instalments.
• Distribution of the execution of the work between several subcontractors and incorporation of subcontractors as project partners.
• Increase in supervision of construction and assembly contractors.
• Inclusion in budgets of a contingency for deviations.
• Use of guidance from external advisers in the preparation of estimates and judgments.

• Close monitoring of project execution deadlines to detect delays, which allow the implementation of mechanisms to accelerate and mitigate the risk of penalties.

- Risks related to crude oil price fluctuations

The price of crude oil is one of the factors that affects decisions on investment, contract procedures and project implementation by the Group's clients, as well as suppliers, competitors and partners.

Recent declines in crude oil prices have pressured clients to offer worse payment terms and be more demanding in the negotiation of changes of scope and claims.

The group's commercial activity is dependent on investment by our clients.

Control and management systems:

• Predominance of NOCs (National Oil Companies) over IOCs (International Oil Companies) in the portfolio (since these companies include factors besides those which are purely economic, such as geopolitical and social criteria, in their decision-making processes).
• Diversification of products and geographical areas.
• Mitigation of risks with clients and suppliers through the early detection of issues that may involve modifications to the contract price.

- Risks related to the implementation of projects in multiple geographical areas

TR's projects are implemented in multiple geographical areas, each with a different risk profile to mitigate, including political and social tensions, locations with restricted access, limited legal certainty, local content requirements, fiscal pressure growth in all geographies in which the Group develops its activity or complexity of the process of assigning margins in projects developed simultaneously in multiple geographies.

The implementation of projects for the first time in a particular geographical area increases the risk of deviations in margins.

Control and management systems:

• Project selection based on a detailed analysis of the client, our previous experience in each geographical area and other aspects such as project-specific margins and risks.
• Use of modular construction schemes in geographical areas where labour shortage or site conditions allow savings compared to other options.
• Inclusion in contracts, whenever possible, of referral of disputes to courts or arbitrators in countries in which TR has experience.
• Inclusion in contracts, whenever possible, of clauses that allow price revisions in the event of amendments to the law.
• Flexibility to adapt to local content requirements.
• Development of BEPS policies.
• Internal Manual of Fiscal Risks of the Group that establishes the fiscal strategy and the internal procedures of management of fiscal risks of the Group, including training actions and internal investigation plans.
• In the bid phase, fiscal strategies that minimize risk are defined with the assistance of local advisors, even in regular Group markets.
• In the execution phase, the tax settlements submitted are supervised, with the support of local advisors and events or deviations are identified with respect to the initial strategies with the objective of correcting them with the support of the area of operations.

(Continued in Section H.1.)

E.2 Identify the company bodies that are responsible for the development and implementation of the risk management system, including fiscal risk:

Article 5 of the Regulations of the Board of Directors states that the Board is responsible for the approval of the risk management and control policy, including fiscal risk management, as well as the regular monitoring of the systems for internal control and reporting.

In accordance with Article 13 of the Regulations of the Board of Directors, the Audit and Control Committee is responsible for supervising the effectiveness of the systems for internal control and financial risk management. It is also responsible for supervising the process of preparing and presenting the financial reports, safeguarding integrity, and reviewing and verifying the effectiveness of the Group's internal control system. The Audit and Control Committee may be assisted by internal and external auditors in the performance of its functions.

E.3 Indicate the main risks, including tax risks and, to the extent that they are material, any corruption-related risks (as understood within the scope of Royal Decree Law 18/2017), with potential impact on the achievement of business objectives:

The main risks are as follows:

- Project cost variations.
- Crude oil price fluctuations.
- Implementation of projects in multiple geographical areas.
- Concentration on a small number of clients.
- Environmental and safety requirements.
- Economic variables.
- Information technology.

E.4 Identify whether the entity has levels of risk tolerance, including tax risk:

Given that the group's main area of business is the construction of oil and gas plants in multiple geographies via EPC contracts, for each contract in the bidding or implementation phase, risk assessment measures are systematically applied within the framework of internal risk control and management procedures:

(a) Project analysis and bidding phase - (i) The procedure begins with a risk identification process, during which the budget department and the technical office identify and evaluate the technical risks involved in engineering, supply and construction activities. The contracts department reviews the draft client contracts and draws up a report on any problematic issues or omissions. The corporate development team then takes an initial decision regarding any appropriate modifications to the proposal. (ii) Next is the process for evaluating and, where appropriate, approving contingencies, during which the corporate development team reviews the technical proposal and the report on the contracts, adjusts the risks and contingencies from the perspective of commercial risks and draws up a draft proposal. The executive committee then reviews the draft proposal and, where appropriate, validates it and sets the final price. (iii) The next step is the process for negotiating the final contract, during which the client is sent the proposal and the comments on the draft contracts, new versions of the contracts are reviewed and discussed with the client and, finally, the final versions of the contracts are submitted to the executive committee. The executive committee then reviews and, where appropriate, accepts the final versions of the contracts and approves the proposal.

(b) Project implementation phase - (i) Throughout the implementation of a project, a risk monitoring process is in place, during which the team in charge of the project monitors the development of any risks identified in the contractual documents and identifies any new risks that may arise. The team and the project leader submit the relevant information to the Group's management, since it is the project leader's responsibility to report to management on the project's progress and risk monitoring. (ii) Next is the process for analysing deviations, during which the project team analyses the probability of risks occurring and their potential impact, applying attested criteria and situational analysis. The project team ranks the risks according to their degree of probability and identifies those that require decision-making or the adoption of corrective measures. (iii) The final step is the process of adopting corrective measures, during which the project team identifies and analyses the causes underlying probable contingencies, evaluates alternative measures, estimates the cost of each measure and selects the specific measure to adopt.

E.5 Indicate any risks, including fiscal risks, which have materialised during the fiscal year:

Risks associated with the fulfilment of contractual conditions.

The Company has incurred deviations in margins deriving from the structure of turnkey projects, which fixes the selling price but leaves open the potential costs associated with plant construction.

The Company has incurred costs arising from the agreement reached with the AEAT Tax Inspection office for fiscal years 2012-2014.

E.6 Explain the plans for response to and monitoring of the entity’s main risks, including fiscal risk, as well as the procedures followed by the company to ensure that the board of directors can respond to any new challenges which arise:

Técnicas Reunidas’ structure is organised into various divisions, each with its own sphere of responsibility for risk management with regard to the Company’s activities.

Within the Operations Department, the Department of Planning, Cost Control, and Risk and Opportunity Management is responsible for establishing the processes for implementing risk and opportunity (R&O) management during: (1) the proposal phase of a project until its award; (2) the OBE phase of a project until its conversion; (3) the implementation phase of a project, from the time the contract is signed until its completion (according to the terms of the contract). R&O management for projects includes the processes related to planning R&O management, and the identification, analysis and response to risks and opportunities and their monitoring, supervision and control during the project.

The Finance Department is responsible for the implementation of the ICFR, controlling the process of drawing up and correcting the stand-alone and consolidated financial statements contained in the published reports and ensuring that they are accurate, complete and clear.

In accordance with Article 13 of the Regulations of the Board of Directors, the Audit and Control Committee is responsible for supervising the effectiveness of the systems for internal control and risk management. It is also responsible for supervising the process of preparing and presenting the financial reports, safeguarding integrity, and reviewing and verifying the effectiveness of the Group’s internal control system. The Audit and Control Committee may be assisted by internal and external auditors in the performance of its functions.

The risk management systems undergo constant review with regard to the Company’s activities.

In addition, the Company has implemented a Lessons Learned policy which enables, at the conclusion of each project, the identification of any erroneous aspects of the project’s implementation and the establishment of optimal procedures for application in similar situations in the future.

Finally, the Company is developing guidelines on Recommended Practices in Counterparty Risk Assessment, which contain various recommendations and procedures to be implemented based on the estimated risk associated with the Company’s counterparties.

F. SYSTEMS FOR RISK MANAGEMENT AND INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms comprising the entity’s systems for risk management and internal control over financial reporting (ICFR).

F.1 **Entity’s control environment**

Provide information on the following, indicating their main characteristics:

F.1.1 The bodies and/or functions that 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 Regulations of the Board of Directors stipulates that it is the Board's responsibility to approve the risk management and control policy and to periodically monitor the systems for internal control and reporting. The Board of Directors is therefore ultimately responsible for the existence of an adequate and effective system for Internal Control over Financial Reporting (ICFR).

In accordance with Article 13 of the Regulations of the Board of Directors, the Audit and Control Committee is responsible for supervising the effectiveness of the Company’s systems for internal control, internal auditing and risk management, as well as addressing, together with the auditor, any significant weaknesses in the internal monitoring system detected during the audit, all without undermining their independence. The Audit and Control Committee may be assisted by internal and external auditors in the performance of its functions, as well as the regular cooperation of the Regulatory Compliance Unit.

In this respect and in relation to its responsibilities for supervising risk management and control, the Audit and Control Committee takes into account the criteria of the supervisory bodies in the prevention of corruption and other irregular practices, as well as in the identification, management and control of potential associated impacts, acting in this respect with the utmost rigour.

Senior management, through the Finance Department, is responsible for the implementation of the ICFR, controlling the process of drawing up and correcting the stand-alone and consolidated financial statements included in the published reports and ensuring that they are accurate, complete and clear.

F.1.2 Where applicable, with particular regard to the process for drawing up the financial reports, the following elements:

- Departments and/or mechanisms responsible for: (i) designing and reviewing the organisational structure; (ii) clearly defining the areas of responsibility and authority, and the appropriate distribution of tasks and functions; and (iii) ensuring that there are procedures in place for their correct dissemination within the entity.

The Board of Directors is the body responsible for designing and reviewing the Group's organisational structure. This organisational structure includes mechanisms for defining the internal control structure, and the Group's Finance and Operations Departments are responsible for implementing internal controls over the key processes for both operations and financial reporting.

The Operations Department, through the Department of Standardisation and Procedures, issues the procedures for regulating the different processes associated with project management, including engineering, procurement, construction and project control. The Project Risk and Control Department is responsible for coordinating the management of information received from the different corporate areas. Audits are conducted periodically to ensure that these procedures are properly implemented.

The Finance Department is responsible for the various transition processes from the information reported by Operations Department to the drawing up of the financial and accounting information, ensuring the accuracy and integrity of the information. Audits are conducted periodically to ensure that these procedures are properly implemented.

- Code of conduct, approval body, level of dissemination and training, principles and values included in the code (indicate whether there are specific references to the audit log and financial reporting), body responsible for analysing non-compliance and proposing corrective actions and sanctions:

Técnicas Reunidas' Code of Conduct (the 'Code of Conduct') has been in force throughout 2019, and the Company has carried out specific training actions on its content. The body responsible for its approval is the Board of Directors, and the document is available on the Company website at www.tecnicasreunidas.es. The Company has disseminated this document to all persons subject to its provisions by means of specific emails. It has also carried out online training actions on the Code of Conduct.

The principles and values which form the basis of the Code of Conduct and which establish the model values for Técnicas Reunidas' behaviour when dealing with stakeholders include integrity, professionalism, respect for the law, human rights and civic values, quality and innovation, client orientation, professional development, non-discrimination, equal opportunities and respect for the environment.

The Code of Conduct includes specific references to the audit log and financial reporting in Section 4.1.5, cited below as regards this matter.

'The TR Group considers information and knowledge an essential asset for the management of its business, which thus require special protection.

Likewise, the Group declares that veracity of information (particularly with regard to financial reporting, which will faithfully reflect the true economic and financial situation and equity of the Group) will be one of the guiding principles for all its actions.

The Group's employees will share and communicate, in a transparent and truthful manner, any information that they must transmit, whether internally or externally, and will, under no circumstances, knowingly provide or introduce into the computer systems incorrect or inaccurate information, or in any way mislead the recipient of the information.

Likewise, all TR Group economic transactions must be accurately and clearly reflected in the corresponding audit log, in accordance with the applicable international financial reporting standards.'

