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consolidated financial

statements, management report and audit report 2015

TECNICAS REUNIDAS

TECNICAS REUNIDAS

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.
AND SUBSIDIARIES

Consolidated annual accounts for the year ended December 31, 2015
and 2015 Directors' Report

TECNICAS REUNIDAS

Contents of the consolidated annual accounts of Técnicas Reunidas, S.A. and subsidiaries

letter from the Chairman
2015
TECNICAS REUNIDAS

Técnicas Reunidas had a historic year in 2015 as the Company substantially exceeded all portfolio level records attained in previous years. In 2015 Técnicas Reunidas obtained 48% more contracts than in the preceding year and this figure is 1.8 times higher than the average number of contracts obtained over the past 3 years. This quantitative leap was possible thanks to the recognition of key customers with which we have worked in the past that offered us the opportunity to participate in their new projects. Contrary to the situation in other years, 2015 saw a great concentration of gas treatment projects which allowed for a qualitative jump in terms of brand perception since this positions TR as a company with adequate credentials to manage large scale projects in this area, as it already has with respect to refining and petrochemicals.

Técnicas Reunidas' business model has proven to be solid as it enjoys a well-diversified portfolio of products and services, which has allowed it to attend to the differing needs of its main customers in the sector in a complex environment. The fall in oil prices that started in 2014 has had consequences for many of the members of the oil sector value chain. In addition to the habitual difficulties inherent to the execution of the projects, the long-running decline in prices has led to cuts in the investment plans of certain customers, especially those relating to exploration and production activities. This has all affected the oil services sector through delays or the cancellation of specific projects and some contractors have been forced to adjust their size to match the new market situation, and even divest assets. Due to its experience, flexible assets, broad portfolio of state customers and a downstream business approach, whose dependence on crude oil prices is notably less, Técnicas Reunidas has been less affected by the difficulties faced by many of its competitors.

There were downstream sector growth opportunities in 2015 in the Middle East, where Técnicas Reunidas already has much experience and knowledge of operations in the area. The Company was able to attain significant contract awards in countries such as the United Arab Emirates, Kuwait and Saudi Arabia. It also concluded its first equipment supply and detailed engineering contract in the United States, which has been a target market for the company over the past few years. These new contracts were concluded with well-known customers such as GASCO, KNPC and SAUDI ARAMCO, and new customers have been added to the customer portfolio, such as ADOC and SASOL.

However, Técnicas Reunidas has not been immune to the turbulence caused by the continuous decline in crude oil prices. The cost overruns incurred on the project in Canada associated with delays on the part of the main project supplier, as well as the high salary costs and low productivity in the country, caused a sharp deterioration of the profit obtained by TR. Even so, sales grew by 33% but the Group’s operating profit fell to € 82 million. The tax legislation that modifies the treatment of the joint ventures through which Técnicas Reunidas operates a broad entered into force in January 2015, gave rise to an increase in the tax cost for the Group. All of this led to profits falling to € 60 million.

At the end of 2015 the Company maintained a net cash position of € 533 million. This financial situation allows it to adequately manage large projects. Técnicas Reunidas had 9,215 employees in December 2015, which allows it to satisfactorily execute the pending portfolio.

Shares in Técnicas Reunidas showed very different performance during the two halves of 2015. While the Company was able to maintain its contracting rhythm in a stable environment during the first half of the year, the share accumulated a 27% gain up to the end of June and beat the performance of the Ibex-35 (+5%). During the second half of the year, when the price of oil started to fall (more than 40% between July and December), coinciding with lower growth forecasts for China, the market reacted to the fear of eventual overcapacity in the sector.

Some oil companies also announced layoffs and cuts in investments and gradually this was also the case with large oil and gas sector contractors. Despite the fact that Técnicas Reunidas' business is more resistant due to the type of product and customer to which it is directed, the share price was affected by the negative environment in the sector. As a result, shares in Técnicas Reunidas ended 2015 down 4% while the local benchmark index, the Ibex 35, lost 11%.

The Company distributed a total of € 75 million in dividends charged against the net profit for 2014, which is equivalent to € 1.395 per share. This figure is equal to that paid last year and represents 55% of profits, exceeding the company's pay out policy (50% of net profits).

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

Oil and gas

As has already been mentioned, 2015 presented a new scenario for the oil and gas sector which is not only affected by the slow global economic recovery that still had not achieved the financial stability prior to the crisis, and the outlook for demand and energy production has also changed. Investments in the oil and gas industry have a long-term focus but the adaptation to new environmental regulations and the need to renovate infrastructure and business development continue to support short-term investments in the sector. Nevertheless, in the very short-term the growing production of oil and gas production in the United States through fracking techniques, the growth of the Chinese economy at a rate slower than expected, OPEC maintaining member production rates and the imminent lifting of sanctions against Iran have all given rise to excess capacity in the market.

Despite these circumstances, the primary official bodies in the sector, the International Energy Agency and OPEC, estimate sustained growth of demand for both oil and gas over the coming 25 years, once adjustments have been made to accommodate the new environment. The International Energy Agency's World Energy Outlook 2015 estimates a total investment of $68,000 billion in energy infrastructure over the coming 25 years, which is a 30% increase over the investment estimate from last year, primarily due to the future growth of renewable energies. This figure means that there will be an average investment of $2,720 billion per year, of which more than 60% will take place in non-OECD countries. The International Energy Agency estimates a total investment of more than $25,000 billion in the oil and gas sector between 2015 and 2040, which represents 37% of the overall estimated investment in energy.

Taking into account these data, Técnicas Reunidas carefully plans its position to allow it to be present in key markets and to work with those strategic customers that pursue large investment plans. Accordingly, in 2015 the Company concluded new contracts in the United Arab Emirates, Kuwait and Saudi Arabia, which are known markets, and it was also able to conclude its first relevant contract in a new market such as the United States.

