



TECNICAS REUNIDAS

ANNUAL ACCOUNTS

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

TÉCNICAS REUNIDAS, S.A.

Independent Auditor's Report on annual accounts
for the year ended December 31, 2019
and 2019 Director's Report



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

Independent auditors' report on the annual accounts

To the shareholders of Técnicas Reunidas, S.A:

Report on the annual accounts

Opinion

We have audited the annual accounts of Técnicas Reunidas, S.A. (the Company) 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 report to the annual accounts for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at December 31, 2019, as well as its financial performance and cash flows for the year then ended, in accordance with the financial information applicable (identified and described in Note 2), and particularly with accounting principles and standards described in the note.

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 annual accounts section of our report.

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the 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 annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matters

How our audit addressed the key audit matter

Recognition of revenue from construction contracts

The revenue recognition criteria applied by the Company are based on the percentage completion method in accordance with applicable law for Construction contracts.

When applying the percentage of completion method the Company 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 Company 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 3.14, 10 and 24 a) to the 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 sales price and total budgeted costs.
- We evaluated the coherence of the estimates made by the Company last year by comparing them with the actual data deriving from contracts in the current year.
- We recalculated the percentage of completion of each stage of the selected projects and compared it with the results obtained from the Company'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

Tax inspection action

Over the past few years the Group underwent an inspection tax group which the Company belongs, regarding corporate income tax for the years 2008 through 2011.

After the tax inspection action was completed in 2015 the Company received a proposed settlement totalling €138.2 million, plus interest due to discrepancies in transfer pricing.

The 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 Company 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 Company maintains the necessary guarantees corresponding to these assessments.

The Company has implemented processes and controls to assess the risks and probability that a potential liability must be recognized in the annual accounts, considering that there are legal arguments that support its position that no provision has been recognised in this regard.

The information relating to the inspection action taken by the tax authorities is set out in Note 23.

Finally, we verified that the information disclosures included in Note 3.14,10 and 24 a) to the accompanying 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.

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 Company's estimates.

To analyse the reasonableness of the Company's estimate, we have involved internal tax specialists and, as part of our substantive work, we held interviews with the Company's attorneys regarding the actions taken by the tax authorities to date.

We have analysed the probability of success that the Company's challenge of the conclusions reached by the tax authorities will have, which corroborate the estimate made by the Company and the information regarding this matter set out in the annual accounts is adequate in the terms of applicable accounting legislation. Additionally, we have analyzed the probabilities of success of the Company's opposition to the conclusions of the Tax Agency, which corroborate the Company's estimate and the information included in the report is adequate to the requirements of the applicable accounting regulations.

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

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 initiated proceedings, we have considered this to be a key audit matter.

Deferred tax assets

The balance sheet at 31 December 2019 includes a balance of €181,026 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.

At the end of the year Company 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.

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.

The information relating to the deferred tax assets is disclosed in Note 23 of the report.

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 also 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 23 to the accompanying 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: directors' report

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

Our audit opinion on the annual accounts does not cover the director's report. Our responsibility regarding the information contained in the 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 directors' report, which consists of evaluating and reporting on the consistency of that information with that presented in the annual accounts based on the knowledge gained of the Company 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 directors' report and that the rest of the information contained in the directors' report is consistent with that of the 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 for the annual accounts

The Company's directors are responsible for the preparation of the accompanying annual accounts, such that they fairly present the equity, financial position and financial performance of the Company, in accordance with the financial reporting framework applicable to the Company 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 annual accounts, the Company's directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

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



Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the 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 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 Company's audit and control committee, we determine those matters that were of most significance in the audit of the 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 Company's audit and control committee

The opinion expressed in this report is consistent with the statements made in our additional report for the 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 Company'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 Company'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 Company are those described in Note 32 to the accompanying annual accounts.

PricewaterhouseCoopers Auditores, S.L.

Deloitte, S.L.

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

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

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

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

27 February 2020

27 February 2020

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

TÉCNICAS REUNIDAS, S.A.

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

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Appendix I: Unincorporated temporary joint ventures and consortiums in which the Company has interests

TÉCNICAS REUNIDAS, S.A.
BALANCE SHEET AT 31 DECEMBER 2019
(Expressed in thousands of euros)

	ASSETS	Note	At 31 December	
			2019	2018
NON-CURRENT ASSETS			735,730	516,887
Intangible assets		5	52,532	54,721
Property, plant and equipment		6	23,048	24,901
Non-current investments in Group companies and associates		8	381,996	227,152
Non-current financial investments		7	97,128	96,520
Shares and non-current equity interests			197	197
Loans to third parties			692	994
Derivatives		7-11	295	129
Other financial assets			95,944	95,200
Deferred tax assets		23	181,026	113,593
CURRENT ASSETS			2,642,033	2,655,374
Inventories		12	14,498	15,001
Advances to suppliers		13	176,357	173,709
Trade and other receivables		7-10	1,582,982	1,507,759
Current investments in Group companies and associates		8	447,948	540,271
Current financial investments			53,726	55,994
Financial assets at fair value		7-9	42,252	42,038
Derivatives		7-11	6,234	6,336
Other financial assets			5,240	7,620
Cash and cash equivalents		14	366,522	362,640
TOTAL ASSETS			3,377,763	3,172,261

The accompanying Notes 1 to 32 and Appendix I are an integral part of these annual accounts.

TÉCNICAS REUNIDAS, S.A.

BALANCE SHEET AT 31 DECEMBER 2019

(Expressed in thousands of euros)

EQUITY AND LIABILITIES	Note	At 31 December	
		2019	2018
EQUITY		449,757	460,499
Shareholders' equity		462,566	473,590
Share capital	15	5,590	5,590
Registered share capital		5,590	5,590
Share premium	15	8,691	8,691
Reserves	16	531,642	556,836
Legal and statutory reserves		1,137	1,137
Capitalisation reserve		3,056	3,056
Other reserves		527,449	552,643
(Treasury shares)	15	(73,830)	(74,116)
Loss for the year	17	(9,527)	(23,411)
Valuation adjustments		(12,809)	(13,091)
Hedging transactions	11	(13,611)	(6,274)
Translation differences	18	802	(6,817)
NON-CURRENT LIABILITIES		391,493	460,129
Non-current provisions		77,111	83,892
Other provisions	19	77,111	83,892
Non-current payables	20	298,183	346,881
Bank borrowings		288,554	340,361
Derivatives	11	2,928	1,242
Other financial liabilities		6,701	5,278
Non-current payables to Group companies and associates		-	780
Deferred tax liabilities	23	16,199	28,576
CURRENT LIABILITIES		2,536,513	2,251,633
Current provisions	19	36,063	23,055
Current payables	20	275,650	116,306
Bank borrowings		233,578	76,023
Derivatives		41,543	39,727
Other financial liabilities		529	556
Current payables to Group companies and associates	21	241,450	375,675
Trade and other payables	22	1,983,350	1,736,597
TOTAL EQUITY AND LIABILITIES		3,377,763	3,172,261

The accompanying Notes 1 to 32 and Appendix I are an integral part of these annual accounts.

TÉCNICAS REUNIDAS, S.A.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

(Expressed in thousands of euros)

	Note	Year ended 31 December	
		2019	2018
Revenue	24	2,333,535	1,913,659
Sales and services rendered		2,333,535	1,913,659
Changes in inventories of finished goods and work in progress		(609)	3,055
Procurements		(1,547,755)	(1,159,566)
Cost of goods held for resale used		(1,547,755)	(1,159,566)
Other operating income		5,455	6,115
Non-core and other current operating income		4,898	5,588
Income-related grants transferred to profit or loss		557	527
Staff costs	24.c	(314,396)	(303,700)
Wages, salaries and similar expenses		(261,128)	(252,276)
Employee benefit costs		(51,815)	(49,933)
Provisions		(1,453)	(1,491)
Other operating expenses	24.d	(459,672)	(473,677)
Outside services		(448,162)	(445,819)
Taxes other than income tax		(5,840)	(2,593)
Losses on, impairment of and change in allowances for trade receivables		(5,208)	(22,994)
Other current operating expenses		(462)	(2,271)
Depreciation and amortisation charge	5 and 6	(8,791)	(14,410)
Impairment and gains or losses on disposal of non-current assets		(27)	(790)
PROFIT/(LOSS) FROM OPERATIONS		7,740	(29,314)
Finance income		39,975	47,417
Finance costs		(23,478)	(9,764)
Changes in fair value of financial instruments		214	(1,939)
Exchange differences		14,020	7,217
Impairment and gains or losses on disposal of financial instruments		(23,997)	(47,621)
FINANCIAL PROFIT/(LOSS)	25	6,734	(4,690)
PROFIT/(LOSS) BEFORE TAX		14,474	(34,004)
Income tax	23	(24,001)	10,593
LOSS FOR THE YEAR		(9,527)	(23,411)

The accompanying Notes 1 to 32 and Appendix I are an integral part of these annual accounts.

TÉCNICAS REUNIDAS, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(Expressed in thousands of euros)

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Year ended 31 December	
		2019	2018
Loss per income statement		(9,527)	(23,411)
Income and expense recognised directly in equity			
Cash flow hedges	11	(48,017)	(29,953)
Actuarial gains and losses and other adjustments		3,541	4,053
Tax effect	23	12,147	4,428
Total income and expense recognised directly in equity		(32,329)	(21,472)
Transfers to profit or loss			
Cash flow hedges	11	38,263	3,350
Tax effect	23	(9,566)	(838)
Total transfers to profit or loss		28,697	2,512
TOTAL RECOGNISED INCOME AND EXPENSE		(13,159)	(42,371)

The accompanying Notes 1 to 32 and Appendix I are an integral part of these annual accounts.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

B) STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(Expressed in thousands of euros)

	Share capital (Note 15)	Share premium (Note 15)	Reserves (Note 16)	Treasury shares (Note 15)	Prior years' profit	Profit/(Loss) for the year (Note 17)	Interim dividend (Note 17)	Valuation adjustments (Notes 18 and 11)	TOTAL
ADJUSTED BALANCE AT BEGINNING OF 2018	5,590	8,691	423,544	(73,041)	-	187,333	(35,852)	5,869	522,134
Total recognised income and expense	-	-	-	-	-	(23,411)	-	(18,960)	(42,371)
Transactions with shareholders or owners									
- Dividends paid	-	-	(14,149)	-	(35,851)	-	-	-	(50,000)
- Other transactions with shareholders or owners	-	-	(279)	(1,075)	-	-	-	-	(1,354)
Other changes in equity									
- Distribution of profit	-	-	151,481	-	35,851	(187,333)	35,852	-	35,851
- Other changes	-	-	(3,761)	-	-	-	-	-	(3,761)
BALANCE AT END OF 2018	5,590	8,691	556,836	(74,116)	-	(23,411)	-	(13,091)	460,499
ADJUSTED BALANCE AT BEGINNING OF 2019	5,590	8,691	556,836	(74,116)	-	(23,411)	-	(13,091)	460,499
Total recognised income and expense	-	-	-	-	-	(9,527)	-	(3,632)	(13,159)
Transactions with shareholders or owners									
- Dividends paid	-	-	-	-	-	-	-	-	-
- Other transactions with shareholders or owners	-	-	(156)	286	-	-	-	-	130
Other changes in equity									
- Allocation of loss	-	-	(23,411)	-	-	23,411	-	-	-
- Other changes	-	-	(1,627)	-	-	-	-	3,914	2,287
BALANCE AT END OF 2019	5,590	8,691	531,642	(73,830)	-	(9,527)	-	(12,809)	449,757

The accompanying Notes 1 to 32 and Appendix I are an integral part of these annual accounts.

TÉCNICAS REUNIDAS, S.A.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

(Expressed in thousands of euros)

	Notes	Year ended 31 December	
		2019	2018
Cash flows from operating activities			
1. Profit/(Loss) for the year before tax		14,474	(34,004)
2. Adjustments for:			
- Depreciation and amortisation charge	5 and 6	8,791	14,410
- Change in provisions	19	6,227	29,946
- Impairment losses	8	40,211	42,672
- Gains/Losses on derecognition and disposal of non-current assets		27	790
- Finance income	25	(39,975)	(47,470)
- Finance costs	25	9,222	9,764
- Changes in profit or loss on derivatives and exchange differences		(6,315)	3,350
- Changes in fair value of financial instruments	9	(214)	1,938
- Other income and expenses		1,423	-
3. Changes in working capital:			
- Inventories and advances	12 and 13	(2,145)	(34,330)
- Trade and other receivables		(72,815)	329,323
- Other accounts receivable		(71,196)	47,910
- Trade payables		133,521	(230,302)
- Other changes		-	7,629
4. Other cash flows from operating activities			
- Interest paid		(9,222)	(9,764)
- Dividends received		13,500	28,655
- Interest received		26,475	18,816
- Income tax paid		-	9,917
- Other amounts received (paid)		14,256	-
5. Cash flows from operating activities		66,245	189,250
Cash flows from investing activities			
6. Payments relating to investments			
- Acquisition of property, plant and equipment	6	(4,700)	(1,071)
- Acquisition of intangible assets	5	(320)	(2,040)
- Investments in Group companies and associates		(45,113)	(40,465)
- Other financial assets		(442)	(137)
7. Proceeds from disposals			
- Property, plant and equipment		-	(12)
- Revenue from sales to associates		2,469	-
8. Cash flows from investing activities		(48,106)	(43,725)
Cash flows from financing activities			
9. Proceeds and payments relating to equity instruments			
- Acquisition and disposal of treasury shares, net		129	(1,355)
10. Proceeds and payments relating to financial liabilities			
a) Issue			
- Bank borrowings		863,000	364,698
- Payables to Group companies and associates		338,819	111,281
b) Return			
- Bank borrowings		(755,328)	(344,283)
- Payables to Group companies and associates		(460,877)	(194,193)
11. Dividends paid and returns on other equity instruments			
- Dividends paid		-	(50,000)
13. Cash flows from financing activities		(14,257)	(113,852)
Net change in cash and cash equivalents		3,882	31,673
Cash and cash equivalents at beginning of year		362,640	330,967
Cash and cash equivalents at end of year		366,522	362,640

The accompanying Notes 1 to 32 and Appendix I are an integral part of these annual accounts.