The Company has a compliance officer, who is responsible for analysing non-compliance and proposing corrective actions and sanctions.

Compliance policies

In order to enhance the dissemination of the values and principles of its Code of Conduct and engagement among its workforce and business partners, Técnicas Reunidas has implemented various policies, procedures and training and awareness-raising programmes to help them understand the behaviour that is expected of them in the undertaking of their activities.

Due diligence

Técnicas Reunidas has strengthened its due diligence procedures within its supply chain and subcontracting, including its third-party prequalification and approval processes prior to establishing business relationships, the corresponding integrity analyses that enable early identification and/or prevention of potential risks, and their subsequent and continuous monitoring.

- Whistleblowing mechanism for reporting concerns to the audit committee about possible improprieties in matters of financial reporting or accounting, as well as possible non-compliance with the code of conduct and irregular activities within the organisation, indicating whether this is confidential:

The Code of Conduct has implemented a whistleblowing mechanism for this purpose, enabling the reporting of issues in matters of financial reporting or accounting, as well as possible non-compliance with the code of conduct and irregular activities within the organisation. This whistleblowing mechanism is confidential.

- Training programmes and regular updating of skills for personnel involved in drawing up and reviewing the financial information and evaluating the ICFR, covering at least accounting standards, auditing, internal control and risk management:

Training courses are planned and carried out on an annual basis for personnel involved in drawing up and reviewing the financial reports, including programmes for updating of accounting standards, as well as other processes to improve understanding of the management of financial information. In fiscal year 2019, various training sessions were provided specifically for personnel who are intrinsically involved in financial reporting.

In addition, within the framework of the Group's global training implemented by the Human Resources Department, specific courses are provided for relevant personnel from the operational areas involved in processes that may impact on the Company's and the Group's financial reporting.

F.2 Risk assessment for financial reporting

Provide information on at least the following:

F.2.1 The main characteristics of the risk identification process, including risks related to error or fraud, indicating:

- Whether any process is in place and is documented:

At the request of the Company's Audit and Control Committee, the Group has compiled a catalogue of key risks, which includes those that may impact on the internal control of financial information. This catalogue was created using the COSO 2013 methodology. The similarity of the projects carried out over time and the relatively small number of contracts gives rise to a certain degree of stability in the catalogue of key risks in relation to the internal control of financial reporting.

During the process of adapting the ICFR to the recommendations of the National Securities Market Commission (CNMV), the traceability between the Group's catalogue of key risks with impacts on financial reporting and the key business processes with potential impact on the financial statements was monitored, and it was verified that most of the key risks impact on and/or are managed in the processes within the scope predicted.

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

The Group has defined the activities and processes covering transactions with potential impact on the financial statements, as well as their associated objectives and risks, the existing controls and the procedures associated with these controls.
The process encompasses all financial reporting objectives (existence and occurrence, integrity, evaluation, presentation, breakdown and comparability, and rights and obligations).

- Whether there is a process for identifying the scope of consolidation, taking into account aspects including the possible existence of complex business structures or special purpose vehicles:

The consolidated Group has no complex business structures or special purpose vehicles. Consequently, this is not considered to pose a risk to the financial reporting. Nevertheless, the Finance Department reviews the scope of consolidation on a quarterly basis and the external auditors review it every six months.

The accounting treatment corresponding to the Group's different entities as subsidiaries, associate companies or jointly controlled entities is in accordance with the Group's regulations and is reviewed by the Finance Department and the external auditors.

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

The internal control of operations requires various types of risk assessment (legal, technical, environmental, etc.). The financial reporting process draws information from the information system for the control of operations, which incorporates the appropriate evaluation of these risks.

- The governing body that supervises the process:

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

Transactions which are not linked to regular operations are subject to detailed analysis by the Group's senior management, who may request assistance from third-party experts when necessary.

F.3 **Control activities**

Indicate whether the following are in place and describe their main characteristics:

F.3.1 Procedures for reviewing and authorising the financial reports and the description of the ICFR, for reporting to the stock markets, indicating those responsible, as well as documentation describing the flows of activities and controls (including those related to fraud risk) of the different types of transactions with potential material effects on the financial statements, including the procedure for closing the accounting period and specific review of the relevant judgments, estimates, evaluations and forecasts.

The Company's senior management, mainly through the Finance Department, is responsible for reviewing the financial information. The stand-alone and consolidated annual financial statements and the half-yearly financial statements are reviewed by the Audit and Control Committee, with the assistance of the external auditors, who offer their recommendations. The executive directors review and approve the annual financial statements, whose subsequent drawing up is the responsibility of the Board of Directors. The financial information for the first and third quarters is also subject to review by the Audit and Control Committee. The Audit and Control Committee is responsible for supervising the ICFR, with the assistance of the Company's internal and external auditors.

The Group has procedures and controls in place on the activities and processes covering the main transactions with potential impact on the financial statements, including:

Operations Department and Project Risk and Control Department

• Project estimates and implementation, including engineering design, procurement management, construction and cost control (results forecasts and determination of project progress).

Finance Department

• Exchange management.
• Treasury management.
• Management of invoicing and collection.
• Taxation.
• Reporting and consolidation.

Procedures that are considered essential include a detailed description of the activities and sub-activities, and the way in which they must be carried out. The different levels of responsibility associated with the performance of the various activities are also defined. The general work instructions (GWIs) or procedures drawn up by the Company for internal control purposes are available on the Group's corporate intranet.

The Finance Department uses the necessary accounting criteria included in the Accounting Policy Guidelines and the IFRS for the preparation of its estimates for the Operations Department.

F.3.2 Internal control procedures and policies for information systems (including secure access, change tracking and implementation, business continuity and segregation of duties) that support the entity's significant processes in relation to the preparation and publication of financial information.

Técnicas Reunidas uses the SAP system (Systems, Applications and Products in data processing) for compiling financial information. The SAP system falls within the scope of the Company's Information Security Management System, which is certified according to international standard ISO/IEC 27001:2005. System access is protected by individually assigned secure access codes which are changed on a quarterly basis.

Currently, there are development, testing and production environments in the SAP system. Any changes to the system's programs or parameters are made in the development environment and then moved to the test environment. Once validated, they are moved to the production environment. In this way, every change in the system is logged during the process of moving it to the production environment.

The documentation related to the SAP system, which is part of the Information Security Management System currently in place, is as follows:

• the Information Security Policy;
• the Information Security Management System Guidelines;
• the procedures for monitoring access, changes, operations, business continuity and segregation of duties in IT.

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

The Group also uses specific applications for the processes involved in the materials management and procurement cycle, the control of activities and the planning and consolidation of the financial statements. There are also security policies, access control and business continuity guarantees in place.

F.3.3 Internal control procedures and policies for supervising the management of outsourced activities, as well as aspects related to evaluation, calculation or assessment entrusted to independent experts, with potential material effects on the financial statements.

At 2019 fiscal year end, there were no outsourced activities or processes with potential material effects on the drawing up of the financial statements. The services of independent experts have been engaged for the performance of evaluations, calculations or assessments with potential material effects on the financial statements, primarily those related to the evaluation of employment-related liabilities or disputes. In these cases, the services are provided by specialist firms of recognised standing. The Legal Department supervises the evaluations carried out by third parties.

F.4 **Information and communication**

Indicate whether the following are in place and describe their main characteristics:

F.4.1 A specific service responsible for defining and updating accounting policies (accounting policy division or department) and resolving queries or conflicts arising from their interpretation, maintaining the flow of communication with those responsible for operations within the organisation, as well as up-to-date guidelines on accounting policies that are distributed to the entity's operating units.

The Accounting and Consolidation Unit, which reports to the Finance Department, is responsible for identifying, defining and updating the Group's accounting policies and for answering queries and settling conflicts arising from their interpretation. During fiscal year 2019, the impact assessment on the implementation of the IFRS 9 and IFRS 15 accounting standards was analysed. The Group has up-to-date Accounting Policy Guidelines which are regularly reviewed by the external auditors. The subsidiaries are informed of the accounting policies and any changes that might apply to them through regular internal meetings. Likewise, the Finance Department is responsible for reporting any changes made to the Accounting Policy Guidelines to the Audit and Control Committee.

The Group's financial reporting control policy includes the performance of mandatory or voluntary external audits on almost all the subsidiaries which comprise the scope of consolidation, even when these are not significant subsidiaries. These audits are entrusted to international firms of recognised standing.

F.4.2 Mechanisms for collecting and preparing financial information in standardised formats that are applied and used by all units in the entity or group, and that support the main financial statements and notes to the financial statements, as well as detailed information on the ICFR.

The process for consolidation and preparation of the financial information is centralised. The centralised information system for financial reporting, which is managed directly by the Group's Finance Department, covers 80% of the Group's turnover. The remaining financial reporting derives from financial statements reviewed by the external auditors, and the Finance Department is responsible for their standardisation. The Group also has control mechanisms in place to ensure that the financial reporting includes all the breakdowns required for their accurate interpretation by the markets.

F.5 Supervision of the operation of the system

Provide information on the following, indicating their main characteristics:

F.5.1 Supervisory activities on the ICFR carried out by the audit committee, as well as whether the entity has an internal audit service whose responsibilities include assisting the audit committee with the task of supervising the internal control system, including the ICFR. Also provide information on the scope of the ICFR evaluation performed during the year and the procedure whereby the person responsible for the evaluation reports their findings, and whether the entity has an action plan which details any corrective measures, and whether their impact on the financial reporting has been considered.

The Audit and Control Committee is responsible for the annual approval of the work programme for the Internal Audit Department, which in turn submits the report on activities carried out, as well as any issues identified during the implementation of the work programme.

The annual work programme for the Internal Audit Department includes the review of the ICFR. The results of this assessment are reported to the Audit and Control Committee, as well as the recommendations for improvements to be implemented for subsequent monitoring.

F.5.2 Whether there is a discussion procedure whereby the auditor (in accordance with the provisions of the technical auditing standards), the internal audit service and other experts are able to report to the senior management and the audit committee or directors any significant weaknesses in internal control identified during the review of the annual financial statements or any other procedures that have been entrusted to them. Also, indicate whether there is an action plan for correcting or mitigating the weaknesses identified.

In order to fulfil the responsibilities assigned to it by the Board of Directors, the Audit and Control Committee held a total of 9 meetings during fiscal year 2019, which were attended by the Chief Financial Officer and the Head of the Internal Audit Department, on the invitation of the Chairperson to address specific items on the agenda. These meetings include those held prior to the publication of the Company’s regular financial reports in order to obtain and analyse the corresponding information. These meetings involve reviewing the stand-alone and consolidated annual financial statements, the quarterly and half-yearly reports and the briefing notes on results for submission to the National Securities Market Commission and any other information of interest. Meetings of the Audit and Control Committee which are held for the purpose of reviewing the annual financial statements require the attendance of the external auditors, on the invitation of the Chairperson to address specific items on the agenda, who submit a series of recommendations related to aspects including internal control, resulting from their general work as the Group’s auditors.

The external auditors are currently entrusted with a specific task, performed jointly with the Internal Audit Department, for evaluating the ICFR.

F.6 Other relevant information

All relevant information has been included in the sections above.

F.7 Report by the external auditor

Report by:

F.7.1 Indicate whether the information on the ICFR submitted to the markets is subject to review by the external auditor, in which case the entity must include the corresponding audit report as an annex. If this is not the case, provide an explanation.

During fiscal year 2019, the external auditor issued its report on the review of the ICFR corresponding to fiscal year 2018. This report was published on the Company website and the National Securities Market Commission website. The ICFR will also be reviewed by the external auditor in fiscal year 2020.

G. EXTENT OF ADHERENCE TO CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the extent to which the company follows the recommendations in the Good Governance Code for listed companies.

Where a recommendation is not followed or followed only partially, provide a detailed explanation ensuring that shareholders, investors and the market in general have sufficient information to evaluate the Company's behaviour. General explanations will not be acceptable.