The income relating to this activity in 2015 totalled € 3,744 million, and represented 89% of total sales.

a) Refining and Petrochemicals

- In July TR was selected by Kuwait National Petroleum Company (KNPC) to execute the processing unit project at the new Al-Zour refinery, which will be the highest capacity refinery in the Middle East. The contract was awarded on a turnkey basis to the international consortium led by Técnicas Reunidas (Spain), Sinopec Engineering Group (China) and Hanwha Engineering and Construction (South Korea) for approximately $4,100 million over 45 months. TR is the majority shareholder with a 50% interest and therefore more than $2,000 million will be accrued. The project will be developed at the Técnicas Reunidas office in Madrid. The new refinery will represent a total investment of $13,000 million and has the objective of producing and supplying oil derivative products with ultra-low sulphur content to satisfy both domestic and international demand. The scope of the TR contract includes the engineering, supply, construction and launch of the following refinery units: 3 crude oil distillation units, 3 residue desulfurization units, 3 diesel hydrotreating units, 2 naphtha hydrotreating units, 2 kerosene hydrotreating units, a saturated gas unit and a heavy crude cooling unit. This project provides continuity to

TR's experience in Kuwait, where it is carrying out another important recently awarded gas project for KNPC which, together with this contract award, represent a total of $6,000 million that TR will have to manage in that country over the coming years.

- In October the multinational SASOL awarded TR a contract for the construction of the Guerbet alcohol and the Ethoxylation (ETO) plants at SASOL's Lake Charles petrochemical complex in Westlake, Louisiana. The scope of the contract includes the engineering, supply and the construction of the two plants. It is the last project awarded for this new large petrochemical complex built by SASOL in the United States. Alcohol ethoxylates are surfactants used in products such as detergents, surface cleaners and cosmetics, as well as in agricultural, textile and paint products. Guerbet alcohols are used in cosmetics, detergents and antifreeze, and as lubricating oil additives, among other things. The project has an estimated execution schedule of 30 months and will be carried out at TR's offices in Madrid and the United States. This new project is of great importance to TR given that it has been selected by such a notable company as SASOL.

The rest of the projects that make up the portfolio of contracts awarded in prior years continued to follow their habitual schedule. The projects that most contributed to the division's revenues at the year-end were: the STAR refinery for SOCAR in Turkey, the modernization project at the Talara refinery for Petroperu in Peru, the RAPID refinery complex for Petronas in Malaysia, the Volgogrado refinery for Lukoil in Russia and the refinery and the integration and Jazan IGCC auxiliary facility project for Saudi Aramco in Saudi Arabia.

In 2015 important projects were completed, such as the modernization of the Izmit refinery for Tüpras in Turkey and the Petrokemya petrochemical project for Sabic in Saudi Arabia. Both projects were completed in compliance with the specifications and deadlines required by the customer.

b) Natural gas and Upstream

This business area had a successful 2015 since the large majority of the company's contract awards were related to these activities. TR was able to sign key investments for recognized customers, such as the following:

- At the beginning of February, Abu Dhabi Gas Industries Ltd. (GASCO) selected TR to execute package 3 of the Integrated Gas Development Expansion Project in Abu Dhabi, UAE. GASCO is a joint venture between ADNOC, Shell and Total. This project is part of the ADNOC program to produce 400 MMSCFD (millions of cubic feet) of gas from its offshore fields to increase gas sales. The contract has an approximate value of $700 million and will last for 40 months. The contract was awarded on a turnkey basis and includes engineering, supply of equipment and materials, construction, installation, testing and launch. The project includes several gas processing facilities, gas pipelines, condensing pipes and all necessary connections. This will be the fourth large development carried out by TR in Abu Dhabi after having completed the development of the Sahil and Shah fields for the Borouge petrochemical complex and after the completion of the launch of the Shah gas capturing centre. This new project will further consolidate TR's position in Abu Dhabi and it is another sign of TR's commitment to participate in the energy development of the United Arab Emirates.

- During the second quarter, KNPC awarded TR a contract for the execution of the fifth gas facility (GT5) and the associated installations at the Mina al-Ahmadi refinery in Kuwait. The contract was awarded on a turnkey basis for an approximate value of $1,400 million and a 45-month execution period. The scope of the project includes engineering, supply, construction, pre-commissioning and all services that are necessary for subsequent commissioning and testing of the facilities. Through the execution of this strategic project, KNPC will increase gas treatment capacity to 805 million ft.³ per day at the oil wells in Southeast Kuwait (SEK) and the north of Kuwait (NK), as well as the additional treatment of 106.3 thousand barrels of condensate per day. The project consists of pre-treatment and dehydration units, gas fractionating, product treatment and recovery as well as all connections and auxiliary services required to operate the gas facility. These facilities will process gas to produce methane, ethane, propane, butane, pentane and gasoline. In addition to this primary objective, TR will remodel the Mina Al-Ahmadi refinery in order to improve safety and the functionality of the current facilities. This new contract represents the fourth project in Kuwait for Técnicas Reunidas. It will strengthen its presence in the country and will again show its commitment to the refinery modernization program in Kuwait.

- At the end of September Abu Dhabi Oil Company Limited (ADOC), a Japanese company responsible for the development of the Hail Field in Abu Dhabi, concluded a contract with TR covering the development of the infrastructure that is necessary for the early production of crude oil at that field, which is located on the Island of Mubarraz and surrounding areas, in proximity to Abu Dhabi. The contract was awarded on a turnkey basis for an approximate value of $310 million and an execution period of 20 months. It covers onshore work on both islands, one of which is artificial, and offshore work consisting of the construction of three submarine pipelines and a fibre-optic cable connecting to those islands. The scope of the project includes engineering, supply, construction, pre-commissioning and all services that are necessary for the subsequent commissioning and testing of the facilities. The project includes all of the infrastructure that is necessary to separate, pump and transport the products together with all additional auxiliary services and is located in the protected marine environment of Marawah, which is a UNESCO recognized biosphere reserve since November 2007. The awarding of the ADOC project demonstrates the capacity and experience of Técnicas Reunidas when executing projects in ecologically sensitive areas. This new contract provides continuity to Técnicas Reunidas' activities in the offshore sector and represents the fifth project in the United Arab Emirates, eight months after its last contract award in this country, thereby strengthening its presence and its commitment to maintain its current crude and gas production capacity.