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1. General information

Técnicas Reunidas, S.A. (“the Company”) 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 197, sheet M-72319, entry 157.

The registered office of Técnicas Reunidas, S.A. is located at calle Arapiles 14, Madrid, Spain. Its headquarters are located at calle Arapiles 13.

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 Company operates through various lines of business, mainly in the refining, gas and power sectors.

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

As indicated in Note 8, the Company is the parent of a group of companies (“the Group”). The accompanying annual accounts were prepared on an unconsolidated basis. On the 26 February 2020, the Board of Directors authorised for issue the consolidated statements of Técnicas Reunidas, S.A. and subsidiaries at 31 December 2019, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs). In accordance with the content of these consolidated annual accounts, equity amounts to EUR 330,028 thousand (2018: EUR 358,587 thousand), a figure that includes a loss for 2019 amounting to EUR (9,995) thousand (2018: EUR 14,447 thousand), of which EUR (9,230) thousand are attributable to the Company’s shareholders (2018: EUR 11,974 thousand).

2. Basis of presentation

Regulatory financial reporting framework applicable to the Company

These annual accounts were prepared by the directors in accordance with the regulatory financial reporting framework applicable to the Company, which consists of:

- a. The Spanish Commercial Code and all other Spanish commercial law.
- b. The Spanish National Chart of Accounts approved by Royal Decree 1514/2007, which was amended by Royal Decree 602/2016, and its industry adaptations.
- c. The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and its supplementary rules.
- d. All other applicable Spanish accounting legislation.

Fair presentation

The annual accounts for 2019 were prepared from the Company’s accounting records and are presented in accordance with current Spanish commercial law and the rules established in the Spanish National Chart of Accounts approved by Royal Decree 1514/2007 and amended by Royal Decree 1159/2010, Royal Decree 602/2016 and Ministry of Economy and Finance Order EHA/3362/2010, of 23 December, approving the rules adapting the Spanish National Chart of Accounts for public infrastructure concession companies (the “Concession company sector plan”). They were authorised for issue by the Company’s directors in order express fairly its equity, financial

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position, results from its operations, changes in equity and cash flows in accordance with the aforementioned current law.

Key issues in relation to the measurement and estimation of uncertainty

Although the Company incurred a loss of EUR 9,527 thousand in 2019, it has a significant portfolio of profitable ongoing projects, has positive working capital, has unused credit facilities granted as of the reporting date, and has a business plan that envisages profit in the coming years. Consequently, the directors have prepared these annual accounts in accordance with the going concern principle of accounting.

Comparative information

For information comparison purposes, the Company presents, together with the balance sheet, the income statement, the statement of cash flows and the statement of changes in equity for the years ended 31 December 2019 and 2018. The Company presents comparative information in the explanatory notes to the annual accounts when it is relevant for a better understanding of the current year's annual accounts.

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

Accounting estimates and judgements

When preparing the annual accounts, the Company must make estimates and assumptions with regard to the future 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 evaluated on an ongoing basis and are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, rarely match the corresponding outcomes in real life.

The following is a breakdown of the main estimates made by Company management:

a) Revenue recognition

The Company 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 Company 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.

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

b) Income tax and deferred tax assets

The calculation of income tax requires the interpretation of tax legislation applicable to the Company. There are also several factors linked mainly, but not exclusively, to changes in tax laws and to changes in the interpretations of the tax laws currently in force, which requires Company management to make certain estimates. The Company also assesses the recoverability of deferred tax assets based on the existence of future taxable profit against which these assets may be utilised. With regard to uncertain tax positions, Company management, as the head of the tax group (see Note 23), assesses the probability of these positions and quantifies them based on the Group's experience with similar transactions, consulting its tax advisors when necessary and obtaining other additional expert reports when needed.

c) 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. Company 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.

d) Accounts receivable

The Company 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.

e) Fair value of unquoted financial instruments

The Company determines the fair value of financial instruments (financial assets and liabilities) not traded on an active market using valuation techniques. The Company exercises judgement in selecting a range of methods and making assumptions that are based mainly on prevailing market conditions at the reporting date. The Company used the discounted cash flow analysis for certain derivative financial instruments that are not traded on active markets, or other objective evidence of the fair value of the financial instrument, such as by reference to transactions recently performed or the value of purchase or sale options existing as of the balance sheet date.

f) Warranty claims

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

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g) Investment of equity investments in Group companies, jointly controlled entities and associates

The impairment of investments in Group companies, jointly controlled entities and associates is verified in accordance with the accounting policy described in Note 3.5.d. Given that the companies are unlisted, the underlying carrying amount adjusted by the unrealised gains existing at the measurement date are considered to be the recoverable amounts. Estimates need to be used for these calculations.

h) Useful lives of items of property, plant and equipment and intangible assets

Company 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 Company 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.

i) Impairment of concession assets

The estimated recoverable amounts of the concessions operated by the Company were determined using the discounted cash flows based on the budgets and expected projections for these concession assets and using appropriate discount rates for these businesses.

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

j) Grouping of items

In order to facilitate the understanding of the balance sheet, income statement, statement of changes in equity, and statement of cash flows, these statements are grouped together, with the required analyses included in the notes to the annual accounts.

3. Accounting policies

3.1. Intangible assets

a) Research and development expenditure

Research expenditure is recognised as an expense when it is incurred, while development expenditure incurred in a project is recognised as an intangible asset if it is viable from a technical and commercial perspective, sufficient technical and financial resources are available to complete it, the costs incurred can be reliably determined and profit is likely to be generated.

Other development costs are recognised as an expense when incurred. Development costs previously recognised as an expense are not capitalised in subsequent years. Capitalised development costs with a finite useful life are amortised on a straight-line basis over the estimated useful life of each project, which may not exceed five years.

If an asset's carrying amount is greater than its estimated recoverable amount, its value is immediately reduced to its recoverable amount (Note 3.4).

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If there are changes in the favourable circumstances of the project that made it possible to capitalise the development costs, the unamortised portion is charged to income in the year in which these circumstances change.

b) Computer software

This includes the title to and the right to use the computer programs, both acquired from third parties and developed by the Company, that are expected to be used over several years. Licences for computer software acquired from third parties are capitalised based on the costs incurred to acquire them and bring the specific software to use. Accordingly, the costs directly related to producing unique and identifiable computer programs controlled by the Company that are likely to generate profit for more than one year that will exceed their costs, are recognised as intangible assets. These direct costs include the staff costs for the computer program developers and a suitable portion of related overheads.

The cost is amortised on a straight-line basis over a period of four years from the time the software has been in use. Computer software maintenance costs are recognised as an expense for the year in which they are incurred.

c) Patents, licences, trademarks and other

This heading includes the amount paid for the title to or the right to use the different forms of the intellectual property. They have a finite useful life and are amortised on a straight-line basis over their term.

d) Concession arrangement, regulated asset

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). 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.

3.2. Property, plant and equipment

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

In-house work on property, plant and equipment is calculated by adding the direct or indirect costs attributable to these assets to the acquisition cost of the consumables.

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Costs incurred to expand, modernise or improve items of property, plant and equipment that increase the capacity or productivity or extend the useful life of the asset are capitalised as part of the cost of the related asset, provided that it is possible to calculate or estimate the carrying amount of the items derecognised from inventory due to their being replaced.

Major repair costs are capitalised and depreciated over their estimated useful life, while maintenance expenses are charged to the income statement in the year in which they are incurred.

The depreciation of property, plant and equipment (except for land, which is not depreciated) is calculated systematically using the straight-line method, on the basis of their estimated useful life, based on the actual decline in value caused by their use and by wear and tear. The estimated useful lives of the various asset categories are the following:

	Rate
Buildings	2%
Laboratory facilities	20%
Reproduction machinery	10%
General fixtures	6%
Air-conditioning installations	8%
Topographical stations	10%
Furniture and office equipment	10%-25%
Other fixtures	15%
Computer hardware	25%
Transport equipment	14%

The residual value and useful life 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 (Note 3.4).

Gains and losses on the disposal of property, plant and equipment are calculated by comparing the proceeds from the sale with the carrying amount and are then recognised in the income statement.

3.3. Borrowing costs

Finance costs directly attributable to the acquisition or construction of non-current assets that require more than one year to be ready for use are added to their cost until they are brought into operating condition.

3.4. Impairment losses on non-financial assets

The Company does not recognise intangible assets with indefinite useful lives on its balance sheet.

At each year-end, the Company 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 for the excess of the carrying amount of the asset over its recoverable amount, which is understood to be the higher of fair value less costs to sell and value in use. For the purposes of assessing impairment losses, assets are grouped together at the lowest level for which there are largely independent cash flows (cash-generating units). For assets that do not generate independent cash flows, the recoverable amount is determined for the cash-generating

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units to which the asset belongs. Any non-financial assets that have suffered an impairment loss are reviewed at the end of each reporting period to see if the losses have been reversed.

3.5. Financial assets

For measurement purposes, the Company determines the classification of its investments when they are initially recognised and reviews the classification at each reporting date. The classification depends on the purpose for which the financial assets were acquired, and are measured in accordance the following criteria:

- a. Loans and receivables:** These include assets arising from the sale of goods and the rendering of services in the ordinary course of the Company's business. This category also includes non-trade receivables, which are defined as those financial assets that, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

These financial assets are initially measured at their fair value, including any directly attributable transaction costs, and subsequently at amortised cost, whereby the interest income is recognised on the basis of the effective interest rate, which is considered to be the discount rate that matches the carrying amount of the instrument to all its estimated cash flows until maturity. However, trade receivables maturing within twelve months are measured, both on initial recognition and subsequently, at their nominal value when the effect of not discounting the cash flows is not material.

At least at each reporting date, the necessary impairment losses are recognised if there is objective evidence that not all amounts owed will be collected. The amount of the impairment loss is the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the effective interest rate at the time of initial recognition. Impairment losses and any subsequent reversal are recognised in the income statement.

- b. Held-to-maturity investments:** These are debt securities with fixed or determinable payments and fixed maturity that are traded on an active market and that the Company has the intention to hold to maturity. If the Company were to sell a significant amount of its held-to-maturity financial assets, the entire category would be reclassified as available for sale. These financial assets are considered non-current assets, except for those maturing within 12 months from the balance sheet date, which are classified as current assets. The measurement bases for these investments are the same as for loans and receivables.

- c. Financial assets held for trading and other financial assets at fair value through profit or loss:** Those assets held for trading acquired for the purpose of selling them in the short term or that form part of a portfolio of instruments identified and managed jointly to obtain short-term gains, as well as financial assets designated by the Company upon initial recognition to be included under this category as they provide more relevant information, are considered financial assets at fair value through profit or loss. Derivatives are also classified as held for trading provided that they are not financial guarantee contracts and they have not been designated as hedging instruments (Note 3.12).

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These financial assets are recognised, both initially and subsequently, at their fair value, and the changes that arise therein are recognised in the income statement for the year. Transaction costs directly attributable to the acquisition are recognised in the income statement for the year.

- d. Equity investments in Group companies, jointly controlled entities and associates:** This category includes equity investments in Group companies, jointly controlled entities and associates. These investments are measured at cost less, where applicable, any accumulated impairment losses. However, if the investment is prior to the classification as a Group company, jointly controlled entity or associate, the cost of the investment is considered to be its carrying amount prior to this classification. The previous valuation adjustments recognised directly in equity are maintained until the asset is derecognised.

At year-end, the Company assesses whether there is objective evidence that the carrying amount is not recoverable, and if so, the necessary valuation adjustments are made for the difference between the carrying amount and the recoverable amount, which is the higher of fair value less costs to sell and the present value of the cash flows from the investment. Unless there is better evidence of the recoverable amount, the impairment loss on these investments is estimated on the basis of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement. Impairment losses and, if applicable, any reversal thereof are recognised in the income statement in year in which they occur.

- e. Available-for-sale financial assets:** This category includes debt securities and equity instruments that are not classified in any of the aforementioned categories. Non-current assets are included under this heading unless management intends to dispose of the investment within 12 months from the reporting date.

They are recognised at their fair value and any changes that arise are recognised directly in equity until the asset is disposed of or impaired. At that time, the accumulated losses and gains in equity are recognised in the income statement, provided that the aforementioned fair value can be determined. Otherwise, they are recognised at cost less impairment losses.

Impairment losses are recognised on available-for-sale financial assets if, in the case of debt instruments acquired, there is objective evidence that their value has become impaired as a result of a reduction or delay in the estimated future cash flows or, in the case of investments in equity instruments, if the asset's carrying amount cannot be recovered. The impairment loss is the difference between its cost or amortised cost less, where applicable, any impairment loss previously recognised in the income statement and the fair value at the time the asset is measured. In the case of equity instruments that are measured at cost, as a result of not being able to determine their fair value, the impairment loss is calculated in the same manner as that of equity investments in Group companies, jointly controlled entities and associates.

If there is objective evidence of impairment, the Company recognises in the income statement the accumulated losses previously recognised in equity due to a decrease in the fair value. Impairment losses on the amount recognised in the income statement for equity instruments are not reversed through the income statement.

The fair value of listed investments is based on the current purchase price. If the market for a financial asset is inactive (and for unlisted securities), the Company establishes its fair value using valuation techniques that include using recent transactions between willing and duly informed parties, references to other instruments that are substantially the same, methods for discounting

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estimated future cash flows and option pricing models that make maximum use of observable market data and rely as little as possible on subjective considerations of the Company.

Financial assets are derecognised from the balance sheet when substantially all the risks and rewards incidental to ownership of the leased asset are transferred. In the specific case of accounts receivable, this situation is generally understood to arise if the risks of insolvency and default have been transferred.

Assets designated as hedged items are subject to the measurement requirements for hedge accounting (Note 3.12).

3.6. Inventories

Inventories include the costs related to the submission of bids to be awarded for works in Spain and abroad, as well as the costs of the parking spaces available for sale.

The costs associated with the bids are recognised as inventories when it is likely or certain that the contract will be secured or when it is known that these costs will be reimbursed or included in the contract revenue. These costs are taken to the income statement depending on the stage of completion of the related project.