1. The articles of association of listed companies should not limit the maximum number of votes that may be cast by a single shareholder, nor impose other restrictions which hinder the takeover of the company through acquisition of its shares on the market.

   Complies [X]   Explain [ ]

2. When the parent company and a subsidiary are both listed, they should provide detailed disclosure of:

   (a) their respective areas of activity and any business dealings between them, as well as between the listed subsidiary and other companies in the group;

   (b) the mechanisms in place to resolve potential conflicts of interest.

   Complies [ ]   Partially complies [ ]   Explain [ ]   Not applicable [X]

3. During the annual general meeting, the chairperson of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information provided in the annual corporate governance report, and with particular regard to:

   (a) changes that have occurred since the previous annual general meeting;

   (b) the specific reasons for the company not following a recommendation from the Good Governance Code and any alternative procedure followed in that area.

   Complies [ ]   Partially complies [X]   Explain [ ]

At its General Meeting, the Company explained the changes made in the area of corporate governance since the previous Annual General Meeting, but did not provide the specific reasons why the Company does not adhere to some of the recommendations of the Good Governance Code, considering that it already provides its shareholders with sufficient information on this matter. At the time of its Annual General Meeting, it makes various documents available to its shareholders, including the Annual Corporate Governance Report, which includes detailed information on the specific reasons for partial compliance or lack of adherence to some of the recommendations of the Good Governance Code.

4. The company should draw up and implement a policy for communication and contact with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

   This policy should be disclosed on the company's website, including details of how it has been put into practice and the identities of those responsible for its implementation.

   Complies [ ]   Partially complies [X]   Explain [ ]

The Company has made its Code of Conduct (the 'Code') available to all its shareholders and investors on the Company website (https://www.tecnicasreunidas.es/wp-content/uploads/2017/04/codigo-de-conducta-2017.pdf).

The Code implements the general principles underlying the Company's activities, establishing policies for various areas. Specifically, with regard to the processing of information and to disclosure, Section 4.1.5 of the Code sets out the following: 'With regard to the information which, as a listed company, TR must disclose to the market, the TR Group is committed to acting with total transparency, implementing specific procedures for ensuring the accuracy and veracity of corporate reporting and preventing corporate crime and market abuse. This reporting will include all information necessary to ensure that investors' decisions are based on knowledge and understanding of the Company's business strategies and operations. All information disclosed to the market must be characterised not only by compliance with the applicable regulations, but also by its accessible language and its objectiveness, accuracy, comprehensiveness and relevance, and respect for all investors' rights to information. The relevant information must be identified, prepared and disclosed in the appropriate form and within the appropriate timeframe.'

In addition, Section 4.3.8 of the Code ('Shareholder relations') sets out the following: 'In addition, the guaranteed establishment of channels for communication and consultation ensures that shareholders have access to accurate, relevant, useful and complete information on the Group's performance, creating the conditions necessary to ensure that shareholders' involvement in the decisions within their competence is widespread and informed in order to maximise value creation. The TR Group guarantees its shareholders the principle of equal treatment in access to information on the Group's performance.'

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of this delegation.

   When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as set out in commercial legislation.

   Complies [X]   Partially complies [ ]   Explain [ ]

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their dissemination is not obligatory:

   (a) report on auditor independence;

   (b) reports on the operation of the audit committee and the appointments and remuneration committee;

   (c) report by the audit committee on related-party transactions;

   (d) report on the corporate social responsibility policy.

   Complies [X]   Partially complies [ ]   Explain [ ]

7. The company should broadcast its general meetings live on the corporate website.

   Complies [ ]   Explain [X]

The Company considers that the holding of the General Meeting is one of the most important occasions in the running of the company and the establishment of its endeavours. It therefore ensures that shareholders have access to the appropriate means of remote participation as well as the information necessary to understand the Company's situation and to enable them to participate in the General Meeting in an informed manner. Nevertheless, since the Articles of Association do not provide for telematic attendance of the General Meeting and in light of the fact that the Company has never yet received a request from shareholders to broadcast the General Meeting live, the Company has decided not to broadcast the Meeting. This also saves the corresponding economic and organisational costs.

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without reservations or qualified opinions in the auditor's report. In the exceptional case that qualified opinions exist, both the chairperson of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

   Complies [X]   Partially complies [ ]   Explain [ ]

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and make them permanently available on its website.

   Such conditions and procedures should encourage shareholders to attend and exercise their rights and should be applied in a non-discriminatory manner.

   Complies [X] Partially complies [ ] Explain [ ]

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

   (a) immediately circulate the supplementary items and new proposals;

   (b) disclose the model for the attendance card or proxy appointment or remote voting form duly modified so that new items for the agenda and alternative proposals can be voted on in the same terms as those submitted by the board of directors;

   (c) put all these items or alternative proposals to the vote, applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the outcome of the vote;

   (d) disclose the breakdown of votes on these supplementary items or alternative proposals after the general meeting.

   Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

11. In the event that a company plans to pay attendance fees for attending the general meeting, it should first establish a general, long-term policy in this respect.

   Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

12. The board of directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interests, understood as the creation of profitable business that promotes its sustainable success over time, while maximising its economic value.

   In pursuing corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

   Complies [X] Partially complies [ ] Explain [ ]

13. The board of directors should be of an optimal size to ensure its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

   Complies [X] Explain [ ]

14. The board of directors should approve a director selection policy that:

   (a) is specific and verifiable;

   (b) ensures that appointment or re-election proposals are based on prior analysis of the board's needs; and

(c) favours diversity of knowledge, experience and gender.

The results of the prior analysis of the board's needs should be included in the appointments committee's explanatory report, to be published when the general meeting of shareholders that will ratify the appointment and re-election of each director is convened.

The director selection policy should pursue the goal of having at least 30% of total positions on the board of directors occupied by female directors by the year 2020.

The appointments committee should perform an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Complies [ ] Partially complies [ ] Explain [X]

The Company bodies responsible for the selection of directors, essentially the Board of Directors and the Appointments and Remuneration Committee, are guided at all times by merit-based criteria that aim to ensure that the composition of the Board is as competent, qualified and honourable as possible, in pursuit of the Company's best interests. In addition, as expressly stated in the Regulations of the Board of Directors, the Board must ensure that the selection procedures for its members encourage diversity of gender, experience and knowledge and are not affected by any underlying bias that would involve discrimination and, in particular, that they facilitate the selection of female directors, applying these criteria in the specific processes of selecting directors in order to evaluate different profiles, including those of women.

At the same time, taking into account not only the suitability of individual members but the composition of the Board of Directors as a whole, consideration is given to the importance of endowing it with a certain degree of stability, which will ensure improved performance of its functions over the medium term.

Without prejudice to the above, the Company is still evaluating the possibility of approving a formal policy ('Policy for Director Selection and Diversity on the Board of Directors') which expressly states that the Board of Directors of Técnicas Reunidas will encourage the achievement of the representation targets for directors provided for in the applicable regulations, and will also ensure cultural diversity and the presence of members with international knowledge and experience.

15. Shareholder directors and independent directors should constitute a broad majority on the board of directors, while the number of executive directors should be the minimum practical taking into account the complexity of the corporate group and the executive directors' stake in the company's share capital.

Complies [ ] Partially complies [ ] Explain [X]

At fiscal year end there are seven shareholder directors and independent directors, of which two are shareholder directors and five are independent directors, out of a total of fourteen directors. This circumstance is due to the fact that the significant shareholders Araltec and Aragonesas have not used the maximum number of directors allowed by their shareholding (there are four executive and shareholder directors, with a shareholding of 37.20%) and to the fact that several directors (Juan Miguel Antoñanzas, Fernando de Asúa and Francisco Javier Gómez-Navarro) who previously served as independent directors for an uninterrupted period of 12 years have remained at the Company as other external directors.

16. The percentage of shareholder directors with respect to non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's share capital. This criterion can be relaxed:

(a) in large cap companies where few or no equity stakes reach the legal threshold for significant shareholdings;

(b) in companies with a number of shareholders represented on the board of directors who are not otherwise related.

Complies [X] Explain [ ]

17. The number of independent directors should be at least half of the total number of directors.

Nevertheless, when the company does not have a large market capitalisation, or when a large cap company has shareholders who, whether individually or jointly with others, control over 30% of the share capital, independent directors should occupy at least a third of the positions on the board.

Complies [X] Explain [ ]

18. Companies should disclose and regularly update the following information on directors on their websites:

(a) professional profile and background;

(b) directorships held in other companies, listed or otherwise, and any other paid activities they engage in, regardless of their nature;

(c) indication of the category to which the director belongs, and, in the case of shareholder directors, indicating the shareholder they represent or with whom they are linked;

(d) dates of their first appointment as a director and any subsequent re-elections;

(e) shares held in the company, and any options on these shares.

Complies [X] Partially complies [ ] Explain [ ]

19. Following verification by the appointments committee, the annual corporate governance report should disclose the reasons for the appointment of shareholder directors at the request of shareholders whose stake amounts to less than 3% of the share capital. It should also explain any rejection of a formal request for representation on the board from shareholders whose equity stake is equal to or greater than that of other shareholders whose requests have resulted in the appointment of shareholder directors.

Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

20. Shareholder directors should resign when the shareholders they represent dispose of their equity stake in its entirety. If these shareholders reduce their equity stakes to the level which requires a reduction in the number of shareholder directors, the corresponding number should also resign.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

21. The board of directors should not propose the removal of independent directors before the expiry of the mandatory term of office for which they were appointed, except where there is just cause, which they must evaluate on the basis of a report from the appointments committee. Specifically, just cause will be presumed when directors take up new positions or responsibilities that prevent them allocating sufficient time to discharge their duties as directors, or they fail to fulfil the duties attached to their position or fall within the scope of one of the grounds for disqualification as an independent director, in accordance with the provisions of the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in the structure of the board of directors ensue from application of the proportionality criterion set out in recommendation 16.

Complies [X] Explain [ ]

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the company's standing or reputation and tender their resignation where appropriate, and, in particular, to inform the board of any criminal charges brought against them and the outcome of any subsequent legal proceedings.

As soon as a director is charged with or ordered to stand trial for any of the offences set out in company legislation, the board of directors should open an investigation and, in light of the specific circumstances, decide whether to demand the director's resignation. The board of directors should give a reasoned account of all such determinations in the annual corporate governance report.

Complies [X] Partially complies [ ] Explain [ ]

23. Directors should express their clear opposition when they consider that a proposal submitted for the board's approval might damage the company's interests. In particular, independent directors and other directors not subject to potential conflicts of interest should also clearly oppose any decision that might harm the interests of shareholders who lack representation on the board of directors.

When the board makes significant or reiterated decisions about which a director has expressed serious reservations, then the director should draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in a letter, as indicated in the following recommendation.

This recommendation also extends to the secretary of the board, whether or not they are a director.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

24. Directors who withdraw from their position before their term of office expires, whether through their resignation or otherwise, should state their reasons in a letter to be sent to all members of the board of directors. Whether or not this withdrawal is disclosed as relevant information, the grounds for this withdrawal should be set out in the annual corporate governance report.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

25. The appointments committee should ensure that non-executive directors have sufficient time available to discharge their duties effectively.

The regulations of the board of directors should set out the maximum number of company boards on which directors can serve.

Complies [ ] Partially complies [X] Explain [ ]

The Company considers that its adherence to this recommendation is partial, since the Regulations of the Board do not include a maximum number of company boards on which directors can serve.

While this rule has not been incorporated into the Regulations of the Board, the Company considers that the purpose of the rule is covered by Article 14.2 of the Regulations, which explicitly assigns the Appointments and Remuneration Committee the duty to 'assess the time and dedication needed [for directors] to perform their duties effectively'. To the same end, Article 34.2 of the Regulations of the Board stipulates that directors must also inform the Company of any positions they hold on boards of directors of other listed companies and, in general, of any facts, circumstances or situations that might be relevant in relation to their activities as directors of the Company, in accordance with the provisions of the Regulations.