- During the last quarter, Saudi Aramco awarded TR the execution of two turnkey contracts for the FADHILI gas plant. TR will perform all of the detailed engineering services, purchase and supply equipment and materials, build the plants and provide support during the launch of the units. The contract awarded to Técnicas Reunidas consists of two of the three packages into which the FADHILI program has been divided. Package 1, which is the most important one at the complex, consists of the gas receiving and processing facilities and has a value of nearly $2,000 million. Package 2 consists of the connections and the auxiliary service facilities and has a value of around $1,000 thousand. These facilities are expected to enter into operation in 2019. The FADHILI gas plant will have a total capacity of more than 70 million m³ per day. The Khursaniyah and Hasbah gas fields, which will supply the gas necessary for these projects, have been identified as the most economical alternative to comply with part of this large demand for additional gas. The Hasbah gas field is located in waters of the Gulf approximately 50 km from the coastline and the Khursaniyah gas deposit is located 30 km to the north-east of the plant. The projects will be developed close to the city of Al Jubail, which is the largest industrial area in the Middle East and the location of the largest petrochemical companies in the world, and where TR is currently executing another large project. The purpose of the FADHILI Gas Program is to support Saudi Aramco's corporate strategy in Saudi Arabia to satisfy domestic energy demand and to reduce the burning of liquid fuels by electricity plants. The peak gas demand in Saudi Arabia is currently expected to increase by 250 million standard cubic meters per day in 2013 and 340 million standard cubic meters in 2020. The expected burning of crude oil at the energy plants in 2018 is 160,000 barrels per day. The awarding of this contract, which is the 15th contract awarded to TR by the Saudi company, once again reveals TR's excellent competitive position in the Saudi Arabian market and demonstrates how it continues to maintain the confidence of one of its most important customers, Saudi Aramco, with which it has been working without interruption since 2003.

During 2015 the projects that most contributed to the division's sales were the Touat gas processing project for GDF Suez and Sonatrach in Algeria and the oil sand project for Canadian Natural Resources in Canada.

In 2015 the Company completed without incident the Gran Chaco project for YPFB in Bolivia and the Margarita II gas field for the consortium consisting of Repsol, British Gas and Pan American Energy, also in Bolivia.

Energy

The energy division has suffered the effects of the economic crisis more intensely than the other divisions due to the fact that investors encounter difficulties to obtain financing for projects and customers prefer to wait for an economic recovery that ensures the viability of those projects. In any event, since these projects are for shorter terms and are more closely associated with economic growth and consumption, customer investment decisions may be more flexibly adapted to the different market situations.

Over the past few years, Técnicas Reunidas has made great sales efforts outside of Spain since there are no large prospects in the local market. In 2014 contract expectations were met through 6 new turnkey projects that were diversified in terms of geographic location, customers and products, which contributed to the company recovering the activity of this division.

The Company currently identifies large short and medium-term opportunities in the sector in markets such as Canada, United States, Mexico and Europe where there are large investment plans.

The revenues for this division amounted to € 320 million, which is 130% higher than in 2014 thanks to the strong contracting environment achieved the preceding year, as has already been mentioned, whose contribution to profits grew in 2015. The energy business represented 8% of the Group’s total sales.

In addition to the generation of energy through combined cycle, cogeneration or coal plants, Técnicas Reunidas also has extensive experience with nuclear energy. In 2011, after the Fukushima accident, immediate investment decisions were cancelled or delayed but this event revealed the need to increase investments to comply with, and improve, safety requirements. The International Energy Agency predicted in its latest annual report (World Energy Outlook 2015) that nuclear energy production will increase an average of 2.3% per year, rising from 2,478 TWh in 2013 to 4,606 TWh in 2040. This growth is associated with an estimated investment of $1,495 billion in new plants and the modernization of existing plants over the coming 25 years, which would represent 2% of the total estimated investment in the energy sector.

In 2015, Técnicas Reunidas continued to render support engineering services to the operation of nuclear plants in Spain, as well as several nuclear projects outside of Spain, through its investee company Empresarios Agrupados:

- Support for the Almaraz 1 and 2 and Trillo nuclear plants, making design modifications, post-Fukushima accident analyses, etc., in accordance with the requirements established by the CSN.

- Project concerning the filtered venting of the containment pool at C.N. Almaraz 1 and 2 (Post Fukushima)
  CAGE project (Alternative Emergency Control Centre) for C.N. Trillo (Post Fukushima).

- Sundry work at the Ascó 1 nuclear plant.

- Engineering of the Temporary Centralized Warehouse (TCW) for highly radioactive waste that will be built in Villar de Cañas, Cuenca for Enresa, as part of a consortium with Westinghouse.

- Engineering of the Temporary Centralized Warehouse (TCW) laboratories for highly radioactive waste that will be built in Villar de Cañas, Cuenca for Enresa, as part of a consortium with Westinghouse.

- Support for ENRESA with respect to the supervision of the dismantling work at C.N. José Cabrera.

- Ownership engineering, fulfilling the role of "Architect Engineer" for ITER, large installation of a fusion reactor located in Cadarache, France, through the consortium ENGAGE formed by Atkins, Assystem, IOSIS and Empresarios Agrupados.

- Qualification of the Security System Instruments at the fusion reactor ITER in Cadarache, France.

- FEED engineering for the MYRRHA Research Reactor Projects in Belgium, in consortium with Areva and Ansaldo Nucleare.

- Management of the Project Management Unit at EBRD (European Bank for Reconstruction and Development) regarding the dismantling of units 1 through 4 (VVER-440 V230) at C.N. Kozloduy and the construction of a radioactive waste storage site in Bulgaria. In consortium with Nuvia.

- Participation in the Project Management Unit at EBRD (European Bank for Reconstruction and Development) for the dismantling of unit 1 at C.N. Bohunice (VVER-440 V-230) in Slovakia. In consortium with Iberdrola Ingeniería y Construcción and Indra.

Técnicas Reunidas also participated in the following nuclear projects in 2015:

- Design and detail engineering for the preparation of the location and prior work at C.N. Akkuyu, Turkey, regarding the construction of 4 nuclear units VVER with a capacity of 1,200 MW each. Work performed for NIAEP-ASE, which is the Russian consortium responsible for the construction of the entire nuclear plant owned by Rosatom.

- The work relating to the final phase of the design and supply of all heat exchangers for the emergency refrigeration systems for the Nuclear Islands in Taishan China, units 1 and 2 (Areva EPR reactors with a capacity of 1,600 MW each) China Guangdong Nuclear Power Corporation.

- Thermal and mechanical design, supply, assembly supervision and launch of an electric heating system for the boric acid mixing tanks at the nuclear plant in Almaraz, units 1 and 2.

Infrastructures

Since the growth of the infrastructure sector in Spain is very limited due to the containment of investment plans by public administrations, the Company focuses its attention on becoming recognized as a leading contractor in the international water treatment market. Markets where the Company has already worked, such as Australia and the Middle East, currently offer potential for new contracts.

It also develops other projects relating to airports, transportation, and industrial, commercial and sports facilities.

José Lladó
Chairman

Juan Lladó
Vice Chairman

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INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED ANNUAL ACCOUNTS

To the Shareholders of Técnicas Reunidas, S.A.