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

3.7. 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 that are not subject to significant changes in value. Bank overdrafts are classified as borrowings under current liabilities on the balance sheet. At 31 December 2019 and 2018, the Company had no bank overdrafts.

3.8. Equity

The share capital is represented by ordinary shares.

The cost of issuing new shares or options is recognised directly against equity, as a reduction in reserves.

If the Company acquires any treasury shares, the consideration paid, including any directly attributable incremental cost, is deducted from equity 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, are included in equity.

3.9. Financial liabilities

Accounts payable:

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

These borrowings are initially recognised at fair value, adjusted by any directly attributable transaction costs, and subsequently recognised at their amortised cost using the effective interest

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method. This effective interest rate is the discount rate that matches the carrying amount of the instrument to its expected future cash flows until the liability matures.

However, trade payables maturing within twelve months where there is no contractual interest rate are measured, both initially and subsequently, at their nominal value when the effect of not discounting the cash flows is not material.

These financial liabilities are recognised, both initially and subsequently, at their fair value, and the changes that arise therein are recognised in the income statement for the year. Transaction costs directly attributable to the issue are recognised in the income statement in the year in which they arise.

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

3.10. Grants received

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

Grants related to the acquisition of property, plant and equipment or intangible assets 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.

3.11. Financial derivatives and hedge accounting

Financial derivatives are measured both initially and in subsequent valuations at their fair value. Resulting gains and losses are recognised depending on whether or not the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

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

The effective portion of changes in the fair value of the derivatives designated and qualifying as cash flow hedges is temporarily recognised as equity. The gain or loss relating to the ineffective portion is recognised immediately in financial profit or loss in the income statement. The cumulative balance under equity is transferred to the income statement in the year in which the hedged transaction affects profit or loss. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred and are included in the cost of the asset when it is acquired or the liability when it is assumed.

However, if it is no longer probable that this transaction will take place, any cumulative gains or losses recognised under equity are immediately transferred to the income statement.

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 income statement.

3.12. Current and deferred taxes

The income tax expense (income) is the amount of income tax accrued for the year, comprising both the current and deferred tax expense (income).

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Both the current and the deferred tax expense (income) are recognised in the income statement. However, the tax effect related to items that are recognised directly in equity is likewise recognised in equity.

Current tax assets and liabilities are measured at the amount expected to be paid to or recovered from the tax authorities, in accordance with current law at the reporting date. The deferred tax assets and liabilities are measured without taking into account the effect of the financial discount.

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.

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.

However, deferred taxes are not recognised if they arise from the initial recognition of an asset or liability 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 applying the regulations and 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.

Técnicas Reunidas, S.A. files consolidated tax returns with certain Group companies (see Note 23).

3.13. Provisions and contingent liabilities

The Company recognises provisions when it has a present obligation (legal or constructive) as a result of past events, it is more likely than not that an outflow of resources will 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 they are recognised for estimated losses from engineering contracts.

Provisions are recognised at the best estimate of the liability to be settled by the Company, taking into account the effects of exchange rate fluctuations, for those amounts denominated in foreign currency, and the time value of money, if the effect is significant.

Accordingly, contingent liabilities are considered to be possible obligations arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Company. These contingent liabilities are not recognised for accounting purposes, but rather are disclosed in Note 26.

3.14. 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 Company's business activities. Revenue is presented net of value-added tax, returns, rebates and discounts, and after having excluded sales within the Company. The Company recognises revenue when the amount thereof can be reliably measured, when it is probable that the future economic benefits will flow to the Company and when the specific criteria for each of the activities are met, as detailed below. In relation to inventories, the Company recognises sales and profit or loss when ownership is transferred to the buyer. The amount of revenue cannot be reliably determined until all contingencies related to the sale have been resolved. The Company bases its estimates on past results, taking into account the type of customer, type of transaction and specific terms of each agreement.

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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.

Turnkey engineering contracts

When the outcome of a contract cannot be reliably estimated, 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 Company 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.

The Company 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 Company 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).

The Company occasionally negotiates and signs two or more contracts with the same customer. They are usually contracts in which the cost and turnaround times of one affect the terms of the other, in addition to being performed simultaneously or having part of the term of each contract overlap and being carried out in the same industrial area. In these cases, the Company treats them as a single contract.

At other times, 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, and the Company 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 it is likely that the customer will approve the change in scope and the resulting price increase and when the amount of the additional income can be reliably calculated.

Likewise, claims may arise in the performance of the contracts that the contractor 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. Income from contracts arising from claims is included as contract revenue when negotiations have reached an advanced stage and, therefore, it is sufficiently certain that the customer will approve the change and it is likely that the Company will receive the additional income.

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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.

Concession arrangements

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

Dividend income

Dividend income is recognised as income in the income statement when the right to receive payment is established. However, if the dividends distributed are generated from profits earned prior to the acquisition date, they are not recognised as income, but reduce the carrying amount of the investment.

Interest income

Interest income is recognised using the effective interest method. When an account receivable becomes impaired, the Company reduces the carrying amount to its recoverable amount, discounting the estimated future cash flows at the instrument's original effective interest rate, and the discount is carried over as a reduction of interest income. Interest income from loans that have become impaired is recognised using the effective interest method.

3.15. Foreign currency transactions

Functional and presentation currency

The Company's annual accounts are presented in thousands of euros, which is its presentation and functional currency.

Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses that arise from settling these transactions and from translating the monetary assets and liabilities denominated in foreign currencies at the closing exchange rates are recognised in the income statement, unless they are deferred to equity, as in the case of qualifying cash flow hedges and qualified hedges of net investments.

3.16. Leases

Finance leases

Leases of property, plant and equipment in which the Company is the lessee and has substantially all the risks and rewards arising from ownership of the assets are classified as finance leases. Finance leases are capitalised 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. The interest rate implicit in the lease is

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used to calculate the present value, but if this rate cannot be determined, the interest rate the Company uses for similar transactions is used.

Each lease payment is distributed between reducing the debt and the finance charges. The total finance charges are distributed over the term of the lease and are allocated to the income statement for the year in which they are incurred. The payment obligation arising from the lease, net of finance charges, is recognised under non-current payables, except for the portion falling due within 12 months. Items of property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Operating leases

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

3.17. Group companies and associates

For the purposes of presenting the annual accounts, a company will be considered to form part of the Group when both are related by a relationship of control. Control is presumed to exist when the ownership interest exceeds half of the voting rights or, if less, when other reasons or events demonstrate the existence of control (for example, shareholder agreements).

Associates are all entities over which the Company exercises significant influence but not control. Significant influence is presumed to exist when the ownership interest is between 20% and 50% of the voting rights or, when the interest is less, there are events and circumstances that demonstrate significant influence is exercised.

3.18. Joint ventures – Unincorporated temporary joint ventures (UTES) and consortiums

The Company has interests in a series of UTES (see Appendix I). The Company recognises its proportional share of the jointly controlled assets and the jointly incurred liabilities in proportion to the percentage of ownership, as well as the assets assigned to the joint operation that are under its control and the liabilities incurred as a result of the joint venture.

It also recognises in the income statement its share of the income earned and expenses incurred by the joint venture. In addition, the expenses incurred in relation to the ownership interest of the joint venture are recognised.

Unrealised gains or losses arising from reciprocal transactions are eliminated in proportion to the ownership interest, as well as the amounts of assets, liabilities, income, expenses and reciprocal cash flows.

None of the UTES use accounting policies that differ from those applied by the Company.

Ownership interest in jointly controlled entities is recognised in accordance with the provisions for equity investments in Group companies, jointly controlled entities and associates (Note 3.5.d).

3.19. Business combinations

In the case of business combinations arising as a result of the acquisition of shares or investments in the share capital of a company, the Company recognises the investment in line with that established for equity investments in Group companies, jointly controlled entities and associates (Note 3.5.d).

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3.20. Related party transactions

In general, transactions carried out between Group companies are initially recognised at fair value. In this case, if the price agreed upon differs from its fair value, the difference is recognised in accordance with the economic substance of the transaction. These transactions are subsequently measured in accordance with the corresponding regulations.

3.21. Statement of cash flows

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

- Cash flows: inflows and outflows of cash and cash equivalents (Note 14).
- Cash flows from operating activities: payments and collections from the Company's ordinary activities and other activities that are not investing or financing activities.
- Cash flows from investing activities: payments and collections that arise from acquisitions and disposals of non-current assets.
- Cash flows from financing activities: payments and collections from the placement and settlement of financial liabilities, equity instruments or dividends.

4. Financial risk management

4.1. Financial risk factors

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

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

a) Market risk

a.1) Foreign currency risk

The Company 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), the Kuwaiti dinar (KWD) and the Japanese yen (JPY). There is residual exposure to suppliers operating in other currencies (mainly Turkish lira, Australian dollars, Malaysian ringgit and Peruvian sol). Foreign currency risk arises from future commercial transactions and recognised assets and liabilities.

In accordance with the hedging policy established, the Company uses forward contracts, negotiated by the Company's Treasury Department (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 Company's functional currency.

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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 Company 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 Company'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 Company'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. If at 31 December 2019 the euro had appreciated / depreciated against the US dollar by a hypothetical 10%, leaving all other variables constant, profit before tax for the year would have been EUR 14,810 thousand higher / lower (2018: EUR 16,411 thousand higher / lower), mainly due to the gains / losses generated on the appreciation / depreciation of positions in US dollars.

If the euro had appreciated / depreciated against the US dollar by a hypothetical 10%, equity would have been EUR 61,160 thousand higher / lower in the year ended 31 December 2019 (2018: EUR 63,817 thousand higher / lower); 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 equity reserve (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.

a.2) Price risk

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

The Company is partially 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 Company reduces and mitigates price risk through the policies established by the Group's Corporate Management, which basically consist of accelerating or slowing the rate of placements and selecting the currencies and countries of origin. An additional mechanism used to mitigate this risk 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.

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a.3) Cash flow and fair value interest rate risk

The Company generally endeavours to self-finance its projects, establishing invoicing and collection milestones with customers that cover the payment deadlines undertaken with suppliers. However, the Company 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 the reporting date is as follows:

	2019			2018		
	Tied to Euribor	Other reference rates	Total	Tied to Euribor	Other reference rates	Total
Variable rate borrowings (Note 20)	(351,132)	-	(351,132)	(290,785)	(18,599)	(309,384)
Interest-earning cash and cash equivalents (Note 14)	165,929	200,593	366,522	95,256	267,384	362,640
	(185,203)	200,593	(15,390)	(195,529)	248,785	(53,256)

Based on the sensitivity analyses performed on cash and cash equivalents, the impact on profit of a 25 basis point fluctuation in interest rates would imply, at most, an increase / decrease of EUR 916 thousand (2018: EUR 948 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 347 thousand (2018: EUR 247 thousand).

b) Credit risk

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

- Assets under derivative financial instruments (Note 11)
- Various balances included in cash and cash equivalents (Note 14).
- Balances related to loans and receivables (Note 10).

Derivative financial instruments and transactions with financial institutions included as cash and cash equivalents are arranged 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 Company's most significant projects. These counterparties are generally state-owned or multinational oil companies, along with major Spanish energy groups.

The main customers represented 86% of the total recognised under "Trade receivables" (included under "Trade and other receivables") at 31 December 2019 (2018: 86%), and are tied to transactions with the aforementioned entities. Therefore, the Company considers credit risk to be very low. In addition to the credit analyses performed before entering into a contract, the global position of trade and other receivables is monitored on an ongoing basis, while the most significant exposures (including exposure to the type of entities mentioned above) are monitored at the individual level.

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

c) 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. Given the dynamic nature of the core businesses, the Central Treasury Department of the Company and the Group aims to ensure flexible financing through the availability of the credit facilities.

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 Company has had to increase its financing facilities.

Management monitors the projected liquidity reserve on the basis of expected cash flows. The Company has credit facilities that offer an additional liquidity buffer. The Company's liquidity risk is therefore considered to be appropriately managed.

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

	Thousands of euros	
	2019	2018
Bank borrowings (Note 20)	(522,132)	(416,384)
Financial assets at fair value (Notes 7 and 9)	42,252	42,038
Cash and cash equivalents (Note 14)	366,522	362,640
Net cash position and FAFV	(113,358)	(11,706)
Undrawn credit facilities and other loans (Note 20)	366,979	746,649
Total liquidity reserves	253,621	734,943

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 annual accounts.

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

The table below shows an analysis of the Company's financial liabilities that will be settled net, 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 undiscounted cash flows stipulated in the contract. The balances payable within 12 months are equivalent to their carrying amounts, given that the effect of discounting is not material.

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	Thousands of euros			
	Within one year	From 1 to 2 years	From 2 to 5 years	More than 5 years
At 31 December 2019				
Borrowed funds	233,578	157,000	69,448	62,106
Derivative financial instruments	41,543	2,928	-	-
Trade and other payables	1,983,350	-	-	-
Total	2,258,471	159,928	69,448	62,106
At 31 December 2018				
Borrowed funds	76,023	340,361	-	-
Derivative financial instruments	39,727	1,242	-	-
Trade and other payables	1,736,597	-	-	-
Total	1,852,347	341,603	-	-

4.2. Capital risk management

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

In order to maintain and adjust the capital structure, the Company may adjust the amount of dividends payable to shareholders, return capital to shareholders, or take other actions considered appropriate.

The Company monitors capital on the basis of a leverage ratio. This ratio is calculated dividing debt by equity. Debt is calculated as total borrowings. Total capital is calculated as equity, as show in the annual accounts.

	2019	2018
Borrowings (Note 20)	(522,132)	(416,384)
Net cash position and FAFV	(113,358)	(11,706)
Equity	449,757	460,499
% Borrowings / Equity	(116%)	(90%)

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4.3. Estimate of fair value

Fair value is the amount for which a financial instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction.

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 Company is the current bid price. These instruments are mainly investments in equity securities classified as trading securities or available for sale.

The fair value of financial instruments that are not 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.

Specific valuation techniques used to value financial instruments include:

Quoted market prices or dealer quotes for similar instruments.