It is therefore considered that these provisions are sufficient for the purpose of evaluating the time obligations for directors and that a fixed rule concerning the maximum number of boards might be less efficient in achieving the desired objective. Taking into account each director's particular circumstances, their additional activities alongside their duties as Company directors and the type of dedication demanded by the companies concerned, a restriction could be either insufficient or excessive and could either discourage them from standing as a candidate or impact negatively on their consummate professionalism.

26. The board of directors should meet with the necessary frequency to properly perform its functions, at least eight times a year, in accordance with the schedule and agendas set at the start of the fiscal year, to which each director may propose the addition of items not initially included in the agenda.

Complies [ ] Partially complies [X] Explain [ ]

The Company considers that its adherence to Recommendation 26 of the Code is partial, since the Company's corporate documents include only the stipulation that the Lead Independent Director and the Chairperson or, in the event of the Chairperson's absence or incapacity, the Deputy Chairperson may propose the addition of items not initially included in the agenda, and this individual power does not extend to the rest of the directors.

The Company has established that it is the Lead Independent Director who, as part of their responsibilities to coordinate and gather together the non-executive directors, as provided for in Article 8.7 of the Regulations of the Board, is entitled to coordinate, summon meetings and articulate the concerns of the non-executive directors, who currently total 12 out of the 14 members of the Board. The Lead Independent Director is also entitled, when they consider it appropriate or at the request of the directors, to propose any new items for the agenda that they consider relevant after contacting the other non-executive directors.

Without prejudice to the above, the Company's Board of Directors is a deliberative body where constructive dialogue between its members and free expression of opinion is encouraged and where directors freely participate in the deliberations. Over the course of all the meetings held during fiscal year 2019, directors have been able to raise and debate all the issues and concerns that they have considered relevant or of interest.

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should appoint a proxy with the appropriate instructions.

Complies [X] Partially complies [ ] Explain [ ]

28. When directors or the secretary express concerns about a proposal or when directors express concerns about the company's performance, and these concerns are not resolved by the board of directors, they should be recorded in the minutes at the request of the person concerned.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending where necessary to include external assistance at the company's expense.

Complies [X] Partially complies [ ] Explain [ ]

30. Regardless of the expertise that directors must possess to carry out their duties, the company should also offer directors skills update programmes, when advisable.

Complies [X] Explain [ ] Not applicable [ ]

31. The agendas of board meetings should clearly indicate which items require a decision to be made or a resolution to be passed by the board, so that the directors can examine or request in advance the information relevant to the matter concerned.

For reasons of urgency, the chairperson may wish to submit decisions or resolutions for board approval that were not included on the agenda. In such exceptional circumstances, their inclusion will require the express prior consent of the majority of directors present, and this should be recorded in the minutes.

Complies [X] Partially complies [ ] Explain [ ]

32. Directors should be regularly informed of changes in share ownership and of the views of significant shareholders, investors and rating agencies on the company and its group.

Complies [X] Partially complies [ ] Explain [ ]

33. As the person responsible for the effective functioning of the board of directors, the chairperson, in addition to the functions assigned by law and the company's articles of association, should: prepare and submit to the board of directors a schedule of meetings and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues; and approve and review skills update programmes for each director, when advisable.

Complies [X] Partially complies [ ] Explain [ ]

34. When a lead independent director has been appointed, the articles of association or the regulations of the board of directors should assign them the following powers beside those conferred by law: chairing the board of directors in the absence of the chairperson or deputy chairpersons; articulating the concerns of non-executive directors; maintaining contact with investors and shareholders in order to hear their views and form an opinion on their concerns, especially those related to the company's corporate governance; and coordinating the succession plan for the chairperson.

Complies [ ] Partially complies [ ] Explain [X] Not applicable [ ]

The Company's Lead Independent Director currently holds the powers provided for in Article 529.septies of the Companies Act, without prejudice to the powers listed in the Recommendation, which are exercised de facto by the Lead Independent Director, given that the Company recognises the usefulness and importance of these functions.

In this regard, the Company believes that the most important consideration is that these functions are implemented in practice by the Lead Independent Director, ensuring that the spheres of protection and attention with respect to particular issues and stakeholders are effectively safeguarded.

Nevertheless, since compliance with the Recommendation expressly requires their incorporation in either the Articles of Association or the Regulations of the Board of Directors, the Board will specifically evaluate the full incorporation of the content of this Recommendation within the framework of the forthcoming in-depth review of its Regulations.

35. The secretary of the board of directors should endeavour to ensure that the board's activities and decisions are informed by any governance recommendations in the Good Governance Code that are applicable to the company.

Complies [X] Explain [ ]

36. The full board of directors should conduct an annual evaluation, implementing, where necessary, an action plan to correct weakness detected in:

(a) the quality and efficiency of the board's operation;

(b) the operation and composition of its committees;

(c) the diversity of board membership and competences;

(d) the performance of the chairperson of the board of directors and the company's chief executive;

(e) the performance and contribution of each director, with particular focus on the chairpersons of board committees.

Evaluation of the various board committees should be based on the reports that they submit to the board of directors, while evaluation of the board itself should be based on the report by the appointments committee.

Every three years, the board of directors should engage an external consultant to assist in the evaluation process. This consultant's independence should be verified by the appointments committee.

Any business relationships between the consultant or members of their corporate group and the company or members of its corporate group should be detailed in the annual corporate governance report.

The procedure followed and areas evaluated should be described in the annual corporate governance report.

Complies [ ] Partially complies [X] Explain [ ]

The Company considers that compliance with this recommendation is partial, since, while the evaluation process involves assistance from an external consultant, it does not include individual performance appraisals for each of the directors.

The evaluation process for the fiscal year has focused not only on the Board of Directors, the Committees, the Chairperson and the Executive Deputy Chairperson, but also on the Secretary of the Board, although the Secretary is not a director, since their functions with respect to information, advice for directors, preparation of meetings, assistance to the Chairperson in their duties and so on are essential for the smooth functioning of the Board and its Committees.

It is also considered that since both the Board of Directors and its Committees are supervisory bodies, the evaluation of these bodies indirectly involves evaluating the performance of its members. The smooth functioning of these bodies depends on the satisfactory performance of duties by all directors, who are required to participate in their meetings' deliberations in an active, informed and free manner, encouraging constructive dialogue between the members and free expression of opinions.

Notwithstanding the above and without prejudice to the fact that no conclusions on the individual performance of each of the directors were included in the results of the evaluation carried out by the external expert, during the process, twelve of the fourteen members of the Board of Directors completed individual questionnaires and personal interviews were conducted with almost all members of the Board.

37. When there is an executive committee, its membership structure, with regard to the proportion of each category of director, should be the same as that of the board. The secretary of the board should also act as secretary to the executive committee.

Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

38. The board should be kept fully informed of the matters addressed and decisions made by the executive committee. To this end, all board members should receive a copy of the minutes of the executive committee's meetings.

Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

39. All members of the audit committee, particularly its chairperson, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management. The majority of committee members should be independent directors.

Complies [X] Partially complies [ ] Explain [ ]

40. Companies should have a unit responsible for internal auditing, under the supervision of the audit committee, to ensure the effective functioning of its systems for internal control and reporting. This unit should report to the board's non-executive chairperson or the chairperson of the audit committee.

Complies [ ] Partially complies [X] Explain [ ]

The Company has an Internal Audit Unit which ensures the effective functioning of the systems for internal control and reporting. It reports to the Executive Chairperson of the Board of Directors and acts under the supervision of the Company's Audit and Control Committee.

41. The head of the unit responsible for internal auditing should submit its annual work programme to the audit committee, inform the committee directly of any incidents arising during its implementation and submit an activities report at the end of each fiscal year.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

42. Besides those assigned by law, the audit committee should have the functions set out below.

1. With respect to the systems for internal control and reporting:

(a) monitoring the preparation and integrity of the financial reporting for the company and, where appropriate, the group, reviewing compliance with legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles;

(b) ensuring the independence of the unit responsible for internal auditing, proposing the selection, appointment, re-election and removal of the head of the internal audit service, proposing the budget for this service, approving its work programmes and ensuring that it focuses primarily on the main risks to which the company is exposed, receiving regular reports on its activities, and verifying that senior management are taking into account the findings and recommendations in its reports;

(c) establishing and supervising a mechanism through which employees can report, on a confidential and, where appropriate and feasible, anonymous basis, any irregularities of potential significance, especially financial or accounting irregularities, that they detect within the company.

2. With respect to the external auditor:

(a) investigating the circumstances giving rise to the resignation of the external auditor, if this should occur;

(b) ensuring that the external auditor's remuneration does not compromise their quality or independence;

(c) ensuring that the company notifies any change of external auditor to the National Securities Market Commission as relevant information, providing a statement about any disagreements with the outgoing auditor and, if applicable, the basis for these disagreements;

(d) ensuring that the external auditor has a yearly meeting with the full board of directors to inform it of the work undertaken and any developments in the company's risk and accounting positions;

(e) ensuring that the company and the external auditor adhere to current regulations on the provision of non-audit services, restrictions on the auditor's business concentrations and any other standards concerning auditor independence.

Complies [X] Partially complies [ ] Explain [ ]

43. The audit committee should be empowered to call a meeting with any company employee or manager, and to compel them to attend with no other manager in attendance.

Complies [X] Partially complies [ ] Explain [ ]

44. The audit committee should be informed of any structural changes or corporate transactions that the company is planning, so that the committee can analyse the relevant operations and report in advance to the board of directors on their economic conditions and accounting impact and, where applicable, the proposed exchange ratio.

Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

45. The risk management and control policy should identify at least:

(a) the different types of financial and non-financial risk to which the company is exposed (including operational, technological, legal, social, environmental, political and reputational risks), including contingent liabilities and other off-balance-sheet risks within financial or economic risks;

(b) the determination of the risk level the company considers acceptable;

(c) the measures in place to mitigate the impact of the identified risks, should they materialise;

(d) the systems for internal control and reporting to be used for monitoring and managing the above risks, including contingent liabilities and off-balance-sheet risks.

Complies [ ] Partially complies [X] Explain [ ]

As indicated in Section G of the Annual Corporate Governance Report, the Company's risk management and control systems, described in detail in Section E of the Report ('Risk Management and Control Systems'), analyse and manage the financial and non-financial risks associated with the preparation phases of tender procedures (specifically, the operative, technological, legal, social, environmental and political risks) and, where appropriate, the Company's implementation of projects, as well as the internal control and information systems used to control and manage the risks identified above and the measures established to mitigate their impacts, should these materialise.

Notwithstanding the above, while the Company has implemented the necessary control systems and procedures, and established indicators and parameters that the managers in the different areas must evaluate and take into account, compliance with this Recommendation is considered to be partial since the determination of the risk level that the Company considers acceptable is not expressly included in a formal document.

46. Companies should establish a risk management and control service in one of the company's internal department or units, under the direct supervision of the audit committee or, where appropriate, a specific board committee. This service should be expressly assigned the following functions:

(a) ensuring that risk management and control systems are functioning effectively and, specifically, that all the major risks to which the company is exposed are correctly identified, managed and quantified;

(b) participating actively in the preparation of risk strategies and in key decisions about risk management;

(c) ensuring that risk management and control systems effectively mitigate risks within the framework of the policy drawn up by the board of directors.

Complies [ ] Partially complies [ ] Explain [X]

The Company's internal audit department is responsible for the functions set out in the Recommendation with regard to the risks associated with ICFR.

Non-financial risks, in accordance with the Company's risk management and control system, described in Section E of this Report ('Risk Management and Control Systems'), are assessed, where appropriate, by the operational areas or non-operational departments that carry out the corresponding functions in practice. There is no express assignment of these functions in the Company's corporate documents.

This assignment of risk management and control functions operates without prejudice to the other risk management and control systems described in Section E of the Report ('Risk Management and Control Systems').

47. Members of the appointments and remuneration committee – or of the appointments committee and the remuneration committee, if separately constituted – should be appointed ensuring that they have the appropriate knowledge, skills and experience to discharge their duties. The majority of the members should be independent directors.