Report on the Consolidated Annual Accounts

We have audited the accompanying consolidated annual accounts of Técnicas Reunidas, S.A. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at December 31, 2015, the consolidated income statement, the statement of other comprehensive income, the statement of changes in equity, the cash flow statement and related notes for the year then ended.

Directors' Responsibility for the Consolidated Annual Accounts

As identified in Note 2.1 to the accompanying annual accounts, the parent company´s directors are responsible for the preparation of these consolidated annual accounts, so that they present fairly the consolidated equity, financial position and financial performance of Técnicas Reunidas, S.A. and its subsidiaries, in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions of the financial reporting framework applicable to the Group in Spain and for such internal control as directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the consolidated equity and financial position of Técnicas Reunidas, S.A. and its subsidiaries as at December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions of the financial reporting framework applicable in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' Report for 2015 contains the explanations which the parent company´s directors consider appropriate regarding Técnicas Reunidas, S.A. and its subsidiaries´ situation, the development of their business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the directors' Report is in agreement with that of the consolidated annual accounts for 2015.Our work as auditors is limited to checking the directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Técnicas Reunidas, S.A. and its subsidiaries´ accounting records.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Rafael Pérez Guerra

29 February 2016

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT DECEMBER 31, 2015

CONSOLIDATED BALANCE SHEET
(Figures in Thousand of Euros)

	Note	At 31 December	
		2015	2014
ASSETS			
Non-current assets			
Property, plant and equipment	6	64,180	52,085
Goodwill	7	1,242	1,242
Other intangible assets	7	64,559	60,404
Investments in associates	8	4,889	14,589
Deferred income tax assets	29	186,730	81,889
Available-for-sale financial assets	9	1,010	1,010
Derivative financial instruments	10	6,273	2,252
Receivables and other assets	13	16,093	15,126
		344,976	**228,597**
Current assets			
Inventories	12	21,696	23,262
Trade and other receivables	11	2,401,537	1,436,872
Receivables and other assets	13	47,476	23,264
Derivative financial instruments	10	25,516	35,054
Financial assets at fair value through profit or loss	14	63,198	63,212
Cash and cash equivalents	15	708,840	628,367
		3,268,263	**2,210,031**
Total assets		**3,613,239**	**2,438,628**

Notes 1 to 38 and Exhibits I to IV are an integral part of these consolidated annual accounts

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT DECEMBER 31, 2015

CONSOLIDATED BALANCE SHEET
(Figures in Thousand of Euros)

	Note	At 31 December	
		2015	**2014**
EQUITY			
Capital and reserves attributable to owners of the parent			
Share capital	16	5,590	5,590
Share premium	16	8,691	8,691
Treasury shares	16	(74,150)	(73,371)
Other reserves	17	1,137	1,137
Hedging reserve	10	(93,203)	(49,255)
Cumulative translation differences	18	(4,165)	(18,307)
Retained earnings	19	585,713	614,288
Interim dividend	19	(35,830)	(35,846)
Equity attributable to owners of the parent		**393,783**	**452,927**
Non-controlling interests	19	**3,737**	**2,905**
Total equity		**397,520**	**455,832**
LIABILITIES			
Non-current liabilities			
Borrowings	21	157,651	23,651
Derivative financial instruments	10	13,426	20,852
Deferred income tax liabilities	29	11,500	39,178
Other payables	20	482	375
Other liabilities		577	538
Employee benefit obligations	22	3,929	10,449
Provisions for liabilities and charges	23	31,217	36,796
		218,782	**131,839**
Current liabilities			
Trade and other payables	20	2,611,322	1,653,636
Current tax liabilities	29	86,510	49,068
Borrowings	21	81,808	3,764
Derivative financial instruments	10	167,225	103,533
Other payables	20	46,060	39,354
Provisions for liabilities and charges	23	4,012	1,602
		2,996,937	**1,850,957**
Total liabilities		**3,215,719**	**1,982,796**
Total equity and liabilities		**3,613,239**	**2,438,628**

Notes 1 to 38 and Exhibits I to IV are an integral part of these consolidated annual accounts

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT DECEMBER 31, 2015

CONSOLIDATED INCOME STATEMENT
(Figures in Thousand of Euros)

		Year ended 31 December	
	Note	2015	2014
Revenue	24	4,187,887	3,149,180
Change in inventories		687	(2,279)
Own work capitalised		-	-
Raw materials and consumables		(3,020,558)	(2,056,833)
Employee benefit expense	26	(543,937)	(495,347)
Depreciation/amortisation and impairment charges	6 & 7	(19,291)	(12,227)
Lease and royalty expenses	27	(53,291)	(46,279)
Other expenses	25	(472,972)	(383,388)
Other income	25	7,505	4,756
Operating profit		**86,030**	**157,583**
Finance income	28	5,692	12,185
Finance costs	28	(4,195)	(3,579)
Share in profit (loss) of associates	8	(5,180)	(471)
Profit before tax		**82,347**	**165,718**
Income tax expense	29	(22,151)	(31,259)
Profit for the year		**60,196**	**134,459**
Attributable to:			
Owners of the parent	19	59,364	135,590
Non-controlling interests	19	832	(1,131)
		60,196	**134,459**
Earnings per share (expressed in euro per share)			
- Basic and diluted	30	1.11	2.52

Notes 1 to 38 and Exhibits I to IV are an integral part of these consolidated annual accounts

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT DECEMBER 31, 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(In Thousands of euros)

	Fiscal year ended 31 December	
	2015	2014
Profit /(loss) for the period	**60,196**	**134,459**
Other comprehensive income		
Items that will not be restated to income		
Restatement of retirement benefit commitments	-	(130)
Total items that will not be restated to income	**-**	**(130)**
Items that may later be restated to income		
Cash flow hedges, net of tax	(43,948)	(44,869)
Net investment hedges		
Foreign currency translation differences	14,142	6,814
Total items that may later be restated to income	**(29,806)**	**(38,055)**
Other comprehensive income for the period, net of tax		
Total comprehensive income for the period	**30,390**	**96,274**
Attributable to:		
- Parent company	29,558	97,405
- Minority interests	832	(1,131)
Total comprehensive income for the period	**30,390**	**96,274**
Total comprehensive income attributable to the owners of the parent arising from:		
– Continuous operations	29,558	97,405
– Discontinued operations	-	-
	29,558	**97,405**

The items shown on this consolidated statement of total comprehensive income are net of taxes. The tax on earnings for each one of the components of the consolidated statement of total comprehensive income is disclosed in note 29.