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.

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 Company's own credit risk, where applicable.

Due to the nature of the Company'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 Company relate 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 Company, 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 Company, the credit risk is applied to the Company's final settlement. To determine whether or not the settlement of the forwards will be favourable for the Company, a stochastic model is used to simulate the derivative's behaviour in different scenarios using complex mathematical models that consider the volatility of the underlying asset and applying the resulting credit spread to each simulation.

It is assumed that the carrying amount, less any provisions for impairment losses on accounts receivable and payable, is similar to their fair value. The fair value of financial liabilities, for the purposes of presenting financial information, is estimated by discounting future contractual cash

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flows at the current market interest rate from the cash flows the Company could have for similar financial instruments.

5. Intangible assets

The detail of “Intangible assets” and the changes therein are as follows:

	Thousands of euros			
	Concession arrangement, regulated asset	Patents, licences and trademarks	Computer software	Total
Balance at 01/01/2018				
Cost	894	370	13,943	15,207
Accumulated amortisation	(335)	-	(10,893)	(11,228)
Carrying amount	559	370	3,050	3,979
Additions	-	-	2,040	2,040
Disposals	-	-	(4,903)	(4,903)
Transfers	73,467	-	(518)	72,949
Amortisation charge	(2,912)	-	(1,449)	(4,361)
Derecognition of amortisation	-	-	4,117	4,117
Other changes in cost	-	-	3	3
Amortisation and impairment transfers	(21,814)	-	14	(21,800)
Reversal of impairment	2,697	-	-	2,697
Balance at 31/12/2018				
Cost	74,361	370	10,565	85,296
Accumulated amortisation and impairment	(22,364)	-	(8,211)	(30,575)
Carrying amount	51,997	370	2,354	54,721
Additions	-	-	320	320
Disposals	-	-	-	-
Amortisation charge	(1,483)	-	(1,026)	(2,509)
Balance at 31/12/2019				
Cost	74,361	370	10,885	85,616
Accumulated amortisation	(23,847)	-	(9,236)	(33,084)
Carrying amount	50,514	370	1,648	52,532

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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 Company'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 (Almería)	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 in 2019 (2018: EUR 6,278 thousand).

In 2019 and 2018, no finance costs were capitalised and no impairment losses in addition to those already existing were recognised.

"Computer software" includes the title to and the right to use computer programs acquired from third parties. The main additions during the year relate to the acquisition of management software licenses.

At 31 December 2019, the value of the fully amortised intangible assets on the balance sheet amounted to EUR 6,540 thousand (2018: EUR 5,813 thousand) and related mainly to computer software.

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6. Property, plant and equipment

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

	Thousands of euros		
	Land and buildings	Plant and other items of property, plant and equipment	Total
Balance at 01/01/2018			
Cost	2,708	97,587	100,295
Accumulated depreciation	(982)	(66,057)	(67,039)
Carrying amount	1,726	31,530	33,256
Additions	-	1,071	1,071
Disposals	-	(16,292)	(16,292)
Depreciation charge	(93)	(9,956)	(10,049)
Derecognition of depreciation	-	16,285	16,285
Other changes in cost	-	175	175
Other changes in depreciation	-	(159)	(159)
Transfers	-	614	614
Balance at 31/12/2018			
Cost	2,708	83,155	85,863
Accumulated depreciation	(1,075)	(59,887)	(60,962)
Carrying amount	1,633	23,268	24,901
Additions	-	4,700	4,700
Disposals	-	(78)	(78)
Depreciation charge	(93)	(6,189)	(6,282)
Derecognition of depreciation	-	51	51
Other changes in cost	-	238	238
Other changes in depreciation	-	(482)	(482)
Balance at 31/12/2019			
Cost	2,708	88,015	90,723
Accumulated depreciation	(1,168)	(66,507)	(67,675)
Carrying amount	1,540	21,508	23,048

a) Impairment losses

In 2019 and 2018 no impairment losses were recognised or reversed for individual property, plant and equipment.

b) Property, plant and equipment abroad

At 31 December 2019, the carrying amount of the assets located abroad, which relate to plant and other items of property, plant and equipment, amounted to EUR 4,712 thousand (2018: EUR 2,655 thousand) and accumulated depreciation totalled EUR 14,793 thousand (2018: EUR 13,080 thousand).

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c) Fully depreciated assets

At 31 December 2019, the cost of the fully depreciated items of property, plant and equipment still in use on the balance sheet amounted to EUR 30,163 thousand (2018: EUR 26,306 thousand).

d) Assets under operating leases

“Outside services” in the income statement includes operating lease expenses corresponding to the lease of offices amounting to EUR 17,944 thousand (2018: EUR 18,879 thousand).

e) Insurance

The Company has taken out various insurance policies to cover the risks to which its property, plant and equipment are subject. The cover provided by these policies is considered sufficient.

7. Analysis of financial instruments

7.1 Analysis by category

The carrying amount of each of the categories of financial instruments established in recognition and measurement basis “Financial instruments”, except for equity investments in Group companies, jointly controlled entities and associates (Note 8.a), and advances to suppliers and inventories, is as follows:

a) Financial assets:

At 31 December 2019	Thousands of euros				
	Other	Fair value through profit or loss (Note 9)	Loans and receivables (Notes 7 and 10)	Hedging derivatives (Note 11)	Cash and cash equivalents (Note 14)
Equity instruments	197	-	-	-	-
Derivatives	-	-	-	295	-
Other financial assets	-	-	96,636	-	-
Non-current	197	-	96,636	295	-
Debt securities	-	42,252	-	-	-
Derivatives	-	-	-	6,234	-
Other financial assets	-	-	2,006,610	-	366,522
Current	-	42,252	2,006,610	6,234	366,522

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At 31 December 2018	Other	Thousands of euros			
		Fair value through profit or loss (Note 9)	Loans and receivables (Notes 7 and 10)	Hedging derivatives (Note 11)	Cash and cash equivalents (Note 14)
Equity instruments	197	-	-	-	-
Derivatives	-	-	-	129	-
Other financial assets	-	-	96,194	-	-
Non-current	197	-	96,194	129	-
Debt securities	-	42,038	-	-	-
Derivatives	-	-	-	6,336	-
Other financial assets	-	-	2,019,420	-	362,640
Current	-	42,038	2,019,420	6,336	362,640

b) Financial liabilities:

	2019		2018	
	Accounts payable (Notes 20 and 22)	Hedging derivatives (Note 11)	Accounts payable (Notes 20 and 22)	Hedging derivatives (Note 11)
Bank borrowings (Note 20)	288,554	-	340,361	-
Derivatives	-	2,928	-	1,242
Other financial liabilities	6,701	-	6,058	-
Non-current	295,255	2,928	346,119	1,242
Bank borrowings (Note 20)	233,578	-	76,023	-
Derivatives	-	41,543	-	39,727
Other financial liabilities	2,101,697	-	2,086,102	-
Current	2,335,275	41,543	2,162,125	39,727

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 Company considers credit risk to be very low.

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

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8. Investments in Group companies, jointly controlled entities and associates

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

	Thousands of euros	
	2019	2018
Investments in Group companies, jointly controlled entities and associates (a)	381,996	227,152
Current investments in Group companies, jointly controlled entities and associates (b)	447,948	540,271
	829,944	767,423

a) Investments in Group companies, jointly controlled entities and associates

This heading relates to investments in Group companies, jointly controlled entities and associates.

In 2019, dividends received totalled EUR 13,500 thousand (2018: EUR 28,655 thousand) and were recognised as finance income in the income statement (Note 28).

In 2019 additions in investments arose in relation to the following companies: TR Argentina, TR Colombia, S.A.S, TR Duqm LLC, TR Alberta and TR Projeler Insaat ve Mühendislik A.S.

A 50% interest in Ibérica del Espacio, S.A. was acquired, giving it an ownership interest of 89.99%.

In 2018, additions in investments arose in relation to the following companies: TRD DUQM PROJECT LLC, TR Italy, Técnicas Reunidas LLC.

In addition, the Company's ownership interests in Empresarios Agrupados Internacional and Empresarios Agrupados A.I.E. were sold in 2019. The result of the sale was a profit of EUR 18,931 thousand, which is recognised under "Impairment and gains or losses on disposal of financial instruments" in the income statement since it was determined that all the conditions precedent of the sale and purchase agreement dated 16 July 2019 were substantially fulfilled at 31 December 2019.

The changes in investments in Group companies, jointly controlled entities and associates at 31 December 2019 and 2018 are as follows:

NOTES TO THE ANNUAL ACCOUNTS FOR 2019
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	01/01/2019	Additions	Disposals	31/12/2019
Investments in Group companies, jointly controlled entities and associates	372,227	160,548	(333)	532,442
Unpaid capital	(34,844)	-	33,694	(1,150)
Impairment of investments	(110,231)	(42,935)	3,870	(149,296)
Total	227,152	117,613	37,231	381,996

	01/01/2018	Additions	Disposals	31/12/2018
Investments in Group companies, jointly controlled entities and associates	222,062	150,165	-	372,227
Unpaid capital	(1,191)	(33,694)	41	(34,844)
Impairment of investments	(67,589)	(43,732)	1,090	(110,231)
Total	153,282	72,739	1,131	227,152

Additions regarding investments in Group companies, jointly controlled entities and associates relate mainly to the capital increase of TR Saudia for EUR 140,718 thousand, the capital increase and payment of TSGI Muhendislik INSAAT LTD. SIRKETI for EUR 43,901 thousand and to the shareholders' contribution to INITEC Infraestructuras, S.A.U. amounting to EUR 7,185 thousand.

In 2018, additions regarding investments in Group companies, jointly controlled entities and associates related mainly to the capital increase of TSGI Muhendislik INSAAT LTD. SIRKETI for EUR 61,078 thousand, the capital increase of TR Malaysia SDN for EUR 12,692 thousand and to the contribution of funds to INITEC Plantas Industriales, S.A.U. amounting to EUR 75,000 thousand.

There were no significant disposals in 2019 or 2018, except for the aforementioned Empresarios Agrupados.

With regard to impairment, a provision of EUR 31,902 thousand was recognised in 2019 (2018: EUR 40,345 thousand) in relation to the Company's ownership interest in TSGI Muhendislik INSAAT LTD. SIRKETI.

The detail of the investments in Group companies, jointly controlled entities and associates at 31 December 2019 and 2018 is as follows:

TÉCNICAS REUNIDAS, S.A.

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Investments in Group companies, jointly controlled entities and associates in 2019

Company	Registered office	Business activity	Direct ownership interest	Indirect ownership interest	Carrying amount	Equity			Dividends (Note 25)
						Share capital	Reserves	Profit/(Loss)	
Técnicas Reunidas Internacional, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	120	120	2,953	(137)	-
Técnicas Reunidas Australia Pty.	AUSTRALIA	ENGINEERING SERVICES	100.00%	-	-	-	1,907	692	860
Termotécnica, S.A.	SPAIN	MACHINERY WHOLESALE	40.00%	60.00%	300	781	967	107	-
TR Construcción y Montaje, S.A.	SPAIN	REAL ESTATE DEVELOPMENT	100.00%	-	150	332	1,208	133	-
Técnicas Reunidas Ecología, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	120	120	1,742	34	-
Técnicas Reunidas Metalúrgicas, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	60	120	1,803	(108)	-
Técnicas Reunidas Trade Panamá, S.A.	PANAMA	COMMERCIAL DEVELOPMENT	100.00%	-	46	46	61	(10)	-
Española de Investigación y Desarrollo, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	438	90	10,505	(693)	-
TR Proyectos Internacionales, S.A.	SPAIN	DEVELOPMENT AND CONTRACTING	100.00%	-	421	1,503	(784)	4,036	-
Técnicas Reunidas Venezuela, S.A.	VENEZUELA	COMMERCIAL DEVELOPMENT	100.00%	-	9	-	-	-	-
Layar, S.A.	SPAIN	COMPANY MANAGEMENT	100.00%	-	2,222	1,085	904	314	4,501
Initec Plantas Industriales, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	124,613	6,600	24,484	24,418	-
Initec Infraestructuras, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	1,205	1,800	1,308	(8,066)	-
Técnicas Reunidas Ecuador, S.A.	ECUADOR	ENGINEERING SERVICES	100.00%	-	3	-	-	-	-
Técnicas Reunidas Gulf L.T.D.	SAUDI ARABIA	ENGINEERING SERVICES	100.00%	-	30,260	550	29,727	(17)	-
ReciclAguilar, S.A.	SPAIN	ENGINEERING SERVICES	80.00%	-	-	60	(369)	(119)	-
TR SNG Alliance Ltd.	CYPRUS	ENGINEERING SERVICES	30.00%	-	38	-	-	-	-
Servicios Unidos, S.A.	VENEZUELA	ENGINEERING SERVICES	100.00%	-	74	-	-	-	-
TR Hungary Dufi CCGT Kft	HUNGARY	ENGINEERING SERVICES	85.00%	15.00%	8	10	603	687	-
TR Brasil Participações Ltd.	BRAZIL	ENGINEERING SERVICES	50.00%	-	7	-	-	-	-
TR Tec Ltda	BOLIVIA	ENGINEERING SERVICES	12.40%	87.60%	250	2	2,741	(728)	-
TR Canada INC	CANADA	ENGINEERING SERVICES	3.96%	96.04%	553	133,937	(241,894)	28,602	-
TR Engineers India Private LTD	INDIA	ENGINEERING SERVICES	100.00%	-	10	7	1,532	933	-
TR Saudi Arabia LLC	SAUDI ARABIA	ENGINEERING SERVICES	50.00%	50.00%	3	479	(558)	0	-
Al Hassan Técnicas Reunidas Project LLC	OMAN	ENGINEERING SERVICES	100.00%	-	19	-	-	-	-
TR Saudia for Services and Contracting Co. Limited	SAUDIA	ENGINEERING SERVICES	97.00%	3.00%	173,729	149,220	(71,981)	(138,614)	-
Heymo Ingeniería, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	757	903	7,546	(1,374)	-
TR Servicios S.R.L. de C.V.	MEXICO	ENGINEERING SERVICES	75.00%	25.00%	4	6	175	273	-
Técnicas Reunidas USA L.L.C.	US	ENGINEERING SERVICES	100.00%	-	27	27	1,192	2,297	-
TR Sagemis Italia S.R.L.	ITALY	ENGINEERING SERVICES	100.00%	-	80	10	14	(3)	-
TR Canada E&C INC	CANADA	ENGINEERING SERVICES	15.00%	85.00%	5	36	2,140	786	-
TR Perú Ingeniería y Construcción	PERU	ENGINEERING SERVICES	100.00%	-	9	9	1,037	(10)	-
Deportes Valdavia 2017, S.L.	SPAIN	ENGINEERING SERVICES	100.00%	-	3	3	(2)	(4)	-
TR México Ingeniería y Construcción	MEXICO	ENGINEERING SERVICES	75.00%	25.00%	4	6	11,559	2,378	-
TR Italy	ITALY	ENGINEERING SERVICES	100.00%	-	10	10	211	838	420
TR Duqum Project LLC	OMAN	ENGINEERING SERVICES	65.00%	-	360	554	7,781	26,537	-
Ibérica del Espacio	SPAIN	ENGINEERING SERVICES	89.99%	10.01%	4,791	4,459	(465)	9,796	-
TR Colombia	COLOMBIA	ENGINEERING SERVICES	100.00%	-	5	6	-	(6)	-
TR Alberta	CANADA	ENGINEERING SERVICES	50.00%	50.00%	17	34	2	93	-
TR LLC Duqum	OMAN	ENGINEERING SERVICES	100.00%	-	288	575	(2)	4,512	-
TR Projeler	TURKEY	ENGINEERING SERVICES	100.00%	-	16	16	(1)	(7)	-
Single project companies with positive equity *		ENGINEERING SERVICES			36,879	298,934	(99,314)	415	7,269
Single project companies with an equity deficit *		ENGINEERING SERVICES			18	3,580	(35,509)	(1,563)	-
Total investments in Group companies					337,936				