Complies [X] Partially complies [ ] Explain [ ]

48. Large cap companies should have separately constituted appointments and remuneration committees.

Complies [ ] Explain [X] Not applicable [ ]

The Company has a single committee with powers over matters related to both appointments and remuneration. Given that the members of this committee have been chosen from among the Company's directors taking into account the knowledge, skills and experience appropriate to the committee's duties, with respect to the areas of both appointments and remuneration, the Company considers that if the committees were separate, their membership would essentially overlap and thereby unnecessarily increase costs for the Company.

The Committee currently holds full powers to perform both functions and there are no circumstances preventing their proper performance. The existence of a single committee, therefore, does not prejudice or limit the exercise of the duties that the law assigns to specialist supervisory committees in the areas of appointments and remuneration. In the event that this aspect is modified in the future or it becomes necessary for any reason, the Board of Directors would evaluate the desirability of having two separate committees.

49. The appointments committee should consult with the chairperson of the board of directors and the company's chief executive, especially on matters relating to the executive directors.

When there are vacancies on the board, any director may request the appointments committee to consider candidates that it might consider suitable.

Complies [X] Partially complies [ ] Explain [ ]

50. The remuneration committee should operate independently and should have the following functions in

addition to those assigned by law:

(a) proposing to the board the standard conditions for senior managers' contracts;

(b) monitoring compliance with the remuneration policy implemented by the company;

(c) periodically reviewing the remuneration policy for directors and senior managers, including share-based remuneration schemes and their application, and ensuring that their individual remuneration is proportionate to the amounts paid to other directors and senior managers in the company;

(d) ensuring that potential conflicts of interest do not undermine the independence of any external advice provided to the committee;

(e) verifying the information on remuneration for directors and senior managers included in the different corporate documents, including the annual report on directors' remuneration.

Complies [X] Partially complies [ ] Explain [ ]

51. The remuneration committee should consult with the company's chairperson and chief executive, especially on matters relating to the executive directors and senior management.

Complies [X] Partially complies [ ] Explain [ ]

52. The rules governing the composition and functioning of supervision and control committees should be set out in the regulations of the board of directors and aligned with those applicable to legally required board committees, in accordance with the above recommendations. These should include:

(a) committees should be composed exclusively of non-executive directors, with a majority of independent directors;

(b) they should be chaired by independent directors;

(c) the board of directors should appoint the members of these committees with regard to the knowledge, skills and experience of the directors and each committee's responsibilities, and discuss their proposals and reports, while the committees should account for their activities and be answerable for their work at the first full meeting of the board of directors following each committee meeting;

(d) the committees may engage external advisors, when considered necessary for the discharge of their duties;

(e) meeting proceedings should be recorded in the minutes, which should be made available to all directors.

Complies [ ] Partially complies [X] Explain [ ] Not applicable [ ]

The rules governing the composition and operation of the Audit and Control Committee and the Appointments and Remuneration Committee are expressly set out in the Regulations of the Board of Directors with respect to all the points above, except for the final part of point (c) 'the committees should account for their activities and be answerable for their work at the first full meeting of the board of directors following each committee meeting', although both Committees do implement this task in practice. In addition, the Appointments and Remuneration Committee comprises two independent directors, two other external directors and one shareholder director. Consequently, while it is composed exclusively of non-executive directors, it does not have a majority of independent directors. This situation is largely due to the change in category of directors Juan Miguel Antoñanzas, Fernando de Asúa and Francisco Javier Gómez-Navarro, who were re-elected as directors within the category of 'Other external directors' at the Company's Annual General Meeting on 27 June 2018, after previous service as independent directors of the Company for 12 consecutive years.

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one or split between several board committees, including the audit committee, the appointments committee, the corporate social responsibility committee, where one is in place, or a specific committee established on an ad hoc basis by the board within its powers of self-organisation, which is assigned at least the following specific functions:

(a) monitoring compliance with the company's internal codes of conduct and corporate governance rules;

(b) supervising the communication and relationship strategy for shareholders and investors, including small and medium-sized shareholders;

(c) periodically evaluating the effectiveness of the company's corporate governance system, to ensure that it is fulfilling its mission to promote the company's interests and, as appropriate, taking into account the legitimate interests of other stakeholders;

(d) reviewing the company's corporate social responsibility policy, ensuring that it is geared toward value creation;

(e) monitoring corporate social responsibility strategies and practices and assessing their degree of compliance;

(f) monitoring and evaluating the company's procedures for interacting with various stakeholders;

(g) evaluating all aspects of the non-financial risks to which the company is exposed, including operational, technological, legal, social, environmental, political and reputational risks;

(h) coordinating the non-financial and diversity reporting processes, in accordance with the applicable legislation and international benchmarks.

Complies [ ] Partially complies [X] Explain [ ]

Notwithstanding that the Regulations of the Board of Directors do not literally attribute to the Audit and Control Committee all the functions established in Recommendation 53 CBG, the Audit and Control Committee of the Company exercises in practice the remaining functions of the Recommendation when it is necessary. In this regard, the Company considers that the fundamental thing is that these functions be exercised in practice by the Committee, so the areas of protection and attention regarding these matters are effectively provided.

Likewise, and although the Recommendation does not expressly require for its fulfilment its incorporation in the Bylaws or in the Regulations of the Board of Directors, the Board of Directors will review and, where appropriate, amend its Regulations to incorporate the same powers already exercised *de facto* by the Audit and Control Committee of the Company, although, as indicated above, the Company will seek to carry out the reform of the Regulations of the Board of Directors at the most appropriate time, seeking to take advantage of the reform of same in this matter to modify, if necessary, other issues that might be convenient.

54. The corporate social responsibility policy should include the principles or commitments to which the company will voluntarily adhere in its relationships with various stakeholders, specifying at least:

(a) the goals of its corporate social responsibility policy and the support instruments to be implemented;

(b) the corporate strategy with regard to sustainability, the environment and social issues;

(c) the specific practices in matters related to: shareholders, employees, clients, suppliers, social issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conduct;

(d) the methods or systems for monitoring the outcomes of the above specific practices, and their associated risks and their management;

(e) the mechanisms for supervising non-financial risk, ethics and corporate conduct;

(f) the channels for stakeholder communication, participation and dialogue;

(g) the responsible communication practices that prevent the manipulation of information and protect the company's reputation and integrity.

Complies [ ] Partially complies [X] Explain [ ]

Técnicas Reunidas' Corporate Responsibility Policy was approved by the Company prior to the CNMV's approval of the current Good Governance Code, which was the first to incorporate Recommendation 54 on the contents of this policy. The Company's policy describes its commitments to action on environmental, social and ethical issues and is binding on its employees, suppliers and contractors. Técnicas Reunidas has also implemented the policies, processes and controls necessary to promote behaviour aimed at meeting these commitments and which serve to prevent, detect and eradicate actions which are not in accordance with the established principles of conduct.

The Company's Corporate Responsibility Policy includes its objectives and the implementation of supporting instruments. It sets out corporate strategy related to sustainability, the environment and social issues, practices in matters related to shareholders, employees, clients, suppliers, social issues, the environment and the prevention of illegal behaviour, as well as responsible communication practices that prevent the manipulation of information and protect reputation and integrity. It does not, however, include the other points listed in this Recommendation and it is therefore considered that adherence to this Recommendation is partial.

55. The company should report on matters related to corporate social responsibility, whether in its management report or in a separate document, using an internationally accepted methodology.

Complies [X] Partially complies [ ] Explain [ ]

56. Director remuneration should be sufficient to attract and retain directors with the desired profile and to compensate the commitment, skills and responsibility that the position demands, but not so high as to compromise the independent judgement of non-executive directors.

Complies [X] Explain [ ]

57. Variable remuneration schemes linked to the company's or director's performance, as well as remuneration involving the award of shares, share options or any other right to acquire shares or instruments linked to share prices, and long-term savings schemes such as pension plans, retirement schemes and other social welfare systems should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain these shares until the end of their term of office. The above will not, however, apply to shares that the director must dispose of to defray costs related to their acquisition.

Complies [X] Partially complies [ ] Explain [ ]

58. In the case of variable remuneration, remuneration policies should include the necessary limits and technical safeguards to ensure that this corresponds to beneficiaries' professional performance and is not based solely on the general evolution of the markets or the performance of the company's sector, or similar circumstances.

Specifically, the variable components of remuneration should:

(a) be linked to predetermined and measurable performance criteria that consider the risks taken in order to achieve a given outcome;

(b) promote the sustainability of the company and include non-financial criteria that are relevant to the company's long-term value creation, such as compliance with its internal rules and procedures and with its risk management and control policies;

(c) be focused on achieving a balance between the achievement of short, medium and long-term objectives, enabling performance-related pay to reward ongoing achievement over sufficient time to appreciate its contribution to long-term value creation and ensuring that the mechanisms for measuring performance are not based solely on isolated, occasional or extraordinary events.

Complies [ ] Partially complies [X] Explain [ ] Not applicable [ ]

In 2019, there are two variable remuneration plans with similar content, which apply to José Lladó Fernández-Urrutia, in his capacity as Chairperson of the Company, and to Juan Lladó Arburúa, in his capacity as 1st Deputy Chairperson.

The plans include an annual premium or bonus for each executive director, with a maximum amount of 550,000 euros for fiscal year 2019, which will be paid, subject to review by the Appointments and Remuneration Committee, after fiscal year end.

This system, which was implemented in fiscal years 2016, 2017 and 2018, is linked to the achievement of the Company's annual objectives. These objectives are evaluated by the Appointments and Remuneration Committee, with main reference to the Company's results in the previous fiscal year, and in particular the aspects included in point 5 of the Directors' Remuneration Policy for 2019, 2020 and 2021, approved at the Annual General Meeting of Shareholders on 26 June 2019 with 99.951% of votes corresponding to share capital in favour. The basic principles of this Policy include orientation toward promoting the Company's long-term profitability and sustainability. Variable remuneration is limited to the executive directors and is supplementary to their fixed remuneration. The amount is determined at fiscal year end, taking into account basic parameters including the director's professional performance, the evaluation of the Company's performance, taking into consideration both quantitative objectives, such as the order book and project portfolio, the margin (EBITDA) and consolidated revenue, and non-financial objectives, which include criteria related to safety and the environment.

In specific terms, the annual variable remuneration for fiscal year 2019 is linked to the following targets and weighting:
- Financial targets: consolidated income (20%), order book (30%) and margin (EBITDA) (30%).
- Non-financial targets: safety (10%) and environment (10%).

The above targets are linked to an achievement scale that includes a minimum threshold below which variable remuneration will not be paid. The Company will assess minimum weighted compliance of between 50% and 70% of the total targets.

The setting of the targets and their weighting for future years in which this Remuneration Policy is in force, as well as the 10% adjustment for performance evaluation and the amount to be received in each of the years, will be the responsibility of the Board of Directors, at the proposal of the Company's Appointments and Remuneration Committee.

In addition, the Directors' Remuneration Policy provides for the possibility of approving long-term variable remuneration for executive directors, with the aim of promoting reciprocal value creation for the Company, its shareholders and beneficiaries, strengthening the commitment of the latter and rewarding the creation of sustainable value for shareholders over the long term. Consequently, while this Remuneration Policy is in force, executive directors will be entitled to participate in all the long-term variable remuneration schemes, whether cash-based, share-based or linked to share prices, which are approved at the Annual General Meeting, at the proposal of the Board of Directors and drawn up subject to a report from the Appointments and Remuneration Committee.

Finally, the Company intends to submit a Long-term Incentive Plan for its executive directors for consideration and approval at the 2020 Annual General Meeting.

The Board of Directors is currently drawing up a proposal for long-term variable remuneration for executive directors, which will be submitted, as appropriate, for approval at the Company's 2020 Annual General Meeting of Shareholders.