The accompanying notes 1 to 38 and Annexes I to IV are an inseparable part of these consolidated annual accounts.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2015

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Figures in Thousand of Euros)

	Attributable to the owners of the parent								Non-controlling interests (Note 19)	Total equity
	Share capital (Nota 16)	Share premium (Nota 16)	Treasury shares (Nota 16)	Other reserves (Nota 17)	Hedging reserve (Nota 10)	Cumulative translation differences (Nota 18)	Retained earnings	Interim dividend (Nota 19)		
Balance at 1 January 2015	5,590	8,691	(73,371)	1,137	(49,255)	(18,307)	614,288	(35,846)	2,905	455,832
Comprehensive income										
Profit (loss) for the year, 2015							59,364		832	**60,196**
Other comprehensive income										
Cash flow hedges, net of tax					(43,948)					**(43,948)**
Currency translation differences						14,142				**14,142**
Actuarial gains on post-employment benefit obligations										**-**
Total other comprehensive income	-	-	-	-	(43,948)	14,142	-	-	-	(29,806)
Total comprehensive income	-	-	-	-	(43,948)	14,142	59,364	-	832	30,390
Transactions with owners										
Transactions in treasury shares, net			(779)							**(779)**
Distribution against 2014 profit							(75,000)	35,846		**(39,154)**
Interim dividend against 2015 profit								(35,830)		**(35,830)**
Non-controlling interest acquisitions										**-**
Other movements							(12,939)			**(12,939)**
Total transactions with owners	-	-	(779)	-	-	-	(87,939)	16	-	(88,702)
Balance at 31 December 2015	5,590	8,691	(74,150)	1,137	(93,203)	(4,165)	585,713	(35,830)	3,737	397,520

Notes 1 to 38 and Exhibits I to IV are an integral part of these consolidated annual accounts.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 December 2015

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Figures in Thousand of Euros)

	Attributable to the owners of the parent									
	Share capital (Nota 16)	Share premium (Nota 16)	Treasury shares (Nota 16)	Other reserves (Nota 17)	Hedging reserve (Nota 10)	Cumulative translation differences (Nota 18)	Retained earnings	Interim dividend (Nota 19)	Non-controlling interests (Note 19)	Total equity
Balance at 1 January 2014	**5,590**	**8,691**	**(73,371)**	**1,137**	**(4,386)**	**(25,121)**	**557,790**	**(35,846)**	**4,036**	**438,520**
Comprehensive income	-	-	-	-	-	-	-	-	-	
Profit (loss) for the year, 2014	-	-	-	-	-	-	135,590	-	1,131	**134,459**
Other comprehensive income	-	-	-	-	-	-	-	-	-	
Cash flow hedges, net of tax	-	-	-	-	(44,869)	-	-	-	-	**(44,869)**
Currency translation differences	-	-	-	-	-	6,814	-	-	-	**6,814**
Actuarial gains on post-employment benefit obligations	-	-	-	-	-	-	(130)	-	-	**(130)**
Total other comprehensive income	-	-	-	-	(44,869)	6,814	(130)	-	-	**(38,185)**
Total comprehensive income	-	-	-	-	**(44,869)**	**6,814**	**135,460**	-	**(1,131)**	**96,274**
Transactions with owners										
Transactions in treasury shares, net	-	-	-	-	-	-	-	-	-	**-**
Distribution against 2013 profit	-	-	-	-	-	-	(75,000)	35,846	-	**(39,154)**
Interim dividend against 2014 profit	-	-	-	-	-	-	-	(35,846)	-	**(35,846)**
Non-controlling interest acquisitions	-	-	-	-	-	-	-	-	-	**-**
Other movements	-	-	-	-	-	-	(3,962)	-	-	**(3,962)**
Total transactions with owners	-	-	-	-	-	-	**(78,962)**	-	-	**(78,962)**
Balance at 31 December 2014	**5,590**	**8,691**	**(73,371)**	**1,137**	**(49,255)**	**(18,307)**	**614,288**	**(35,846)**	**2,905**	**455,832**

Notes 1 to 38 and Exhibits I to IV are an integral part of these consolidated annual accounts.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2015

CONSOLIDATED CASH FLOW STATEMENT
(Figures in Thousand of Euros)

	Note	Year ended 31 December	
		2015	2014
Cash flows from operating activities			
Profit for the year		60,195	134,459
Adjustments:			
- Taxes	29	22,151	31,259
- Depreciation/amortisation of PPE and intangible assets	6 & 7	16,951	12,227
- Change in provisions, net		(17,821)	9,605
- Share in (profit)/loss of associates	8	5,180	471
- Change in fair value of financial instruments	28	(764)	(2,511)
- Interest income	28	(6,242)	(6,093)
- Interest expense	28	4,195	3,579
- Change in gains/losses on derivatives	10	53,342	25,960
- Correcciones valorativas por deterioro		2,537	-
- Other income / expense		(431)	(3,581)
		34	389
Changes in working capital			
- Inventories		2,601	45
- Trade and other receivables		(951,230)	17,135
- Other financial assets		(24,401)	8,241
- Trade payables		912,678	(69,589)
- Other accounts payable		(1,716)	2,503
- Other changes		(48,541)	2,433
Other operating cash flows:			
- Dividendos recibidos		645	
-Interest paid		(4,195)	(3,328)
- Interest received		5,911	4,391
- Tax paid		(49,068)	(29,760)
Net cash from/(used in) operating activities		**(17,989)**	**137,835**
Cash flows from investing activities			
Purchases of property, plant and equipment	6	(30,059)	(19,926)
Purchases of intangible assets	7	(7,929)	(1,725)
Acquisition of associates	8	(2,030)	(2,000)
Acquisition of other non-current assets		-	925
Disposal of non-current assets		2,216	-
Net cash used in investing activities		**(37,802)**	**(22,726)**
Cash flows from financing activities			
Acquisition of interest in a subsidiary		212,043	-
Repayment of borrowings		-	(2,556)
Dividends paid	19	(75,000)	(75,000)
Acquisition of treasury shares	16	(779)	-
Net cash used in financing activities		**136,264**	**(77,556)**
Net increase/(decrease) in cash and cash equivalents		**80,473**	**37,553**
Cash and cash equivalents at beginning of year		**628,367**	**590,814**
Cash and cash equivalents at end of the year		**708,840**	**628,367**

Notes 1 to 38 and Exhibits I to IV are an integral part of these consolidated annual accounts.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Figures in Thousand of Euros)

1. General information

TÉCNICAS REUNIDAS, S.A. (the "Company" and together with its subsidiaries, the "Group") was incorporated on 6 July 1960 as a limited liability company ("*Sociedad Anónima*"). It is entered in the Madrid Companies Register in volume 1407, sheet 129, page 5692. The latest adaptation and amendment of its Articles of Association is registered in volume 22573, section 8, book 0, sheet 216, page M-72319, entry 192.