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Investments in Group companies, jointly controlled entities and associates in 2019

Company	Registered office	Business activity	Direct ownership interest	Indirect ownership interest	Carrying amount	Share capital	Reserves	Profit/(Loss)	Dividends (Note 25)
ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES									
Master S.A. de Ingeniería y Arquitectura	SPAIN	ENGINEERING SERVICES	40.00%	-	-	152	(349)	(654)	-
Proyectos Ebramex, S. de R.L. de C.V.	MEXICO	ENGINEERING SERVICES	33.33%	-	-	21,953	(33,769)	-	-
Minatrico, S. de R.L. de C.V.	MEXICO	ENGINEERING SERVICES	33.33%	-	4,058	41,214	(29,038)	-	-
Other					5				450
Total investments in associates and jointly controlled entities					4,058				
Total					381,995				

* Companies incorporated for the sole purpose of providing support in carrying out a single project are grouped together.

TÉCNICAS REUNIDAS, S.A.

NOTES TO THE ANNUAL ACCOUNTS FOR 2019 (Expressed in thousands of euros)

Investments in Group companies, jointly controlled entities and associates in 2018

Company	Registered office	Business activity	Direct ownership interest	Indirect ownership interest	Carrying amount	Equity			Dividends (Note 25)
						Share capital	Reserves	Profit/(Loss)	
Técnicas Reunidas Internacional, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	120	120	2,944	9	-
Técnicas Reunidas Australia Pty.	AUSTRALIA	ENGINEERING SERVICES	100.00%	-	-	-	924	1,817	1,872
Termotécnica, S.A.	SPAIN	MACHINERY WHOLESAL	40.00%	60.00%	300	781	1,049	21	-
TR Construcción y Montaje, S.A.	SPAIN	REAL ESTATE DEVELOPMENT	100.00%	-	150	332	1,206	2	-
Técnicas Reunidas Ecología, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	120	120	1,746	(4)	-
Técnicas Reunidas Metalúrgicas, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	60	120	1,863	(64)	-
Técnicas Reunidas Trade Panamá, S.A.	PANAMA	COMMERCIAL DEVELOPMENT	100.00%	-	46	46	76	(17)	-
Española de Investigación y Desarrollo, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	438	90	11,365	(859)	-
TR Proyectos Internacionales, S.A.	SPAIN	DEVELOPMENT AND CONTRACTING	100.00%	-	(184)	1,503	(831)	48	-
Técnicas Reunidas Venezuela, S.A.	VENEZUELA	COMMERCIAL DEVELOPMENT	100.00%	-	9	-	-	-	-
Layar, S.A.	SPAIN	COMPANY MANAGEMENT	100.00%	-	6,483	1,085	5,198	211	-
Initec Plantas Industriales, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	124,613	6,600	96,375	(70,332)	-
Initec Infraestructuras, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	-	1,800	341	(6,217)	-
Técnicas Reunidas Ecuador, S.A.	ECUADOR	ENGINEERING SERVICES	100.00%	-	3	-	-	-	-
Técnicas Reunidas Gulf L.T.D.	SAUDI ARABIA	ENGINEERING SERVICES	100.00%	-	29,592	550	34,545	(5,503)	-
ReciclAguilar, S.A.	SPAIN	ENGINEERING SERVICES	80.00%	-	-	60	(369)	-	-
TR SNG Alliance Ltd.	CYPRUS	ENGINEERING SERVICES	30.00%	-	38	-	-	-	-
Servicios Unidos, S.A.	VENEZUELA	ENGINEERING SERVICES	100.00%	-	74	-	-	-	-
TR Hungary Dufi CCGT Kft	HUNGARY	ENGINEERING SERVICES	85.00%	15.00%	8	10	634	(33)	-
TR Brasil Participações Ltd.	BRAZIL	ENGINEERING SERVICES	50.00%	-	7	-	-	-	-
TR Tec Ltda	BOLIVIA	ENGINEERING SERVICES	12.40%	87.60%	331	2	4,346	(1,678)	-
TR Canada INC	CANADA	ENGINEERING SERVICES	3.96%	96.04%	-	133,937	(169,981)	(66,497)	-
TR Engineers India Private LTD	INDIA	ENGINEERING SERVICES	100.00%	-	10	7	945	612	-
TR Saudi Arabia LLC	SAUDI ARABIA	ENGINEERING SERVICES	50.00%	50.00%	3	479	(556)	-	-
Al Hassan Técnicas Reunidas Project LLC	OMAN	ENGINEERING SERVICES	100.00%	-	19	-	-	-	-
TR Saudia for Services and Contracting Co. Limited	SAUDIA	ENGINEERING SERVICES	97.00%	3.00%	33,011	8,502	(91,579)	27,686	-
Heymo Ingeniería, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	757	903	3,665	3,881	-
TR Servicios S.R.L. de C.V.	MEXICO	ENGINEERING SERVICES	75.00%	25.00%	4	6	153	8	-
Técnicas Reunidas USA L.L.C.	US	ENGINEERING SERVICES	100.00%	-	27	27	(8,261)	9,439	7,706
TR Sagemis Italia S.R.L.	ITALY	ENGINEERING SERVICES	100.00%	-	80	10	3	11	-
TR Canada E&C INC	CANADA	ENGINEERING SERVICES	15.00%	85.00%	5	36	(208)	2,195	-
TR Perú Ingeniería y Construcción	PERU	ENGINEERING SERVICES	100.00%	-	9	9	2,469	42	-
Deportes Valdavia 2017, S.L.	SPAIN	ENGINEERING SERVICES	100.00%	-	3	3	(2)	-	-
TR México Ingeniería y Construcción	MEXICO	ENGINEERING SERVICES	75.00%	25.00%	4	6	(5,657)	17,182	-
TR Italy	ITALY	ENGINEERING SERVICES	100.00%	-	10	10	-	631	-
TR Duqum Project LLC	OMAN	ENGINEERING SERVICES	65.00%	-	360	554	232	7,397	-
Single project companies with positive equity *		ENGINEERING SERVICES			24,906	167,216	6,308	(91,609)	18,633
Single project companies with an equity deficit *		ENGINEERING SERVICES			18	3,520	(39,314)	3,645	-
Total investments in Group companies					221,440				

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Company	Registered office	Business activity	Direct ownership interest	Indirect ownership interest	Carrying amount	Share capital	Reserves	Profit/(Loss)	Dividends (Note 25)
Empresarios Agrupados, A.I.E.	SPAIN	SERVICES TO COMPANIES	34.40%	8.60%	69	162	588	-	-
Empresarios Agrupados Internacional, S.A.	SPAIN	SERVICES TO COMPANIES	34.40%	8.60%	264	1,202	13,393	1,057	444
Ibérica del Espacio	SPAIN	ENGINEERING SERVICES	39.09%	9.78%	1,597	4,459	1,753	(2,218)	-
Master S.A. de Ingeniería y Arquitectura	SPAIN	ENGINEERING SERVICES	40.00%	-	-	152	510	(859)	-
Proyectos Ebramex, S. de R.L. de C.V.	MEXICO	ENGINEERING SERVICES	33.33%	-	-	21,953	(33,532)	431	-
Minatrico, S. de R.L. de C.V.	MEXICO	ENGINEERING SERVICES	33.33%	-	3,829	41,214	(29,257)	(469)	-
Other					(47)				
Total investments in associates and jointly controlled entities					5,712				
Total					227,152				

* Companies incorporated for the sole purpose of providing support in carrying out a single project are grouped together.

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None of the Group companies, jointly controlled entities or associates are officially listed.

b) Current investments in Group companies, jointly controlled entities and associates

	Thousands of euros	
	2019	2018
Loans and receivables	447,948	540,271
Total current	447,948	540,271

The detail of loans to Group companies at 31 December 2019 is as follows:

	Tax receivables	Other loans
Initec Plantas Industriales, S.A.U.	20,527	40,218
TR Saudia LTD	-	226,904
TR De Construcao Unip. LDA	-	38,869
TR Canada INC	-	38,912
TR UK	-	31,454
Other Group companies, associates and UTEs	4,212	46,852
Total current	24,739	423,209

The detail of loans to Group companies at 31 December 2018 is as follows:

	Tax receivables	Other loans
Initec Plantas Industriales, S.A.U.	16,579	13,074
TR Saudia LTD	-	337,988
TR De Construcao Unip. LDA	-	37,421
TR Canada INC	-	68,402
TR Malasya	-	19,383
Other Group companies, associates and UTEs	3,944	43,480
Total current	20,523	519,748

At 31 December 2019, loans to Group companies included EUR 24,739 thousand (2018: EUR 20,523 thousand) related to the balances of income tax payable for each of the subsidiaries that form part of the consolidated tax group (see Note 23).

The remaining part of this balance relates to trade receivables from Group companies, associates and UTEs relating mainly to engineering services.

NOTES TO THE ANNUAL ACCOUNTS FOR 2019
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Técnicas Reunidas assessed the recoverability of the loans to Group companies on the basis of the business plans supplied by these subsidiaries, which are based on their current customer portfolios.

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

There are no significant differences between the carrying amounts and the fair values of these loans to Group companies and other financial assets.

9. Financial assets at fair value through profit or loss

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

	Thousands of euros	
	2019	2018
- Short-term fixed-income investments	28,401	27,604
- Short-term equity investments	13,851	14,434
	42,252	42,038

All financial assets are designated as held for trading.

Financial assets at fair value through profit or loss are presented in “Changes in fair value of financial instruments” under cash flows from operating activities in the statement of cash flows.

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

The changes in these investments in 2019 and 2018 were as follows:

	2019	2018
Balance at 1 January	42,038	43,977
Additions	-	-
Disposals	-	-
Gains/(Losses) on changes in fair value (Note 25)	214	(1,939)
Balance at 31 December	42,252	42,038

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

NOTES TO THE ANNUAL ACCOUNTS FOR 2019
(Expressed in thousands of euros)

10. Loans and receivables

	Thousands of euros	
	2019	2018
Trade receivables for sales and services	1,144,842	1,166,059
Trade receivables from Group companies and associates	348,154	280,762
Sundry accounts receivable	22,870	26,687
Receivable from Group companies	42,929	4,942
Employee receivables	722	386
Current tax assets	6,481	12,392
Other accounts receivable from public authorities	23,824	23,838
Provisions for impairment	(6,840)	(7,307)
	1,582,982	1,507,759

There are no significant differences between the carrying amounts and the fair values of the trade and other receivables.

At 31 December 2019, "Trade receivables" included EUR 981,775 thousand relating to completed work yet to be billed (2018: EUR 895,042 thousand), which is calculated in accordance with the criteria established in Note 3.14.

The detail of "Trade receivables from Group companies and associates" is as follows:

	Thousands of euros	
	2019	2018
Initec Plantas Industriales, S.A.U.	230,680	186,944
TR DUQUM Proyect L.L.C.	32,158	-
TR De Construcao Unip. LDA	20,272	20,272
TR BAPCO	7,495	-
Initec Infraestructuras, S.A.U.	169	5,420
TR Mühendislik Insaat AS	-	9,276
TR UK	3,455	3,995
Other Group companies, associates and UTEs	60,835	54,855
Total trade and other receivables from Group companies and associates	348,154	280,762

NOTES TO THE ANNUAL ACCOUNTS FOR 2019
(Expressed in thousands of euros)

The changes in provisions for impairment losses on trade receivables are as follows:

	Thousands of euros	
	2019	2018
Beginning balance	7,307	6,840
Charges for the year	-	467
Amounts used	(468)	-
Ending balance	6,839	7,307

At 31 December 2019, accounts receivable and past due amounted to EUR 117,864 thousand (2018: EUR 125,563 thousand), of which 21% relate to amounts past due by less than six months.

Accounts receivable from customers past their due date by less than six months are not considered to be impaired.

The other accounts included under “Accounts receivable” have not become impaired.

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

	Thousands of euros	
	2019	2018
Euro	784,730	747,274
USD	389,057	361,677
KWD	253,670	105,056
Other currencies	155,525	293,752
Total	1,582,982	1,507,759

Maximum exposure to credit risk at the reporting date is the fair value of each account receivable detailed above.