59. A significant part of the variable components of remuneration should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

60. Remuneration linked to company results should take into account any qualified opinions in the external auditor's report that may reduce their amount.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

61. A significant percentage of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Complies [ ] Partially complies [ ] Explain [X] Not applicable [ ]

The executive directors' variable remuneration does not involve the award of shares or financial instruments whose value is linked to the share price, since the Company does not consider it necessary. Both executive directors have long relationships with and shareholding links to the Company and, consequently, the Company considers that their long-term interests are already sufficiently aligned.

62. Following the award of shares, share options or rights on shares corresponding to remuneration schemes, directors should not be allowed to transfer ownership of a number of shares equivalent to twice their annual fixed remuneration, nor to exercise share options or other rights on shares for at least three years after their award.

The above will not, however, apply to shares that the director must dispose of to defray costs related to their acquisition.

Complies [ ] Partially complies [ ] Explain [ ] Not applicable [X]

63. Contractual arrangements should include provisions that allow the company to reclaim variable components of remuneration when payment is not appropriately aligned with the director's performance or when they have been awarded on the basis of information which is subsequently found to be misstated.

Complies [ ] Partially complies [ ] Explain [X] Not applicable [ ]

While contractual arrangements do not include provisions to this effect, the Company would be prepared to take the appropriate measures to reclaim variable components of remuneration when payment is not appropriately aligned with the director's performance or when they have been awarded on the basis of information which is subsequently found to be misstated, where necessary.

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company can confirm that the director has satisfied the predetermined performance criteria.

Complies [X] Partially complies [ ] Explain [ ] Not applicable [ ]

H. OTHER RELEVANT INFORMATION

1. If there are any aspects relevant to the corporate governance of the company or the entities in the group which have not been included in the previous sections of this report but whose inclusion is necessary in order to provide complete and reasoned information on the governance practices and structure of the company or its group, provide a brief outline below.

   This section may also include any other information, clarification or aspect related to the previous sections of the report, to the extent that they are relevant and not reiterative.

2. Specifically, indicate whether the company is subject to any corporate governance legislation other than that of Spain and, if applicable, indicate any information that the company is obliged to submit which is different from that required in this report.
3. The company may also indicate whether it voluntarily adheres to other codes of ethics or good practices, whether international, sectoral or of another scope. If applicable, identify the code and the date of adherence. Specifically, indicate whether the Company has adhered to the Code of Good Fiscal Practice of 20 July 2010:

Note on Section A.2

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED is an investment management company that manages clients' assets and funds. It is an indirect subsidiary of FRANKLIN RESOURCES INC, which does not interfere either directly, indirectly or otherwise in the exercise of the voting rights corresponding to FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED.

ARIEL INVESTMENTS, LLC is an investment advisory company which is the beneficial owner of shares on behalf of its clients. ARIEL INVESTMENTS, LLC has delegated the voting rights of the majority, but not all, of these shares. ARIEL INVESTMENTS, LLC is a subsidiary of ARIEL CAPITAL MANAGEMENT HOLDINGS, INC., which does not issue either direct or indirect instructions on how to exercise these voting rights.

Note on Section C.1.3

At the time of the appointment of the directors, the corporate name of the shareholder Araltec Corporación, S.L. was Araltec, S.L. In addition, the request for the appointment of the shareholder directors was made jointly by the entities Araltec, S.L. and Aragonesas Promoción de Obras y Construcciones, S.L.

Note on Section C.1.3

Adrián René Lajous' appointment as an external independent director of the Company was approved at the Company's Annual General Meeting on 29 June 2016, at the proposal of the Appointments and Remuneration Committee and on the basis of a supporting statement from the Board of Directors.

This supporting statement affirms that Adrián René Lajous does not fall under any of the circumstances described in Article 529.duodecies.4 of the Companies Act (which details the circumstances which would disqualify a director's categorisation as independent). In this respect, he has not received any payment or benefit from the Company or its Group other than his remuneration as a director, nor has he maintained a business relationship of any kind with the Company or its Group, either in his own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such a relationship.

Likewise, as an external independent director, Adrián René Lajous has been eligible for the same items of remuneration as the other directors for their service in their capacity as directors, in accordance with Article 22 of the Articles of Association. This corresponds to fixed annual remuneration and expenses for attending meetings of the Board and Committees, where applicable, but no additional items of remuneration or items different from those applicable to the other directors for their service in their capacity as directors.

In this regard, within the maximum total annual gross amount established at the Company's Annual General Meeting for remuneration for the directors of Técnicas Reunidas for fiscal year 2019 for their service in their capacity as directors, the Board of Directors was responsible for the distribution of individual remuneration among its members. This was carried out in accordance with Article 22 of the Articles of Association, i.e., 'taking into account the duties and responsibilities of each director, membership of Board Committees and other objective circumstances considered relevant by the Board of Directors'. These criteria are also implemented and supplemented in the Company's Directors' Remuneration Policy for fiscal years 2019, 2020 and 2021, in which Section IV refers to 'membership of committees, the positions they hold, their work in the service of the Company, as well as the specific contributions that directors can make by virtue of their qualifications and professional experience'.

The Appointments and Remuneration Committee also considers that, while directors' performance of their duties entails the legal assignation of the same functions for all directors, linked to the loyal and diligent pursuit of the corporate purpose in line with the Company's interests and the common interests of all shareholders, in accordance with the criteria set out in the Articles of Association and the Remuneration Policy, it is the objective circumstances linked to the specific contributions that, by virtue of his qualifications and professional experience, Adrián René Lajous can make in the undertaking of the inherent functions of the Board of Directors which justify the fixed annual allocation established specifically for him by the Board of Directors. As can be seen from his curriculum vitae, which is available on the Company's website in the 'Corporate Governance' section, the special circumstance of his residence in Mexico and his unique qualifications and personal experience in the energy sector's international sphere, particularly in Latin America, provide extraordinary added value to his inclusion in the Company's Board of Directors. In this regard, his vision as a director is considered highly valuable, not only with respect to the functions of the Board in general, but particularly in relation to the Company's strategic direction, given his international experience.

In addition to the above, it is expressly stated that Adrián René Lajous has no additional functions, either corresponding to management or of any other kind, other than those assigned to the members of the Board of Directors, which all directors have regardless of their category, nor does he perform other duties within the Company.

On the basis of the above, the Appointments and Remuneration Committee considers that Adrián René Lajous' categorisation corresponds to that of external independent director, in accordance with the provisions of Article 529.duodecies of the Companies Act.

Note on Section C.1.3

Rodolfo Martín Villa waived the amounts he would have been entitled to receive as director of Initec Plantas Industriales, S.A.U. from the date of his appointment as director of Técnicas Reunidas, S.A.

Note on Sections C.1.3 and D.3

The Company considers that the transactions between Banco de Sabadell and the Company do not affect José Nieto de la Cierva's performance as external independent director of the Company.

José Nieto's appointment as an external independent director on the Company's Board of Directors was approved at the Company's Annual General Meeting on 27 June 2018, at the proposal of the Appointments and Remuneration Committee and on the basis of a supporting statement from the Board of Directors.

This supporting statement affirms that José Nieto has been appointed on the basis of his personal and professional merits, that he is able to perform his duties without influence from any relationship with the Company, its Group, its significant shareholders or its management, and that he does not fall under any of the circumstances described in Article 529.duodecies.4 of the Companies Act which would disqualify his categorisation as an independent director.

As a Company director, José Nieto is subject to obligations including the duty of loyalty, and must perform his duties as a loyal representative, acting in good faith and in the Company's best interests. These principles have governed his actions as a Company director at all times, without influence from his position as Managing Director of Banco de Sabadell, S.A. at any time.

Furthermore, as indicated in Section D.1 of the Report, the Company has a specific approval procedure in place for related party transactions. In this regard, Article 5 of the Regulations of the Board of Directors of the Company stipulates that the Board is responsible for the approval, subject to a report from the Audit and Control Committee, of transactions that the Company, or companies in its Group, carries out with directors or with shareholders with a significant stake, whether individually or jointly with others, including shareholders represented on the Board of Directors, in the Company or other companies in its group or with persons related to them.

The directors concerned, or who represent or are linked to the shareholders concerned, must not participate in any deliberations or voting on the resolution in question. In addition to neither exercising nor delegating their right to vote, the directors concerned must leave the meeting room while the Board of Directors deliberates and votes on this related-party transaction.

As an exception to this rule, authorisation from the Board of Directors is not necessary for related-party transactions that simultaneously meet the following three conditions: (i) they are carried out under contracts whose terms are standardised and are applied en masse to a large number of clients; (ii) they involve market prices or rates which are established on a general basis for whoever may act as a supplier of the goods or services concerned; and (iii) their amount does not exceed one per cent of the Company's annual revenue.

In this regard, the Company has enjoyed a long relationship with Banco de Sabadell, and the existence of this commercial relationship with Banco de Sabadell in no way undermines José Nieto's independence.

The Company's related-party transactions with Banco de Sabadell, S.A. will remain subject to authorisation by the Board of Directors and this authorisation must be in accordance with the provisions of the applicable regulations. In addition, although the Company carries out transactions that, by virtue of their nature, are considered to be linked to a director, these are always within the limits and requirements established by law and the Company's corporate documents, and never dictate the categorisation of a director as one or another category, nor entail that they cannot be categorised as an independent director.

Note on Section C.1.31

The Company's General Meeting on 29/06/2017 approved the appointment of Deloitte, S.L. as auditor for the Company and its consolidated group for fiscal years 2017, 2018 and 2019, and the re-election of PricewaterhouseCoopers Auditores, S.L. ('PwC') as auditor for the Company and its consolidated group for fiscal year 2017 (the re-election of PwC was also approved at both the General Meeting on 27/06/2018 for fiscal year 2018 and that of 26/06/2019 for fiscal year 2019), within the framework of a joint audit system.

Note on Section C.1.34

The Company's General Meeting on 29/06/2017 approved the appointment of Deloitte, S.L. as auditor for the Company and its consolidated group for fiscal years 2017, 2018 and 2019, and the re-election of PricewaterhouseCoopers Auditores, S.L. ('PwC') as auditor for the Company and its consolidated group for fiscal year 2017, within the framework of the joint audit system that is currently in force, since PwC was re-elected as auditor for the Company and its consolidated group for fiscal year 2019. (The re-election of PwC was also approved for fiscal year 2018 at the General Meeting on 27/06/2018 and for fiscal year 2019 at that of 27/06/2018.) The number of consecutive fiscal years during which PwC has been performing the audit for the Company and its consolidated group is 31 and 18, respectively. 2017 was the first fiscal year audited by Deloitte, S.L. (2019 was the third fiscal year audited by Deloitte, S.L.). The percentage of years is calculated from the year of the Company's flotation (2006) and not from the date of its incorporation (06/07/1960).

Note on Section C.2.1

Continuation of the functions of the Company's Appointments and Remuneration Committee

(b) With respect to the appointment of members of the Committees

The Committee has also proposed to the Board of Directors the directors who should serve on this Committee, taking into account both their knowledge, skills and experience and the Committee's responsibilities. In this regard, a proposal was made to the Board to appoint José Nieto de la Cierva as a member of the Appointments and Remuneration Committee, considering that José Nieto de la Cierva's position as Lead Independent Director and his training and experience make him especially valuable to the Committee. Another proposal was made to appoint Rodolfo Martín Villa as a member of the Committee in virtue of his outstanding academic background and extensive professional experience in both public and private sectors.

(c) With respect to the succession plans for directors and senior management

The Committee was informed of the need to draw up a wider reaching succession plan, to include groups such as managers and department heads. This will involve finding potential successors and drawing up a development programme for each of the successors.

The Committee has monitored the situation of the Chairperson of the Board of Directors, supervising the normal functioning of the Company and its corporate bodies through the assumption of duties, where necessary, by the 1st Deputy Chairperson.

(d) With respect to remuneration for directors and senior management

At various sessions, the Committee has been informed about the current regulatory requirements on matters within its competence, and in particular about obligations with respect to directors' remuneration.