The registered offices of TÉCNICAS REUNIDAS, S.A. are located at Arapiles Street, 14, 28015 Madrid (Spain). It is headquartered in Madrid, at Arapiles Street, 13, 28015 Madrid.

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

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

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

The Group's consolidated annual accounts for 2013 were approved at the Annual General Meeting held on 26 June 2014.

These consolidated annual accounts were authorised for issue by the Board of Directors on 26 February 2015. The directors will submit these consolidated annual accounts to the Annual General Meeting and expect them to be approved without modification.

2. Summary of significant accounting policies

The main accounting policies applied in preparing the accompanying consolidated financial statements are described below.

2.1. Basis of presentation

The Company's directors prepared the Group's 2015 consolidated financial statements in accordance with the International Financial Reporting Standards (hereinafter EU-IFRS) adopted by the European Union and approved by European Commission Regulations, and which are in force at 31 December 2015, and with all prevailing IFRIC interpretations and company law applicable to companies reporting under EU-IFRS.

The policies indicated below have been applied uniformly to all of the fiscal years presented in these consolidated annual accounts, unless otherwise indicated.

The consolidated annual accounts have been prepared on a historical cost basis, with the exception of certain assets and liabilities that must be carried at fair value through profit or loss under IFRS-EU.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2015

The preparation of consolidated financial statements under IFRS requires the use of certain critical accounting estimates. The use of IFRS also requires that management exercise judgement in the process of applying the Group's accounting policies. Note 4 discloses the areas that require a higher level of judgement or entail greater complexity, and the areas where assumptions and estimates are significant with respect to the consolidated financial statements.

The figures in these annual accounts are shown in thousands of Euro, unless explicitly stated otherwise.

2.1.1 Changes in accounting policies and disclosures

Mandatory standards, amendments and interpretations for all years commencing 01 January 2015

As a result of their approval, publication and entry into effect on 1 January 2015, the following standards have been applied

- IFRIC 21 "Levies"
- Annual improvements to IFRS Cycle 2011 to 2013;
- Annual improvements to IFRS Cycle 2010 to 2012;
- IAS 19 (Amendment) "Defined benefit plans: Employee contributions"

Analysis of the Accounting Standards and Interpretations apply from 1 January 2015 has not been identified that no significant impact that should be included in the memory of this occurs

Standards, amendments and interpretations which have not yet come into effect but which may be adopted early in the years starting or after 1 January 2015

At the date these consolidated annual accounts, the IASB and IFRS Interpretations Committee had published the following standards, amendments and interpretations, application of which is mandatory from 2015 and which the Group has decided not to apply early.

- Annual Improvements of IFRS, Cycle 2010 - 2012. The main changes relate to:
- IFRS 2 "Share-based Payments".
- IFRS 3 "Business Combinations".
- IFRS 8 "Operating Segments".
- IAS 16 "Tangible assets" and IAS 38 "Intangible Assets".
- IAS 24 "Disclosures about related parties"
- IAS 19 (Amendment), "Defined benefit plans: Contributions of employees".
- IFRS 11 (Amendment) "Accounting for acquisitions of interests in joint ventures"
- IAS 16 (Amendment) and IAS 41 (Amendment) "Agriculture: Plants producing"
- IAS 16 (Amendment) and IAS 38 (Amendment) "Clarification of acceptable methods of repayment":
- Improvement Project, Cycle 2012 - 2014. The main changes relate to:
- IFRS 5 "Non-current assets held for sale and discontinued operations".
- IFRS 7 "Financial Instruments: Disclosures".
- IAS 19 "Employee Benefits".
- IAS 34 "Interim Financial Reporting".
- IAS 1 (Amendment) "Disclosure Initiative"
- IAS 27 (Amendment) "Equity method in the separate financial statements

The new standards, amendments and interpretations are not expected to have a significant effect on the Group's consolidated annual accounts.

Standards, amendments and interpretations applied to existing standards that cannot be adopted in advance or have not been adopted by the European Union

As of the date of signature of these consolidated annual accounts, the IASB and IFRIC had published the standards, amendments and interpretations described below, which have yet to be adopted by the European Union.

- IFRS 15 " Revenue from contracts with customers " ;
- IFRS 9, "Financial Instruments" ;

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2015

- IFRS 10 (Amendment) and IAS 28 (Amendment), " Sale or transfer of assets between an investor and its associates and joint ventures " ;
- IFRS 16 " Leases" ;
- IAS 12 (Amendment) " Recognition of deferred tax assets for unrealized losses " ;
- IAS 7 (Amendment) " Initiative Disclosures - Amendments to IAS 7";
- IFRS 10 (Amendment) , IFRS 12 (Amendment) and IAS 28 (Amendment) " Investment Entities : By applying the exception to consolidation

The new standards, amendments and interpretations are not expected to have a significant effect on the Group's consolidated annual accounts.

2.2. Principles of Consolidation

Consolidation scope

The TECNICAS REUNIDAS Group is made up of: TÉCNICAS REUNIDAS, S.A., the parent, and its subsidiaries and associates. The Group also has interests in jointly-controlled entities and temporary joint ventures (hereinafter “UTEs”). Exhibits I, II, III and IV to these notes contain additional information on the entities included in the scope of consolidation.

Group companies hold interests of less than 20% in other companies in which they do not have significant influence.

For the purposes of preparing the consolidated annual accounts, a group is understood to exist when the parent company has one or more subsidiaries, i.e. companies it controls directly or indirectly.

The parent and certain subsidiaries also have interests in UTEs and consortiums and recognise the relevant assets, liabilities, revenues and expenses on a proportionate basis. Exhibit IV lists the UTEs and consortiums in which the Group companies have interests.

The consolidation scope changed as follows in 2015:

The following companies have been incorporated:

- Technical Services S.R.L. de C.V. 100% owned by Tecnicas Reunidas , S.A.
- Tecnicas Reunidas USA L.L.C owned 100 % by Tecnicas Reunidas , S.A.
- Tecnicas Reunidas Louisiana L.L.C 100% owned by Tecnicas Reunidas , S.A.
- Tecnicas Reunidas Houston L.L.C owned 100 % by Tecnicas Reunidas , S.A.
- Tecnicas Reunidas Ghana 100% owned by Tecnicas Reunidas , Netherlands B.V.