NOTES TO THE ANNUAL ACCOUNTS FOR 2019
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11. Derivative financial instruments

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

	Thousands of euros			
	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Foreign currency forward contracts - cash flow hedges	5,723	44,471	6,465	36,621
Commodity forward contracts	806	-	-	4,348
Total	6,529	44,471	6,465	40,969
Less: non-current portion				
Foreign currency forward contracts - cash flow hedges	295	2,928	129	1,242
Commodity forward contracts	-	-	-	-
Non-current portion	295	2,928	129	1,242
Current portion	6,234	41,543	6,336	39,727

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

The Company assesses the effectiveness of the hedges by conducting prospective and retrospective efficacy 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:

NOTES TO THE ANNUAL ACCOUNTS FOR 2019
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Type of instrument	Fair value (thousands of euros)	Currency	Notional maturities (thousands)			
	2019		2020	2021	2022	Total
USD / EUR	5,691	USD	92,895	51,000	-	143,895
USD / CHF	15	CHF	3,702	-	-	3,702
USD / JPY	17	JPY	204,000	-	-	204,000
Commodity forward contracts						
Commodity	806					
Assets	6,529					
Foreign currency forward contracts						
USD / EUR	43,374	USD	727,083	191,136	-	918,219
EUR / CAD	77	CAD	19,000	-	-	19,000
GBP / EUR	106	GBP	5,000	-	-	5,000
EUR / KWD	246	KWD	6,000	-	-	6,000
USD / JPY	554	JPY	569,160	-	-	569,160
EUR / PLN	114	PLN	41,000	-	-	41,000
Liabilities	44,471					
Net balances	(37,942)					

Type of instrument	Fair value (thousands of euros)	Currency	Notional maturities (thousands)			
	2018		2019	2020	2021	Total
USD / EUR	6,433	USD	13,085	80,000	-	93,085
EUR / KWD	27	KWD	340	-	-	340
PLN / EUR	5	PLN	13,152			13,152
Assets	6,465					
Foreign currency forward contracts						
USD / EUR	34,967	USD	376,550	197,188	-	573,738
USD / JPY	455	USD	4,197	-	-	4,197
GBP / EUR	571	GBP	41,500	-	-	41,500
USD / CHF	109	CHF	38,000	-	-	38,000
KWD / EUR	425	KWD	23,600	-	-	23,600
USD / NOK	78	USD	796	-	-	796
PLN / EUR	17	PLN	25,956	-	-	25,956
Commodity forward contracts						
Commodity	4,348					
Liabilities	40,969					
Net balances	(34,503)					

NOTES TO THE ANNUAL ACCOUNTS FOR 2019
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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	-	6,234	295	6,529
Total liabilities 2019	-	41,543	2,928	44,471
Total assets 2018	6,336	129	-	6,465
Total liabilities 2018	39,727	1,242	-	40,969

The total fair value of a hedging derivative is classified as a non-current asset or liability if the remaining term to maturity of the hedged item is over 12 months, and as a current asset or liability if the remaining term to maturity of the hedged item is less than 12 months.

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

The statement of recognised income and expense discloses the impact of cash flow hedges on equity and the transfers to the income statement. In 2019 and 2018, no ineffectiveness worthy of mention arose as a result of foreign currency hedges, which is recognised in the income statement.

12. Inventories

This heading includes the following items and amounts:

	Thousands of euros	
	2019	2018
Construction projects in progress and finished projects	3,793	3,847
Costs of submitting bids	10,705	11,154
	14,498	15,001

“Construction projects in progress and finished projects” includes the cost of various assets (mainly car parks allocated for sale), related to the concessions described in Note 5 on intangible assets.

“Costs for submitting bids” includes the amount of those contracts obtained or that are likely to be obtained.

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13. Advances to suppliers

This heading includes a breakdown of advances to suppliers.

	Thousands of euros	
	2019	2018
Group	167,753	160,568
Non-Group	8,604	13,141
	176,357	173,709

The detail of the balances with the Group is as follows:

	Thousands of euros	
	2019	2018
Initec Plantas Industriales, S.A.	154,704	159,764
Other	13,049	804
	167,753	160,568

14. Cash and cash equivalents

	Thousands of euros	
	2019	2018
Cash	180,195	176,857
Cash equivalents	186,327	185,783
	366,522	362,640

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).

In 2019, the effective interest rate earned on short-term deposits at credit institutions was 0% for deposits in euros (2018: 0%) and 1.6% for deposits in US dollars (2018: 2%) and the average term of these deposits is 14 days (2018: 14 days). In addition, the Company held significant balances during the year in Australian dollars (AUD) with an annual return of 2%, in Russian roubles (RUB) at 9%, Peruvian soles (PEN) at 3.5%, Turkish liras (TRY) at 9%, Saudi Arabian riyal (SAR) at 1.5%, Kuwaiti dinars (KWD) at 1.2%, Polish zloty (PLN) at 1.25% and Malaysian ringgit (MYR) at 2.5%.

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Of the total balance of cash and cash equivalents at 31 December 2019, EUR 220,810 thousand (2018: EUR 239,932 thousand) arose from the inclusion of the joint ventures and unincorporated temporary joint ventures in which the Company holds interests.

There were no cash or cash equivalents with restricted availability at 31 December 2019 or at 31 December 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.

15. Share capital and share premium

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

a) Share capital

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.

TÉCNICAS REUNIDAS, S.A.

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

Shareholder	2019	2018
	% 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%	-
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%

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.

b) Share premium

This reserve is unrestricted.

c) Treasury shares

The changes in “Treasury shares” in 2018 and 2017 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 Company’s share capital (2018: 3.93%) and totalled 2,193,424 shares (2018: 2,201,389 shares), with a weighted average price of EUR 33.66 per share (2018: EUR 33.67 per share).

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 ownership interest of 37.20% in Técnicas Reunidas, S.A. through Araltec Corporación, S.L.U. and Aragonesas Promoción de Obras y Construcciones, S.L.U.

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The shareholders at the Company'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 Company 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. The shares allocated to the securities account associated with the agreement amounted to EUR 74,500 thousand and a total of EUR 2,537 thousand were allocated to the cash account associated with the agreement.

16. Reserves

a) Reserves

	Thousands of euros	
	2019	2018
- Legal reserve	1,137	1,137
- Capitalisation reserve	3,056	3,056
- Other reserves	527,449	552,643
	531,642	556,836

Legal reserve

The legal reserve, which has reached the stipulated level in accordance with section 274 of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*), 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.

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 the terms established by this section.

Other reserves

This reserve is unrestricted.

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17. Profit/(Loss) for the year

Proposed allocation of loss

The proposed allocation of the 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)	(9,527)	(23,411)
	(9,527)	(23,411)
Allocation		
Other reserves	(9,527)	(23,411)
	(9,527)	(23,411)

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

18. Translation differences

	Thousands of euros	
	2019	2018
Cumulative translation differences	802	(6,817)

The breakdown, by permanent establishment, of the cumulative translation differences at the end of 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Abu Dhabi branch	3,790	80
Algeria branch	(2,720)	(2,457)
Australia branch	(3,684)	(3,669)
Ankara branch	118	43
Moscow branch	(2,412)	(2,213)
Kuwait branch	7,035	2,492
Other	(1,325)	(1,093)
	802	(6,817)

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19. Provisions

	Thousands of euros	
	2019	2018
Provisions for contingencies and charges	77,111	83,892
Non-current	77,111	83,892
Other provisions	36,063	23,055
Current	36,063	23,055

The changes in 2019 and 2018 were as follows:

	Thousands of euros	
	2019	2018
Beginning balance	106,947	77,001
Charges for the year	9,645	34,331
Amounts used/reversed	(3,418)	(4,385)
Ending balance	113,174	106,947

The charges for the year are mainly due to provisions to cover the equity deficit of subsidiaries (Note 8) and provisions for contingencies and charges.

Provisions for contingencies and charges - Non-current

This heading includes mainly provisions arranged to cover the equity deficit of subsidiaries in the amount of EUR 49,043 thousand (2018: EUR 47,897 thousand) (Note 8), as well as other provisions for risks of litigation and other non-current payments to be made.

Provisions for contingencies and charges - Current

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. The Company expects that payment will be made in 2020.

NOTES TO THE ANNUAL ACCOUNTS FOR 2019
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20. Non-current and current payables

	Thousands of euros	
	2019	2018
Bank borrowings a)	288,554	340,361
Derivatives (Note 11)	2,928	1,242
Other financial liabilities	6,701	5,278
Non-current payables	298,183	346,881
Bank borrowings a)	233,578	76,023
Derivatives (Note 11)	41,543	39,727
Other financial liabilities	529	556
Current payables	275,650	116,306

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

a) Bank borrowings

The carrying amount approximates their fair value. The borrowings are tied mainly to the Euribor and are reviewed up to every six months. Loans in the amount of EUR 16,886 thousand (2018: EUR 18,604 thousand) were taken out as collateral for concession assets (Note 5), which are recognised under "Intangible assets".

The syndicated credit facilities arranged by the Company require a net financial debt/EBITDA ratio that is less than or equal to 3. This condition was met as of the date of authorisation for issue of these annual accounts.

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

	2019	2020	2021	2022 and subsequent years	Total
2019	-	233,578	157,000	131,554	522,132
2018	76,023	340,361	-	-	416,384

The carrying amounts of the bank borrowings are denominated in euros, with an average effective interest rate at the balance sheet date of 0.96% (2018: 0.80%).

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The carrying amount of current and non-current borrowings approximates their fair value, as the impact of discounting is not significant.

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

	Thousands of euros	
	2019	2018
- maturing within one year	246,979	575,149
- maturing in more than one year	120,000	171,500
	366,979	746,649

21. Payable to Group companies and associates

	Thousands of euros	
	2019	2018
Group companies	238,692	375,675
Associates	2,758	-
	241,450	375,675

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

	Thousands of euros	
	2019	2018
Engineering services	109,880	216,238
Short-term loans	128,812	159,437
Group companies	238,692	375,675
Inclusion of UTEs	2,758	-
Associates	2,758	-

In 2019, the loans with Group companies carried an average interest rate of Euribor + 1% (2018: Euribor + 1%).

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22. Trade and other payables

	Thousands of euros	
	2019	2018
Payable to suppliers	1,341,457	1,021,089
Payable to suppliers - Group companies and associates	257,507	253,843
Supplier retainings	78,677	75,579
Sundry accounts payable	49,361	66,014
Remuneration payable	4,436	5,111
Other accounts payable to public authorities	120,041	26,724
Customer advances	131,871	288,237
	1,983,350	1,736,597

There was no significant effect on the fair values of payable to suppliers and trade payables. The nominal values are considered an approximation of their fair values.

The detail of “Payable to suppliers - Group companies and associates” is as follows:

	Thousands of euros	
	2019	2018
Initec Plantas Industriales, S.A.U.	222,597	223,818
Initec Infraestructuras, S.A.U.	2,006	1,038
Técnicas Reunidas Internacional, S.A.U.	2,293	2,526
TR Malasya	18,092	-
Other	12,519	26,461
	257,507	253,843

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

	Thousands of euros	
	2019	2018
Euro	464,904	344,642
US dollar	650,794	346,585
Other currencies	225,759	329,861
	1,341,457	1,021,088

NOTES TO THE ANNUAL ACCOUNTS FOR 2019
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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)

As established by the reference law, as well as the resolution of 29 January 2017, 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	64	71
Ratio of transactions paid	60	67
Ratio of transactions payable	88	100
	Amount (thousands of euros)	Amount (thousands of euros)
Total payments made	964,135	1,615,378
Total payments outstanding	112,261	207,176

The Company 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 data in the table above was calculated in accordance with that established in the resolution of 4 February 2016 on the basis of all companies in which the Company holds interests. 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.

23. Income tax and tax matters

On 30 September 1993, the Directorate General of Taxation allowed the following companies to file consolidated tax returns: Técnicas Reunidas, S.A., Técnicas Reunidas Internacional, S.A., Termotécnica, S.A., Técnicas Reunidas Construcciones y Montajes, S.A., Técnicas Reunidas Ecología, S.A.. In 1994 the following companies were subsequently allowed to file consolidated tax returns: Técnicas Siderúrgicas, S.A., Española de Investigación y Desarrollo, S.A. and Técnicas Reunidas Proyectos Internacionales, S.A. In 1998 Técnicas Reunidas Metalúrgicas, S.A. was included in the tax group and Layar, S.A., Layar Castilla, S.A. and Layar Real Reserva, S.A. were included in 1999. In 2003 Eurocontrol, S.A. and ReciclAguilar, S.A. were included in the tax group and Initec Plantas Industriales, S.A. and Initec Infraestructuras, S.A. were included in 2005. In 2007 Layar Castilla, S.A. was excluded from the tax group. Eurocontrol International Services, S.L. and Euromoodly International Services, S.L. were included in 2016 Heymo Ingeniería, S.A.U. was also

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included in 2016 and Deportes Valdavia, S.L., Valdavia Gym, S.L., Valdavia Padel, S.L. were included in 2017.