In addition, in view of the preparation of the new directors' remuneration policy to be approved at the Annual General Meeting in 2019, the Chairperson of the Committee has reiterated the findings from the market research on directors' remuneration (sectoral benchmarking for remuneration at IBEX 35 and other comparable companies at both national and international level) drawn up by the external consultant E&Y, which was presented at an earlier session during 2018. In this regard, the external consultant E&Y drew up a report on the remuneration model for the Company's executive directors, which was submitted to the Committee.

Over the course of several sessions, the Committee analysed progress on the new text of the directors' remuneration policy, which was submitted for approval at the Annual General Meeting on 26 June 2019. This involved assistance from the external consultant E&Y, who evaluated aspects including the need to distinguish clearly between the two existing systems: that applicable to directors for their membership of the Board of Directors and its Committees, and that applicable to the executive directors.

At the meeting on 13 May 2019, E&Y reported to the Committee about the final text of the proposed directors' remuneration policy and the executive directors' contracts. The Committee agreed unanimously to approve the proposed remuneration policy for submission to the Board, and to approve the corresponding supporting statement on the policy.

The Committee also established a plan to update the executive directors' contracts and a plan to evaluate a long-term variable remuneration scheme adjusted to the needs of the Company. At a later session, it agreed to report favourably to the Board of Directors on updating the executive directors' contracts in accordance with the new directors' remuneration policy for fiscal years 2019 to 2021, approved at the Annual General Meeting on 26 June 2019. At the same time, following the corresponding assessment and weighting of the criteria for the executive directors' variable remuneration and their different parameters (including the fundamental issue of the Company's performance during the corresponding fiscal year), the Committee, following the precautionary principle, agreed to the accrual and settlement of variable remuneration for each of the executive directors for fiscal year 2018.

The external consultant E&Y also reported to the Committee about the Long-term Incentive Plans (LTIPs) (instruments allowing participants the opportunity to receive variable remuneration after a certain period of time exceeding one year, provided that certain conditions are met). The Committee evaluated the information received and agreed to entrust the external consultant with a proposal for the design of an LTIP for the two executive directors, based on the Company's business characteristics and the best market practices, taking into account simplicity, amount on the market and the precautionary principle.

In line with the above, the Committee unanimously agreed to report favourably to the Board of Directors on the implementation of the proposed LTIP submitted by the external consultant E&Y. In accordance with the current directors' remuneration policy, any LTIPs implemented by the Company for its executive directors must be approved at the Annual General Meeting.

At several sessions and with various managers from the Human Resources Department in attendance when appropriate, the Committee has been informed about various issues relating to appointments, the balanced scorecard, salary review and remuneration for senior managers, including the target-based variable remuneration system.

The Committee also reported to the Board on the proposed distribution of the total remuneration for the Board, approved at the General Meeting, so that the Board could determine the specific amount corresponding to each of its members, taking into account the duties and responsibilities of each director, membership of Board Committees and other objective circumstances considered relevant by the Board of Directors, in accordance with the provisions of Article 22 of the Articles of Association.

Mention should also be made of the effective coordination between the Appointments and Remuneration Committee and the Human Resources Department, which has contributed to the smooth operation of this Committee.

(e) Other matters:

The Committee was informed by the Company's Chief Financial Officer about Plan 100, whose main objective is the optimisation of the Company's resources, identifying various opportunities for improvement.

As part of the evaluation of the Board and its Committees, explained in Section 6 below, the Committee unanimously approved the report on its operations for fiscal year 2018, agreeing on its submission to the Board. Also, at its last meeting, the Committee reviewed and unanimously approved the meetings schedule for 2020, after making the appropriate modifications for availability.

Finally, it should be noted that during fiscal year 2019 there have been no deviations from the procedures adopted by the Company, nor have any irregularities in the matters within the competence of the Committee been conveyed to the Board of Directors, since there is no knowledge of any having occurred.

Continuation of the functions of the Company's Audit and Control Committee

• Reporting to the Board of Directors, in advance of its taking the corresponding decisions, on all matters set out in the legislation, the Articles of Association and the Regulations of the Board of Directors and, in particular, on:

(a) the periodic financial information which must be disclosed by the Company;
(b) the creation or acquisition of shares in special purpose entities or entities based in countries or territories considered as tax havens; and
(c) related-party transactions.

Likewise, Article 13.4 of the Regulations of the Board stipulates that the Committee will draw up an annual report on its operation, highlighting any major issues which have arisen in connection with its functions. In addition, when the Committee considers it appropriate, the report will include proposals for improvements to the Company's rules of governance.

Specifically, during fiscal year 2019, the Committee carried out the following activities:

(a) With respect to financial and non-financial reporting and the associated internal control mechanisms

In relation to the annual financial statements for fiscal year 2018:

• The annual, individual and consolidated financial statements were approved by the Committee for consideration and, as appropriate, approval by the Board of Directors. The previous debate discussed certain issues that were considered particularly significant, with special focus on the drawing up of non-financial information as part of the management report, following the approval of Law 11/2018 of 28 December, which was subject to verification in accordance with the regulations in force. In addition, the external auditors, Deloitte and PricewaterhouseCoopers (PwC), stated that during their work on the joint auditing, no significant additional risks were identified other than those identified during the planning process, information on which was submitted at an earlier meeting in 2018. They also confirmed that there had been no disagreement or limitation of scope during the joint auditing process.

• The Committee unanimously agreed to submit to the Board of Directors the proposal for the allocation of profits for the fiscal year ended 31 December 2018.

• The statement indicating that the Committee would report favourably to the Board of Directors on the Annual Financial Report for fiscal year 2018 was analysed prior to its approval and submission to the CNMV. The Committee has carried out regular monitoring of the progress of the auditing process, with the external auditors asked to report, where appropriate, on issues such as: (i) revenue recognition; (ii) status of tax inspections; (iii) deferred tax assets; (iv) project cash flow estimation; (v) changes in deferred tax assets; (vi) review of developments in project closures, focusing on the most complex projects, both in their implementation and in their closure; (vii) regulatory changes that will affect the Group's accounts; (viii) ongoing administrative and operational judicial proceedings and arbitration; and (ix) the periodic public reporting corresponding to the first half of 2019 (the Committee having received the external auditors' opinion on the limited review of this information for the first half of the year).

In addition, at the last Committee meeting in 2019, the Committee was informed by the external auditors, PwC and Deloitte, of the conclusions from the preliminary review of the 2019 audit, and the issues relevant to the fiscal year end were reviewed. This was carried out with the participation of the directors, who requested additional information on certain issues and made points in relation to others. It was expressly stated that there had been no disagreement with respect to the relationship between the two firms.

During its meetings, the Committee has monitored various issues relating to financial and non-financial information, including: (i) the advance information on the figures for fiscal year end; (ii) the Group's cash position, with respect to which, directors raised several specific points and questions; (iii) the quarterly and six-monthly periodic public reporting for 2019; and (iv) financial presentations to analysts.

The Committee has been regularly informed about the system for internal control over financial reporting (ICFR). Specifically:

• Several reports on ICFR have been submitted by the internal auditor. In this regard, they reported on the findings of the ICFR review (concluding that the Group has internal procedures which include control processes related to financial information flows, establish responsibilities and define the transactions and supporting documents for these controls), as well as the recommendations to be implemented (including those with respect to the multiannual economic planning for the EBIT and the economic planning for equity), with the directors actively participating in the assessment of the information submitted.

Likewise, during the first half of 2019, a review was carried out of the entire process corresponding to December 2018 for major projects, and the associated report was submitted in April 2019 and audited by the external auditor Deloitte, with a favourable report issued in May 2019. In addition, recommendations for improvements were submitted, which were followed up with scheduled commitments for the different Company divisions involved, and on whose progress the Internal Auditing department have been reporting to the Committee.

The Committee has also regularly monitored and supervised other matters:

• Verification and confirmation of the validity of the financial information included on the corporate website, receiving information on the legislation in force in this respect and ensuring that this information coincides with the information about the Company on the CNMV website.

• Recognition of assets through change orders and claims, in some cases involving the internal auditor's participation in the meetings.

(b) With respect to related-party transactions

The Committee unanimously approved the Report on Related-party Transactions for the fiscal year ended 31 December 2018 for submission to the Board of Directors.

(c) With respect to the corporate social responsibility policy and its implementation during the fiscal year

At its meeting on 27 February 2019, the Committee approved the statement of non-financial information as an integral part of the management report. This summarises the activities of the Company and its consolidated group with respect to corporate social responsibility and its implementation during the year.

(d) With respect to risk management and control

The Committee has been regularly informed of various issues within its scope of competence, including the following:

• The objectives in this area for fiscal year 2019, and specifically: reassessment of criminal risk, development of a risk and control matrix, identification of persons in particularly exposed positions, training matrix and plan for periodic declaration of conformity, and training plan requirements. In this regard, the Committee has been regularly informed about the status of implementation of regulatory compliance objectives, as well as open cases and their status, through communications received through the Code of Conduct Mailbox.

• The first plan for international implementation of the compliance system, including the prioritisation of developed countries. In this regard, the incorporation of a compliance officer for the Middle East, functioning as a Deputy Compliance Officer, was evaluated and approved by the Committee following assessment of the candidate's CV.

• At the request of Committee members, the Compliance Officer drew up and submitted to the Committee a country risk map from the perspective of compliance, including ongoing projects in each country and the volume of the project or projects, in the event there was more than one, agreeing to assess the winding-up of a branch office, as well as a table with the most important information on the complaints received through the Code Mailbox.

• Plans for 2019 included updating the Code of Conduct to make it more accessible and implementing the Code of Conduct for approval by suppliers and subcontractors.

• Compliance clauses to be incorporated into the purchasing and/or subcontracting terms and conditions.

• Monitoring of the status of policy dissemination within the Group, including the conflict of interest policy and the draft anti-fraud policy.

• The Compliance Officer presented the budget for this area, specifically taking into account the support received from a number of external consultants whose involvement is essential.

• Within the framework of continuing training on compliance and training for directors, the Committee authorised the Compliance Officer to schedule a compliance training session before the end of fiscal year 2019.

The D&O policy for directors and managers was presented to the Committee by the external advisor AON. In order to evaluate the coverage of the policy, a comparative study of Ibex 35 companies was carried out, from which the Committee concluded that the coverage was satisfactory.

Over the course of several meetings, the Finance Department has reported to the Committee on various fiscal issues. These included: the Fiscal Risk Guidelines with respect to taxation in 2018, within the framework of which, the position of fiscal controller and a fiscal mailbox were created for communications related to these matters; the Company's fiscal status; and possible negotiations with the State Tax Administration Agency (AEAT) and how these would affect any other dispute proceedings. The Committee was also informed about a meeting with the AEAT regarding the Company's tax status.

(e) With respect to the internal auditing

The internal auditor submitted the Annual Internal Audit Report for 2018 to the Committee, which set out the following areas of action: auditing of subsidiaries, specific tasks within the scope of the cost optimisation plan, ICFR and contractual modifications. At the same session, they presented the 2019 Annual Plan, which includes the following areas of action: the cost optimisation project, auditing of subsidiaries, ICFR and technical assessment of suppliers' financial solvency.

The Committee has regularly monitored the Internal Audit Plan (which was approved in 2018 on a multi-year basis for fiscal years 2018 to 2020). In this regard, it agreed at one of its meetings to propose that the Finance Department carry out an analysis of assets that could generate liquidity, reviewing the measures and the different cash impacts. At another meeting, the internal auditor informed the Committee about the work carried out by Human Resources and General Services, auditing of subsidiaries, ICFR, the prepayments associated with contractual modifications and the solvency assessments for suppliers and subcontractors.

(f) With respect to the external auditors

The Company's internal auditor submitted to the Committee the statements of independence of the joint auditors, PricewaterhouseCoopers and Deloitte, copies of which were annexed to the minutes of the meeting.