The following changes have taken place:

- During 2015 the parent company of Grupo Tecnicas Reunidas , S.A. It has expanded its stake to 100% in society Heymo Engineering , S.A. , which has now integrated global integration.

- During 2015 the company DI Ltda Construction and Engineering has ceased to be part of the perimeter by the liquidation of the company.

- They have been included in the consolidated companies Eurocontrol International Services , S.L. and Euromoody International Services , SL , 100% owned by Eurocontrol , S.A

During 2014 Damietta Project Management Company Limited was wound up and therefore ceased to be included in the consolidation.

The consolidation scope changed as follows in 2014:

The following companies were incorporated:

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2015

The following companies were formed:

- Tecnicas Reunidas Malaysia participated by 85% Tecnicas Reunidas, S.A. and 15% by Initec Industrial Plants, SAU
- Tecreun Dominican Republic, S.R.L. 50% owned by Tecnicas Reunidas and 50% by Initec Industrial Plants, SAU
- Tecnicas Reunidas Peru Engineering and Construction, S.A.C. 99.9% owned by Tecnicas Reunidas, S.A. and 0.1% Initec Industrial Plants, SAU
- Grouped Company, S.R.L. de C.V. owned 80% by Grouped Company International, S.A., 10% by Tecnicas Reunidas, S.A. and another 10% by Ghesa, Engineering and Technology, S.A.
- Mexico Tecnicas Reunidas Engineering and building area of R.L. de C.V. 75% owned by Tecnicas Reunidas and another 25% by Initec Industrial Plants, SAU

On the other hand the following changes occurred:

- During 2014 the parent company of Grupo Tecnicas Reunidas, S.A. expanded capital in the Iberian Space Society, S.A. in an amount of 2,000 thousand euros, increasing its stake to 50% (see note 8).
- Heymo Engineering Society, S.A. He happened to be valued by the equity method by applying IAS 28.
- During the third quarter of fiscal year 2014 Talara society, S.A.C. 85% owned by Tecnicas Reunidas, S.A. and remaining 15% belongs to Initec Industrial Plants, SAU He entered in the consolidated.
- During 2014 the company Damietta Project Management Company Limited ceased to be part of the perimeter by the liquidation of the company.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

There were no business combinations in 2015 and 2014.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Exhibit I provides a breakdown of the identifying details of the subsidiaries included in the scope of consolidation by means of the full consolidation method.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

There were no disposals of subsidiaries in 2015 and 2014.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2015

the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/ (loss) of an associate' in the income statement.

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

Exhibit II provides the identifying details of the associates included in the scope of consolidation using the equity method.

Joint ventures

The Group applies IFRS 11 to all joint arrangements. Investments in joint arrangements under IFRS 11 are classified as joint ventures or joint arrangements, depending on the contractual rights and obligations of each investor. The Técnicas Reunidas Group has assessed the nature of its joint arrangements and determined that they should be treated as joint operations except for the investment in Heymo Ingeniería, S.A., which is considered to be a joint venture (note 2.1.1. to the consolidated financial statements). Joint ventures are accounted for using the equity method of consolidation.

In joint operations, a member has direct rights over the assets, liabilities, income and expenses of the entity in which it has an interest. In joint ventures, the member has a right to the entity's results or net assets and therefore recognises its interest using the equity method.

Under the equity method, interests in joint ventures are initially carried at cost and are adjusted subsequently to recognise the Group's share in profits and losses subsequent to the acquisition and movements in other comprehensive income. When the Group's share of the losses of a joint venture is equal to or exceeds its interest in the joint venture (including any long-term interest which, in substance, forms part of the Group's net investment in the joint ventures), the Group does not recognise any additional losses unless it has incurred liabilities or made payments on its behalf.

Exhibit III provides the identifying details of the joint ventures included in the scope of consolidation under the proportionate method of consolidation.

Unrealised gains on transactions between the Group and its joint ventures are eliminated on the basis of the Group's interest in them. Unrealised losses are also eliminated unless the transaction provides evidence of a loss due to impairment of the asset transferred. The accounting policies applied to joint ventures have been modified when necessary to ensure consistency with the policies adopted by the Group.

Temporary jointly-controlled entities - UTEs

A temporary joint venture or UTE is an arrangement between companies wishing to collaborate for a specified or unspecified period, during which a work, service or supply is performed or executed.

The UTE's balance sheet and income statement headings are added line by line to the balance sheet and income statement prepared by the venturer pro rata for its ownership interest in the joint venture, and the cash flows in the cash flow statement.

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Exhibit IV identifies the UTEs whose financial information is recognised by the companies included in the scope of consolidation.

The body with ultimate decision-making authority is the Board of Directors of the Parent Company.

2.3. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (Note 5).

Operating segment accounting policies are the same as the policies applied to prepare the accompanying consolidated financial statements, as described herein.

2.4. Foreign currency transactions

Functional and presentation currency

Items included in the financial statements of each of the Group companies are measured using the currency of the principal economic environment in which the company operates (“functional currency”). The Group’s consolidated financial statements are presented in Euro, which is both its functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses are recognised on a net basis in the income statement within finance income or cost, as appropriate.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) Income and expenses for each income statement are translated at average exchange rates;
(iii) Equity items (except profit and loss headings) are translated at the historical exchange rate;
(iv) All resulting exchange differences are recognised as a separate component of other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The translation differences that arise are recognised in other comprehensive income. The adjustments to the goodwill and fair value arising from the acquisition of a foreign company are treated as assets and liabilities of the foreign entity and converted at the closing exchange rate. Gains/losses on exchange are recognised as “Conversion differences” in other overall results.

2.5. Property, plant and equipment

Items of property, plant and equipment are recognised at cost less depreciation and accumulated impairment losses, except for land which is not depreciated.

Historical cost includes expenses directly attributable to purchases of property, plant and equipment.

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Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset only when it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset may be reliably determined. All other repair and maintenance expenses are charged to the income statement in the year in which they are incurred.