The reconciliation of net income and expenses for the year to the tax loss for income tax purposes for 2019 is as follows:

	Thousands of euros		
	2019		
	Income statement		
	<hr/>		
Income and expenses for the year	(9,527)		(9,527)
	Increases	Decreases	
	<hr/>		
Income tax	-	24,001	24,001
Permanent differences	5,759	(262,556)	(256,797)
Temporary differences	105,916	(38,706)	67,210
Tax loss			<hr/> (175,113) <hr/>

The income tax expense is composed of the following:

	Thousands of euros	
	2019	2018
	<hr/>	
Current tax	(60,581)	5,352
Deferred tax	29,103	(15,605)
Tax assets	-	(3,809)
Other	55,479	3,470
	<hr/> 24,001	<hr/> (10,592) <hr/>

Increases due to permanent differences relate to the following:

	Thousands of euros	
	2019	2018
	<hr/>	
Reversal of tax-deductible provisions (Royal Decree 3/2016)	4,614	27,713
Non-deductible expenses	1,145	630
	<hr/> 5,759	<hr/> 28,343 <hr/>

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Decreases due to permanent differences relate to the following:

	Thousands of euros	
	2019	2018
Profit/(loss) from abroad	235,863	80,838
Exemption for foreign dividends	13,499	28,655
Gains on sales of investees and others	13,193	2,625
	262,555	112,118

Deferred taxes:

	Thousands of euros	
	2019	2018
Deferred tax assets		
- recoverable in over 12 months	167,956	105,489
- recoverable in under 12 months	13,070	8,104
	181,026	113,593
Deferred tax liabilities		
- payable in over 12 months	-	28,576
- payable in under 12 months	16,199	-
	16,199	28,576

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

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
At 1 January	113,593	28,576	69,267	16,756
Reversals/amounts used	(4,500)	(12,781)	(9,376)	(6,815)
Charges for the year	71,929	404	53,702	18,635
At 31 December	181,022	16,199	113,593	28,576

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Deferred taxes arose from the following:

Deferred tax assets

	Thousands of euros	
	2019	2018
Tax losses recognised in permanent establishments	35,779	44,628
- Recognition of portfolio allowances	34,158	24,121
- Provisions for contingencies and charges and other	35,159	21,964
- Depreciation and amortisation charge	415	632
- Concessions	3,896	3,896
- Taxes arising from permanent establishments	4,539	4,153
- Tax loss carry forwards	62,543	12,108
- Hedging reserve	4,537	2,091
	181,026	113,593

Deferred tax liabilities

	Thousands of euros	
	2019	2018
Taxes arising from permanent establishments	16,199	28,576
	16,199	28,576

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

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

In June 2015, the Parent Company 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.

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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 the consolidated annual accounts, the Parent Company 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 with regard to corporation tax for 2012 to 2014 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

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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 Company's directors consider that these liabilities, should they arise, would not have a material effect on the annual accounts.

24. Revenue and expenses

a) Revenue

The revenue from the Company's ordinary activities is distributed geographically as follows:

Market	Thousands of euros	
	2019	2018
Spain	48,903	46,119
European Union	3,577	121,632
OECD (excluding Spain and the EU)	39,748	192,726
Other	2,241,307	1,553,182
	2,333,535	1,913,659

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Likewise, revenue by activity category is as follows:

Business activity	Thousands of euros	
	2019	2018
Oil and Gas	2,096,267	1,567,825
Power	205,761	315,243
Other	31,507	30,591
Total	2,333,535	1,913,659

In 2019 and 2018, the Company did not recognise any significant penalty or bonus for delays, advances or for any other reason.

b) Foreign currency transactions

The amounts of transactions performed in foreign currencies were as follows:

	Thousands of euros	
	2019	2018
Sales	901,733	1,565,070
Purchases	919,480	836,740
Services received	171,391	263,483

c) Staff costs

	Thousands of euros	
	2019	2018
Wages and salaries	260,228	251,718
Termination benefits	900	1,371
Employee benefit costs	51,815	49,120
Provisions/reversals for employee benefits	1,453	1,491
	314,396	303,700

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The average number of employees in the year, by professional category, is as follows:

	<u>2019</u>	<u>2018</u>
Executive directors and senior executives	12	12
Graduates, line personnel and clerical staff	3,284	3,307
Non-graduates/Unqualified staff	21	22
Sales staff	33	30
	<u>3,350</u>	<u>3,371</u>

The breakdown of the Company's staff by gender at the balance sheet date is as follows:

	<u>2019</u>			<u>2018</u>		
	<u>Men</u>	<u>Women</u>	<u>Total</u>	<u>Men</u>	<u>Women</u>	<u>Total</u>
Executive directors and senior executives	10	2	12	10	2	12
Graduates, line personnel and clerical staff	2,154	1,129	3,283	2,152	1,130	3,282
Non-graduates/Unqualified staff	18	1	19	21	1	22
Sales staff	19	14	33	19	10	29
	<u>2,201</u>	<u>1,146</u>	<u>3,347</u>	<u>2,202</u>	<u>1,143</u>	<u>3,345</u>

The above figures include 398 subcontracted professionals (2018: 332 employees).

In 2019 there were 21 employees, included in the category of "Graduates, line personnel and clerical staff", with a degree of disability of 33% or more (2018: 35 employees).

d) Other operating expenses

The detail of this heading in the income statement is as follows:

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	Thousands of euros	
	2019	2018
Services	316,214	294,137
Leases and royalties	39,280	43,067
Independent professional services	32,282	50,908
Transport costs	12,799	13,089
Repairs and upkeep	5,546	8,824
Insurance premiums	7,630	6,135
Banking and similar services	28,642	26,311
Other	5,769	3,348
Outside services	448,162	445,819
Taxes other than income tax	5,840	2,593
Losses on, impairment of and change in trade allowances	5,208	22,994
Other current operating expenses	462	2,271
	459,672	473,677

25. Financial profit/(loss)

	Thousands of euros	
	2019	2018
Finance income:		
From investments in equity instruments:		
Group companies and associates (Note 8)	13,500	28,655
From marketable securities and other financial instruments		
Group companies and associates	24,484	14,791
Third parties	1,991	3,971
	39,975	47,417
Finance costs:		
On debts to Group companies and associates	(2,182)	(2,265)
On debts to third parties	(7,450)	(7,499)
Other finance costs	(13,846)	-
	(23,478)	(9,764)
Changes in fair value of financial instruments:		
Financial assets and liabilities held for trading and others (Note 9)	214	(1,939)
	214	(1,939)
Net exchange differences	14,021	7,217
Impairment and gains or losses on disposal of financial instruments		
Impairment and other losses (Notes 8 and 19)	(40,211)	(47,621)
Gains or losses on disposals (Note 8)	18,931	-
Other	(2,717)	-
	(23,997)	(47,621)
Financial profit/(loss)	6,734	(4,690)

NOTES TO THE ANNUAL ACCOUNTS FOR 2019
(Expressed in thousands of euros)

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

26. Contingencies

a) Contingent liabilities

The Company 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. In the normal course of business, which is common practice among companies engaging in engineering and construction activities, the Company 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 Company’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 and conditions of the Company and the Group companies, they are obliged to issue technical guarantees in relation to the execution of the work that may be arranged in cash or for bank guarantees (the latter being the most representative) and they must be held for a certain period.

As mentioned in Note 20, 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 29, guarantees have been presented before the Tax Agency in an amount of EUR 136.2 million for the tax payable and EUR 45 million for late-payment interest. At the Company’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 Company 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 Company’s legal advisers, formulated based on the available information, the Company 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 19), their outcome will not significantly influence the Company’s equity position.

NOTES TO THE ANNUAL ACCOUNTS FOR 2019
(Expressed in thousands of euros)

b) Commitments

Fixed asset purchase commitments

There are no significant investment commitments in relation to asset purchases at the balance sheet date.

Operating lease commitments

The Company leases several premises under non-cancellable operating leases (see Note 6). These leases have variable terms, clauses by tranches and renewal rights. As a general rule, the Company is required to give notification six months prior to the end of these agreements.

The minimum future payments to be made for leases under non-cancellable operating leases are as follows:

	2019	2018
Less than 1 year	16,346	14,248
From 1 to 5 years	28,571	24,444

Suppliers and subcontractor purchase commitments

The Company 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 customers of the Company are issued in accordance with contractual milestones of a similar nature to those that the Company maintains with its suppliers.

27. Unincorporated temporary joint ventures (UTES) and consortiums

The Company has investments in the UTES and consortiums detailed in Appendix I. The amounts shown below represent the Company's ownership interest, in accordance with the corresponding percentages, in the assets and liabilities, and the income and expenses of the UTES. These amounts were included in the balance sheet and the income statement:

NOTES TO THE ANNUAL ACCOUNTS FOR 2019
(Expressed in thousands of euros)

Assets:	2019	2018
Non-current assets	54,044	51,584
Current assets	892,406	764,760
	<u>946,450</u>	<u>816,344</u>
Liabilities:		
Non-current liabilities	31,520	52,747
Current liabilities	821,381	744,429
	<u>852,901</u>	<u>797,176</u>
Net assets	<u>93,550</u>	<u>19,168</u>
Income	1,852,086	1,254,099
Expenses	(1,757,505)	(1,248,353)
Profit/(Loss) after tax	<u>94,581</u>	<u>(5,746)</u>

There are no contingent liabilities corresponding to the Company's share in the UTEs, or contingent liabilities of the UTEs and consortiums.

28. Remuneration of directors and senior executives

a) Remuneration of Board members

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 1,809 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.

b) Remuneration of senior executives

The total remuneration paid in 2019 to senior executives amounted to EUR 4,306 thousand (2018: EUR 3,752 thousand).

- Advances: In 2019, advances were granted to senior executives amounting to EUR 92 thousand (2018: EUR 335 thousand).
- Loans: EUR 95 thousand (2018: EUR 0 thousand)

NOTES TO THE ANNUAL ACCOUNTS FOR 2019
(Expressed in thousands of euros)

c) Situations of conflict of interest involving the directors

In their duty to avoid conflicts of interest with those of the Company, the directors that held positions on the Board of Directors during the year complied with the obligations stipulated in section 228 of the consolidated text of the Spanish Corporate Enterprises Act. Similarly, the directors and those persons related thereto were not involved in any of the conflicts of interest envisaged in section 229 of this Act, except in those cases where the corresponding authorisation was obtained.

Any direct or indirect ownership interest that the directors and those related to them hold in the share capital of a company engaging in an activity that is identical, similar or complementary to the activity that constitutes the corporate purpose is as follows:

- 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., Técnicas Reunidas Internacional, S.A., Española de Investigación y Desarrollo, S.A. Eurocontrol, S.A. and Master S.A. de Ingeniería y Arquitectura. Moreover, he is a member of 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.
- Petra Mateos-Aparicio is non-executive director of Ghesa.

29. Other transactions with related parties

As indicated in Note 1, the Company is the head of a group of companies. 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 2018 or 2018, except as detailed below:

NOTES TO THE ANNUAL ACCOUNTS FOR 2019
(Expressed in thousands of euros)

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; this information relates to the whole of 2018.

Transactions performed in the year:

	2019	2018
Finance costs	781	228
Finance income	2	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

Furthermore, the Company had the necessary current accounts opened, in euros and foreign currency, to carry out its operations and, at 31 December 2019, the equivalent amount in current accounts and deposits totalled EUR 32,323 thousand (2018: EUR 37,910 thousand).

Note 28 includes information on the remuneration paid to the directors of Técnicas Reunidas, S.A. and the Company's executives.

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

The table below details the aggregates of the transactions with Group companies, jointly controlled entities and associates included in Note 8:

NOTES TO THE ANNUAL ACCOUNTS FOR 2019
(Expressed in thousands of euros)

	Group companies	Jointly controlled entities and associates
2019		
Services received	110,199	-
Finance costs	2,179	-
Total expenses	112,378	-
Services rendered	84,897	436,189
Finance income	24,268	-
Dividends received (Note 25)	13,049	451
Total income	122,214	436,640
	Group companies	Jointly controlled entities and associates
2018		
Services received	95,145	4,726
Finance costs	2,201	64
Total expenses	97,346	4,790
Services rendered	86,824	75,684
Finance income	14,491	6
Dividends received (Note 25)	28,211	443
Total income	129,526	76,133

The services received and provided arise from the Company's normal business transactions and have been performed on an arm's-length basis.

In addition, the Company did not carry out any sale and purchase transactions for non-current assets with Group companies in 2019 or 2018.

30. Information on the environment

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 annual accounts.

31. Events after the reporting date

From the reporting date to the date on which these annual accounts were authorised for issue, there were no significant events that are not included in the annual accounts.

NOTES TO THE ANNUAL ACCOUNTS FOR 2019
(Expressed in thousands of euros)

32. Fees paid to auditors

The fees accrued for services engaged by the Company in 2019 from its auditors and other companies related thereto are detailed as follows:

Fees:

	2019		2018	
	PwC	Deloitte	PwC	Deloitte
Financial audit services	228	344	211	323
Other attest services provided by the auditor	194	36	158	23
Other services rendered by the auditor	9	-	31	-
Other services rendered by entities of the auditor's network	438	117	269	48
	869	497	669	394

TÉCNICAS REUNIDAS, S.A.