In accordance with Article 529 quaterdecies.4(f) of the Companies Act, the Committee unanimously approved the Report on the Independence of the External Auditor for fiscal year 2018.

After a reminder by the Committee's Chairperson about the functioning of the Company's joint audit system, in operation since fiscal year 2017 through the audit firms PwC and Deloitte, a proposal for the re-election of PwC as joint auditors of the Company and its Consolidated Group for fiscal year 2019 was submitted to the Committee for consideration. After a brief deliberation, it was unanimously approved to propose to the Board of Directors that they submit to the Annual General Meeting of Shareholders the proposal to re-elect PwC as auditor of the Company and its Consolidated Group for fiscal year 2019.

The Committee has also regularly monitored any factors which might have affected the independence of the external auditors. In this regard, it unanimously approved the increase in external auditors' fees for auditing services, in view of the information submitted. The Internal Auditing Department's report on the monitoring of compliance with regulations on the provision of non-audit services and the budget for non-audit services was also submitted to the Committee.

(g) With respect to the monitoring of the Committee's action plans

The Committee reviewed compliance with the 2019 Annual Plan for the Audit and Control Committee at each session.

At its last meeting, the Committee reviewed and unanimously approved the meetings schedule for 2020, after making the appropriate modifications for availability, as well as the Audit and Control Committee's annual plan of activities for fiscal year 2020, which sets out the matters to be addressed by the Committee at each session.

(h) The nature and extent of any communication with regulators

During one of the meetings, the Secretary of the Committee read out in full a letter from the CNMV on the use of inside information, which included an express request that it be read out at the next meeting of the Audit and Control Committee.

(i) Other activities

After a brief debate, the Committee unanimously agreed to report favourably to the Board of Directors on the Company's issuance of unsecured, unsubordinated straight bonds and their main terms.

After receiving information from the Chief Financial Officer and debate between its members, the Committee unanimously approved to report favourably to the Board of Directors on a potential transaction involving the Company's own shares, enabling the Board to adopt among its agreements, where appropriate, both the terms of the transaction and the delegation of powers, under the most appropriate terms.

The Committee also unanimously approved the report on its operations for fiscal year 2018 and agreed on its submission to the Board.

Finally, it should be noted that during fiscal year 2019 there have been no deviations from the procedures adopted by the Company, nor have any irregularities in the matters within the competence of the Committee been conveyed to the Board of Directors, since there is no knowledge of any having occurred.

Note on Section D.6

Continuation of the response

Persons subject to these provisions and insiders must notify the Chairperson of potential conflicts of interest in which they are involved because of their activities outside the Company, their family relationships, their personal assets, or for any other reason, with: (i) the Company or any of the Técnicas Reunidas Group companies; (ii) suppliers or important clients of the Company or of Técnicas Reunidas Group companies; or (iii) entities that engage in the same type of business or are competitors of the Company or any of the Técnicas Reunidas Group companies. Any doubts about potential conflicts of interest must be discussed with the Chairperson.

As indicated in Section D.1 above, Article 35 ('Transactions with significant shareholders') of the Regulations of the Board stipulates that any transaction made by the Company with directors and significant shareholders will be subject to a report by the Audit and Control Committee and to authorisation by the Board of Directors. Before authorising any transaction of this nature by the Company, the Board of Directors will evaluate the transaction from the standpoint of equal treatment of shareholders and market conditions.

The Company's Code of Conduct also includes principles and standards for all persons to whom it is applicable: members of the Board of Directors, the Audit and Control Committee, the Appointments and Remuneration Committee and the other supervisory bodies of Técnicas Reunidas and any other company which belongs to the Técnicas Reunidas business group at national or international level, as well as the managers, employees and partners linked to the Group, regardless of their positions or where they carry out their work.

In this regard, Article 4.1.1 of the Code of Conduct approved by the Company stipulates that persons subject to the Técnicas Reunidas Group's Code will act in the performance of their duties with loyalty and endeavouring to defend the interests of the Group. Likewise, they will try to avoid any situations which would involve an actual or apparent conflict of interest. These conflicts of interest must be reported to the Compliance Officer.

Note on Section E.1

- Risks related to concentration on a small number of clients

The portfolio may at certain times reflect a high concentration on a small number of clients or specific countries or suppliers.

Control and management systems:

• Concentration only on markets where the Group has sufficient prior experience.

• Diversification policy which allows TR access to very different markets.

• Development of commercial activity with new clients and in markets in which TR is not yet active.

• Strategies for dispersal and diversification of construction among various local and international suppliers.

- Risks related to environmental and safety requirements

TR carries out projects where incorrect implementation could lead to risks with significant environmental impact or appreciable risks with respect to health and safety. The Group works on risk control and minimisation by cooperating with its clients, subcontractors and suppliers in this area.

Control and management systems:

• Implementation of an Environmental and Safety Management System at RT.
• Assurance of environmental management from the engineering stage. Extension of this assurance to suppliers and subcontractors through audits and training.
• Strengthening of safety in processes from the design stage.
• Promotion of occupational safety among suppliers and subcontractors.

- Risks arising from economic variables.

Certain economic circumstances (changes in exchange rates and interest rates, predisposition to financing, taxation, etc.) may impact TR's activities and results.

Periods of volatility in economic variables derived from geopolitical tensions.

High weight in the decisions of our clients of the entities or organizations that finance their investments.

Management and monitoring systems:

• Continuous monitoring of currency-related risks and contracting of exchange rate insurance.
• Management of a sound balance sheet and availability of adequate lines of financing.
• Mitigation of the risk of clients' lack of liquidity by means of active participation in the processes of obtaining financing, through banks that support operations involving TR and direct contact with financing entities of our clients, as well as through the use of export credit insurance.

- Risks arising from information technology

With the Group's increased digitalisation, the risk of cybercriminal intrusion into its systems has increased.

Management and monitoring systems:

• Information security management system certified according to ISO 27001:2015.
• Training in cybersecurity for employees.
• Supervision by the Information Security Committee of the implementation of the strategic cybersecurity plan, the results of the audits and the main risks and measures used.

- Risks arising from the retention of key personnel and adaptation of resources to workload

The loss of key personnel or deficiencies in their training may increase the risk of unsatisfactory implementation of projects. In addition, excessive concentration of projects and project delay can lead to inefficiencies in personnel management.

Management and monitoring systems:

• Procedures for identifying key employees who should be retained and implementation of policies that encourage them to remain at the Company.
• Implementation of a flexible Human Resources structure which can adapt quickly to market changes.
• Globalised management of human resources to unify the criteria used in the various subsidiaries.

- Risks arising from integrity and reputation

Any unethical or irresponsible behaviour by employees or by third-parties working in partnership with the Company (suppliers and subcontractors) could adversely affect Técnicas Reunidas' reputation and results.

Management and monitoring systems:

• Internal regulations and training to ensure that workers behave with integrity, and availability of a Code of Conduct and a whistleblowing mechanism.
• Need for suppliers and subcontractors to fulfil requirements on environmental issues, human rights and health and safety.

- Risks arising from quality in implementation

Quality in implementation not only ensures a satisfactory end to a project but also increases the likelihood of securing similar projects or working with the same client in the future.

Management and monitoring systems:

• Quality monitoring mechanisms at all project stages.
• Creation of databases that collate the group's know-how and best practices.
• Quality department responsible for drawing up procedures.

Without prejudice to the above and with particular respect to crime prevention, the Company's Board of Directors has an ongoing commitment to ensuring that this risk management and control system prevents or minimises the likelihood of irregular practices and ensures that any irregular practices detected will be stopped, demanding accountability and pursuing a policy of the utmost rigour in this respect. In this regard, the Audit and Control Committee takes the above into account as part of its responsibility for supervising the effectiveness of internal control and internal auditing, in accordance with the criteria of the supervisory bodies, without prejudice, in any case, to the mandatory reporting to the markets through the Statement of Non-financial Information and through this Annual Corporate Governance Report.

Note on Section G.40

The Company has an internal audit system which, under the supervision of the Audit and Control Committee, ensures the proper functioning of the systems for internal control and reporting. Since 2008, the Company has had an internal auditor, who is included in the list of senior managers and who continues to discharge their duty within the Company.

Note on Section G.55

The Company has been a signatory to the United Nations Global Compact since November 2011 and has confirmed its commitment by renewing its membership every year since then.

This annual corporate governance report was approved by the company's board of directors at its meeting on:

26/02/2020

Indicate whether any directors have either voted against or abstained from voting on the approval of this report.

[ ] Yes
[√] No

TECNICAS REUNIDAS

CERTIFICATE OF AUTHORISATION
2019 ANNUAL REPORT

The Board of Directors:

José Lladó Fernández-Urrutia Chairman	Juan Lladó Arburúa First Deputy Chairman
Fernando de Asúa Álvarez Third Deputy Chairman	Juan Miguel Antoñanzas Pérez-Egea Second Deputy Chairman
Javier Gómez-Navarro Navarrete Director	Álvaro García-Agulló Lladó Director
José Manuel Lladó Arburúa Director	Rodolfo Martín Villa Director
Petra Mateos-Aparicio Morales Director	Pedro Luis Uriarte Santamarina Director
William Blaine Richardson Director	Adrián Lajous Vargas Director
Jose Nieto de la Cierva Director	Alfredo Bonet Baiget Director

Certificate issued by the Legal Secretary attesting that, following the authorisation for issue by the Board members at its meeting held on 26 February 2020 of the consolidated financial statements and directors' report of Técnicas Reunidas, S.A. for the year ended 31 December 2019, all directors have signed the last page of this document, to which I attest, in Madrid on 26 February 2020. I also CERTIFY that these consolidated financial statements and directors' report are the same as those approved at the aforementioned Board meeting and, therefore, I sign and initial all pages thereof.

Certificate issued by the Secretary: "In compliance with section 253.2 of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*), it is placed on record that the director José Lladó Fernández-Urrutia was not present to authorise the financial statements for issue, as he was absent from the meeting on duly justified grounds.

Laura Bravo
Secretary to the Board

TECNICAS REUNIDAS

DECLARATION OF RESPONSIBILITY
2019 ANNUAL REPORT

The Board of Directors:

José Lladó Fernández-Urrutia Chairman	Juan Lladó Arburúa First Deputy Chairman
Fernando de Asúa Álvarez Third Deputy Chairman	Juan Miguel Antoñanzas Pérez-Egea Second Deputy Chairman
Javier Gómez-Navarro Navarrete Director	Álvaro García-Agulló Lladó Director
José Manuel Lladó Arburúa Director	Rodolfo Martín Villa Director
Petra Mateos-Aparicio Morales Director	Pedro Luis Uriarte Santamarina Director
William Blaine Richardson Director	Adrián Lajous Vargas Director
Jose Nieto de la Cierva Director	Alfredo Bonet Baiget Director

They state that, to the best of their knowledge, the separate financial statements of Técnicas Reunidas, S.A. (balance sheet, income statement, statement of changes in equity, statement of cash flows, notes to the financial statements and directors' report), as well as the consolidated financial statements with its subsidiaries (consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements), for the year ended 31 December 2019, prepared by the Board of Directors at its meeting held on 26 February 2020, prepared in accordance with the accounting principles applicable and set forth on 90 and 169 sheets of ordinary paper for the separate financial statements and consolidated financial statements, respectively, written only on the obverse side, all of which were signed by the non-director Secretary to the Board, Laura Bravo Ramasco, present fairly the equity, financial position and results of operations of Técnicas Reunidas, S.A. and subsidiaries, and that the directors' reports supplementing the separate and consolidated financial statements include a fair analysis of the performance, business results and position of Técnicas Reunidas, S.A. and its subsidiaries, together with a description of the main risks and uncertainties faced by the Company.

Certificate issued by the Secretary: "In compliance with section 253.2 of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*), it is placed on record that the director José Lladó Fernández-Urrutia was not present to authorise the financial statements for issue, as he was absent from the meeting on duly justified grounds.

Madrid, 26 February 2020