APPENDIX I: UNINCORPORATED TEMPORARY JOINT VENTURES AND CONSORTIUMS IN WHICH THE COMPANY HAS INTERESTS

2019

Name	Business activity	% ownership	Name	Business activity	% ownership
TR Abu Dhabi BRANCH	CONSTRUCTION SUPERVISION AND START-UP	100%	UTE Damietta LNG	ENGINEERING AND PROCUREMENT SERVICES	85%
TR TURQUÍA BOTAS	CONSTRUCTION SUPERVISION AND START-UP	100%	UTE RAMBLA	ENGINEERING AND PROCUREMENT SERVICES	40%
TR AUSTRALIA	CONSTRUCTION SUPERVISION AND START-UP	100%	UTE Villamartin	ENGINEERING AND PROCUREMENT SERVICES	50%
TR BRANCH VOLGOGRADO	CONSTRUCTION SUPERVISION AND START-UP	100%	UTE Puerto de Barcelona	ENGINEERING AND PROCUREMENT SERVICES	50%
TReunidas Branch Argelia	ENGINEERING AND PROCUREMENT SERVICES	100%	UTE Edif.Servs. Múltiples	ENGINEERING AND PROCUREMENT SERVICES	50%
TR SA ODDZIAL W POLSCE	ENGINEERING AND PROCUREMENT SERVICES	100%	UTE TR/ASF. Cons.Aparc.AI	ENGINEERING AND PROCUREMENT SERVICES	50%
TR EP UTE OPTARA BELGIUM	Engineering services and project execution	100%	UTE JV Hawiyah GPE	ENGINEERING AND PROCUREMENT SERVICES	15%
EP BANGLADESH	Engineering services and project execution	50%	UTE Centro de día	ENGINEERING AND PROCUREMENT SERVICES	50%
EP JORDANIA	Engineering services and project execution	50%	UTE TR/INIT. P.I. Rabigh	ENGINEERING AND PROCUREMENT SERVICES	85%
TR KUWAIT BRANCH	ENGINEERING AND PROCUREMENT SERVICES	100%	UTE TR/TREC OPER.DESALAD	ENGINEERING AND PROCUREMENT SERVICES	50%
TR FINLANDIA	ENGINEERING AND PROCUREMENT SERVICES	100%	UTE TR/INITEC INFRA CONST	ENGINEERING AND PROCUREMENT SERVICES	85%
UTE Ju'aymah GPE	ENGINEERING AND PROCUREMENT SERVICES	15%	UTE INITEC/TR SAIH RAWL	ENGINEERING AND PROCUREMENT SERVICES	15%
UTE INITEC/TR RKF ARGELIA	ENGINEERING AND PROCUREMENT SERVICES	15%	UTE TR Altamarca C. Viña	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE TFT ARGELIA	ENGINEERING AND PROCUREMENT SERVICES	15%	UTE TR/Duro F. CTCC Besós	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE INITEC/TR PISCINA HO	ENGINEERING AND PROCUREMENT SERVICES	85%	UTE PEIRAO XXI	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE TR/IN CONS.COMPL.VIÑA	ENGINEERING AND PROCUREMENT SERVICES	85%	UTE TR/GEA 21 COL.PLUVIA	ENGINEERING AND PROCUREMENT SERVICES	80%
UTE TR/Initec Pl. Fenoles	ENGINEERING AND PROCUREMENT SERVICES	85%	UTE SANHER EL CARAMBOLO	ENGINEERING AND PROCUREMENT SERVICES	40%
UTE TR/Initec Pl. Bio	ENGINEERING AND PROCUREMENT SERVICES	15%	UTE PERELLÓ	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE TR/IPI Offsites Abudh	ENGINEERING AND PROCUREMENT SERVICES	85%	UTE PALMAS ALTAS SURL	ENGINEERING AND PROCUREMENT SERVICES	40%
UTE INITEC P.I./TR Mejill	ENGINEERING AND PROCUREMENT SERVICES	15%	UTE TSK TR ASHUGANJ NORTH	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE TR/IPI Refi. de Sines	ENGINEERING AND PROCUREMENT SERVICES	85%	UTE TR JJC	ENGINEERING AND PROCUREMENT SERVICES	51%
UTE P.I./TRSA KHABAROVSK	ENGINEERING AND PROCUREMENT SERVICES	15%	UTE TR/ SGS PISTA 18R	ENGINEERING AND PROCUREMENT SERVICES	50%
TR ELEFSINA	ENGINEERING AND PROCUREMENT SERVICES	65%	UTE TR PHB JORDAN	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE HYDROCRACKER HUNG.	ENGINEERING AND PROCUREMENT SERVICES	15%	UTE ELORRIO-ELORRIO	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE TR/IPI TR POWER	ENGINEERING AND PROCUREMENT SERVICES	85%	SAMSUNG-TR JOINT VENTURE	ENGINEERING AND PROCUREMENT SERVICES	29%
UTE ALQUILACION CHILE	ENGINEERING AND PROCUREMENT SERVICES	15%	TR OMAN BRANCH	ENGINEERING AND PROCUREMENT SERVICES	100%
TR ABU DHABI	ENGINEERING AND PROCUREMENT SERVICES	15%	UTE HPP Gepesa	ENGINEERING AND PROCUREMENT SERVICES	60%

TÉCNICAS REUNIDAS, S.A.

APPENDIX I: UNINCORPORATED TEMPORARY JOINT VENTURES AND CONSORTIUMS IN WHICH THE COMPANY HAS INTERESTS

2019

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UTE TR JUBAIL	ENGINEERING AND PROCUREMENT SERVICES	85%	UTE TSGI	ENGINEERING AND PROCUREMENT SERVICES	33%
UTE TR RUP	ENGINEERING AND PROCUREMENT SERVICES	80%			
UTE EP SINES	ENGINEERING AND PROCUREMENT SERVICES	80%	TR MOSCU BRANCH	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE TR YANBU REFINERY	ENGINEERING AND PROCUREMENT SERVICES	80%	TECNICAS REUNIDAS FR BR.	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE TR-IPI ABU DHABI SHAH	ENGINEERING AND PROCUREMENT SERVICES	15%	JV DARSAIT	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE TR-IPI TANQUE MEJILLO	ENGINEERING AND PROCUREMENT SERVICES	15%	JV SOHAR	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE TR DUFI HUNGRIA	ENGINEERING AND PROCUREMENT SERVICES	85%	TR QATAR	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE PERLA	ENGINEERING AND PROCUREMENT SERVICES	15%	JV RAILWAY	Engineering services and project execution	34%
UTE VOLGOGRAD	ENGINEERING AND PROCUREMENT SERVICES	15%	JV KUWAIT	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE INTEGRATED PROJECT	ENGINEERING AND PROCUREMENT SERVICES	65%	TRSA INDIA 33059	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE TR JRTP JAZAN	ENGINEERING AND PROCUREMENT SERVICES	85%	TRSA INDIA 33065	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE TR TALARA	ENGINEERING AND PROCUREMENT SERVICES	85%	TRSA INDIA 33117	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE TR OPTARA	ENGINEERING AND PROCUREMENT SERVICES	85%	TR BRANCH AZERBAIJAN	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE STURGEON	ENGINEERING AND PROCUREMENT SERVICES	15%	UTE TR HARADH GAS COMPES	ENGINEERING AND PROCUREMENT SERVICES	30%
UTE TR INTEGRATED GAS	ENGINEERING AND PROCUREMENT SERVICES	85%	UTE BU HASA	ENGINEERING AND PROCUREMENT SERVICES	15%
UTE FORT HILLS	ENGINEERING AND PROCUREMENT SERVICES	50%	UTE TR ADGAS	ENGINEERING AND PROCUREMENT SERVICES	15%
UTE TR MINATITLAN	ENGINEERING AND PROCUREMENT SERVICES	75%	TRD DUQUM PROJECT	ENGINEERING AND PROCUREMENT SERVICES	65%
UTE IGD	ENGINEERING AND PROCUREMENT SERVICES	15%	TR SHARJAH	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE TR ETO	ENGINEERING AND PROCUREMENT SERVICES	85%	UTE TR BALONGAN	ENGINEERING AND PROCUREMENT SERVICES	85%
UTE FAHDILI	ENGINEERING AND PROCUREMENT SERVICES	50%	UTE MARJAN	ENGINEERING AND PROCUREMENT SERVICES	45%
UTE TR NAPHTHA RT	ENGINEERING AND PROCUREMENT SERVICES	70%	UTE TR NEC	ENGINEERING AND PROCUREMENT SERVICES	85%
TR SINGAPUR	ENGINEERING AND PROCUREMENT SERVICES	100%	UTE TR JURONG	ENGINEERING AND PROCUREMENT SERVICES	85%
UTE TR MERCURY	ENGINEERING AND PROCUREMENT SERVICES	85%			

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2018

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UTE INITEC/TR RKF ARGELIA	ENGINEERING AND PROCUREMENT SERVICES	15%	UTE TR Altamarca C. Viña	ENGINEERING AND PROCUREMENT SERVICES	100%
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UTE INITEC P.I./TR Mejill	ENGINEERING AND PROCUREMENT SERVICES	15%	UTE TSK TR ASHUGANJ NORTH	ENGINEERING AND PROCUREMENT SERVICES	50%
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UTE ALQUILACION CHILE	ENGINEERING AND PROCUREMENT SERVICES	15%	TR OMAN BRANCH	ENGINEERING AND PROCUREMENT SERVICES	100%
TR ABU DHABI	ENGINEERING AND PROCUREMENT SERVICES	15%			

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2018

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UTE TR RUP	ENGINEERING AND PROCUREMENT SERVICES	80%	UTE TSGI	ENGINEERING AND PROCUREMENT SERVICES	33%
UTE EP SINES	ENGINEERING AND PROCUREMENT SERVICES	80%			
UTE TR YANBU REFINERY	ENGINEERING AND PROCUREMENT SERVICES	80%	TR MOSCU BRANCH	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE TR-IPI ABU DHABI SHAH	ENGINEERING AND PROCUREMENT SERVICES	15%	TECNICAS REUNIDAS FR BR.	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE TR-IPI TANQUE MEJILLO	ENGINEERING AND PROCUREMENT SERVICES	15%	TR KHABAROVSK BRANCH	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE TR DUFI HUNGRIA	ENGINEERING AND PROCUREMENT SERVICES	85%			
UTE PERLA	ENGINEERING AND PROCUREMENT SERVICES	15%	JV DARSAIT	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE VOLGOGRAD	ENGINEERING AND PROCUREMENT SERVICES	15%	JV SOHAR	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE INTEGRATED PROJECT	ENGINEERING AND PROCUREMENT SERVICES	65%	TR QATAR	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE TR JRTP JAZAN	ENGINEERING AND PROCUREMENT SERVICES	85%	JV RAILWAY	Engineering services and project execution	34%
UTE TR TALARA	ENGINEERING AND PROCUREMENT SERVICES	85%	JV KUWAIT	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE TR OPTARA	ENGINEERING AND PROCUREMENT SERVICES	85%	TRSA INDIA 33059	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE STURGEON	ENGINEERING AND PROCUREMENT SERVICES	15%	TRSA INDIA 33065	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE TR INTEGRATED GAS	ENGINEERING AND PROCUREMENT SERVICES	85%	TRSA INDIA 33117	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE FORT HILLS	ENGINEERING AND PROCUREMENT SERVICES	50%	TR BRANCH AZERBAIJAN	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE TR MINATITLAN	ENGINEERING AND PROCUREMENT SERVICES	75%	UTE TR HARADH GAS COMPES	ENGINEERING AND PROCUREMENT SERVICES	30%
UTE IGD	ENGINEERING AND PROCUREMENT SERVICES	15%	UTE BU HASA	ENGINEERING AND PROCUREMENT SERVICES	15%
UTE TR ETO	ENGINEERING AND PROCUREMENT SERVICES	85%	UTE TR ADGAS	ENGINEERING AND PROCUREMENT SERVICES	15%
UTE FAHDILI	ENGINEERING AND PROCUREMENT SERVICES	50%	TRD DUQUM PROJECT	ENGINEERING AND PROCUREMENT SERVICES	65%
UTE TR NAPHTHA RT	ENGINEERING AND PROCUREMENT SERVICES	70%			

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.

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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 22% to EUR 2,334 million. Profit from operations totalled EUR 8 million. The loss after tax was EUR (9) 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.

With regard to changes in the workforce, see Note 24.c.

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.

In 2018, income from this activity totalled EUR 2.096 billion and represented 89% 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 EPC1 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).

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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.

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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.

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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 205 million for the year, which represents a 35% 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

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lower CO₂ 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 18 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

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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™ 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, Namibia, 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™ 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™** and **DATMOS™ technologies** The calcine leaching technology known as **LIP4CAT™** and the sulphide leaching technology known as **DATMOS™** allow the processing of new raw materials and the application of the **ZINCEX™** solvent extraction technology, thus increasing the potential volume of business.
- **HALOMET™ 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™ technology** Technology for the production of technical grade phosphoric acid from wastewater sewage sludge ash. **PHOS4LIFE™** 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™ 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.

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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 Spanish 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 ownership interest 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 Spanish 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.

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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

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)

As established by the reference law, as well as the resolution of 29 January 2017, 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	64	71
Ratio of transactions paid	60	67
Ratio of transactions payable	88	100
	Amount (thousands of euros)	Amount (thousands of euros)
Total payments made	964,135	1,615,378
Total payments outstanding	112,261	207,176

The Company 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 data in the table above was calculated in accordance with that established in the resolution of 4 February 2016 on the basis of all companies in which the Company holds interests. 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.

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11. Significant events after the reporting period

From 31 December 2019 to the date of authorisation for issue of these 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.

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DIRECTORS' REPORT FOR 2019

Non-financial information of the Técnicas Reunidas Group, of which the Company forms part:

In accordance with that established in Spanish Law 11/2018, of 28 December, and by virtue of the new wording of section 262.5 of the Spanish Commercial Code, the Company is not required to present the Statement on Non-Financial Information, as this information is included in the Consolidated Directors' Report of the Técnicas Reunidas Group, the head of which is Técnicas Reunidas, S.A., and that will be filed, together with the Consolidated Annual accounts, with the Mercantile Registry of Madrid.

Corporate Governance Report

The Técnicas Reunidas Annual Corporate Governance Report for 2019 forms part of the Directors' Report and has been available on the website of the Spanish National Securities Market Commission and on the Técnicas Reunidas website since the date of publication of the annual accounts.



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



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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:

Date of general meeting	Attendance details				
	% present in person	% represented by proxy	% casting remote votes		Total
			Electronic votes	Other	
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
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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.

<p>JOSÉ MANUEL LLADÓ ARBURÚA</p>	<p>ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.U.</p>	<p>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).</p>
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<p>Total number of shareholder directors</p>	<p>2</p>
<p>% of total of the board</p>	<p>14.29</p>

<p>INDEPENDENT EXTERNAL DIRECTORS</p>	
<p>Name or corporate name of the director</p>	<p>Profile</p>
<p>PETRA MATEOS-APARICIO MORALES</p>	<p>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).</p>

<p>PEDRO LUIS URIASTE SANTAMARINA</p>	<p>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.</p>
<p>ALFREDO BONET BAIGET</p>	<p>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).</p>
<p>JOSÉ NIETO DE LA CIERVA</p>	<p>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).</p>
<p>ADRIÁN RENÉ LAJOUS VARGAS</p>	<p>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.</p>

<p>Total number of independent directors</p>	<p>5</p>
<p>% of total of the board</p>	<p>35.71</p>

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
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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 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

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 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 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 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

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

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 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 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 []

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 []

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 [] 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 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 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

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 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 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 []

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 []

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 [] 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 [] 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 [] 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 []

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 [] Partially complies [] Explain []

- 48.** Large cap companies should have separately constituted appointments and remuneration committees.
- Complies [] Explain [] 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 [] 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 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 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 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 [] 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 [] 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 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 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 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 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 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 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 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

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.



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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.duodécies.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 assignment 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 Ibx 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



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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

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 separate 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 separate 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

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.