Land is not depreciated. The depreciation of other assets is calculated on a straight-line basis based on their estimated useful lives and residual values. The estimated useful lives of each asset category are as follows:

Clasification / Elements	Useful Lives			
Industrial structures and premises	25	-	50	Years
Plant and machinery	5	-	10	Years
Complex and general installations	12	-	17	Years
Furniture and office equipment			10	Years
Data-processing equipment			4	Years
Vehicles			7	Years
Other fixed assets	7	-	10	Years

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

When the book value of an asset is higher than its estimated recoverable value, the carrying amount is immediately reduced.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other expenses" or "Other income" in the income statement. Own work capitalised is stated at production cost and recognised as revenue in the income statement.

2.6. Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is assigned to cash generating units (CGUs) for impairment testing purposes. Goodwill is allocated to those CGUs or groups of CGUs expected to benefit from the business combinations in which the goodwill arose, identified according to operating segments.

The recoverable amount of a CGU is the higher of its value in use and its fair value less sale costs. These calculations use 5-year cash flow projections based on financial budgets approved by management. Cash flows beyond this five-year period are extrapolated at constant growth rates.

Losses due to goodwill impairment are reviewed annually or more frequently if changing circumstances of events indicate potential impairment losses.

Impairment losses are recognised as expenses and are not reversed at a later date.

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring the specific software to use. These costs are amortised over the assets' estimated useful lives (4 years).

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2015

Costs associated with developing or maintaining computer software programs are recognised as an expense when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group which are deemed likely to generate future economic benefits in excess of costs for more than one year are recognised as intangible assets. Direct costs include software developer costs and an appropriate portion of relevant overhead. Capitalised computer software development costs are amortised over the programs' estimated useful lives (4 years).

Concessions

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

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

Research and development expenses

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

- It is technically feasible to complete the production of the intangible asset so that it will be available for use or sale;
- Management intends to complete the intangible asset in question for use or sale;
- There is an ability to use or sell the intangible asset;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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

2.7. Borrowing costs

Borrowing costs incurred in the construction of a qualifying asset are capitalised during the period of time needed to complete and ready the asset for its intended use. The rest of the costs incurred are recognised in the consolidated income statement when they are incurred.

2.8. Impairment of non-financial assets

Assets that have indefinite useful lives and goodwill are not subject to depreciation/amortisation and are tested annually for impairment. The Group reviews the assets subject to depreciation/amortisation at each year-end for events or changes in circumstances which indicate that their carrying amount may not be recoverable.

An impairment loss is recognised when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value of an asset less costs to sell and value in use. Goodwill

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impairment losses cannot be reversed. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows, i.e. cash-generating units. Impairment loss is recognised in the income statement.

The possible reversal of impairment losses on non-financial assets other than goodwill that suffer an impairment loss is reviewed on all dates for which financial information is presented.

2.9. Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit and loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management establishes the classification of investments at initial recognition and reviews the classification at each reporting date. The Group did not have any held-to-maturity investments at either year-end 2015 or 2014.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are recognised initially at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit and losses are recognised initially at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive the attendant cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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

Financial assets at fair value through profit or loss

This category includes two sub-categories: financial assets held for trading and financial assets designated on initial recognition at fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling it in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedging instruments. Assets in this category are classified as current assets if they are held for trading or are expected to be realised within 12 months from the balance sheet date. These financial assets are subsequently measured at fair value.

Realised and unrealised gains and losses resulting from changes in the fair value of financial assets at fair value through profit or loss are included in the income statement in the year in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for amounts maturing more than 12 months from the end of the reporting period. This category also includes deposits and guarantees furnished to third parties. Loans and receivables are included in "Trade and other receivables" in the balance sheet. Loans and receivables are carried at amortised cost using the effective interest method.

Available-for-sale financial assets

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

The fair values of listed investments are based on prevailing purchase prices. If there is no active market for a financial asset (as in the case of unlisted securities), the Group establishes fair value by using valuation techniques such as analysis of recent transactions between knowledgeable and willing parties involving instruments which are substantially identical, as well as discounted cash flow analysis. In the event that neither

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of these two methods can be used to estimate fair value, the investments are carried at acquisition cost less any impairment losses.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

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

Impairment of financial assets

Assets at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The main criteria used by the Group to identify objective evidence of an impairment loss include: significant financial difficulty of the obligor; breach of contract such as default or delinquency in payments, and the disappearance of an active market for a specific financial asset because of financial issues, among others.

The Group first assesses whether objective evidence of impairment exists. The loss is calculated as the difference between the carrying amount of the asset and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original effective interest rate. The asset's carrying amount is reduced accordingly and the impairment loss is recognised in the income statement. If, subsequently, an impairment loss diminishes, and this reduction can be objectively attributed to an event occurring after the impairment loss was recognised, the previously recognised impairment is reversed with a credit to the consolidated income statement.

Available-for-sale financial assets

To determine whether equity instruments classified as available for sale are impaired, management assesses whether there has been a significant or protracted decline in the fair value of the securities to below cost. If there is any evidence of impairment of this class of available-for-sale financial assets, the cumulative loss, determined as the difference between acquisition cost and current fair value, less any impairment losses on that financial asset previously recognised in the income statement, is eliminated from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the separate consolidated income statement.

2.10. Inventories

Inventories are stated at the lower of cost and net realisable value using the specific cost identification method, i.e., only costs incurred which are perfectly allocable to each good carried in inventories are capitalised. Inventories include the cost of certain materials yet to be allocated to projects and costs incurred to submit bids when it is likely or certain that the contract will be secured or when it is known that the costs will be reimbursed or included in the revenues originating from the contract. Cost is calculated as acquisition price or direct production cost. The cost of inventories includes design costs, raw materials, direct labour, other direct costs and manufacturing overheads (based on ordinary operating capacity), excluding interest expense. The net realisable value is the estimated selling price in the ordinary course of business, less applicable variable cost of sales. The costs associated with submitting offers for domestic and foreign contracts are taken to the

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income statement when incurred if it is not known or unlikely that the contract will be awarded on the date when the costs are incurred. The costs of presenting offers are recognised as inventory when it is likely or known that the contract will be awarded or when it is known that the cost will be reimbursed or included in the income from the contract.

2.11. Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The balances with due date greater than one year are measured at their nominal value, provided that the effect of not discounting the flows is not significant.

Trade receivables reserve is recorded when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

2.12. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

The following expressions are used in the consolidated cash flow statement, which has been prepared using the indirect method:

- Cash flows: inflows and outflows of cash and cash equivalents (Note 15).

- Operating activities: the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.

- Investing activities: the acquisition and disposal of non-current assets and other investments not included in cash equivalents.

- Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group.

2.13. Share capital

Share capital is represented entirely by ordinary shares classified as equity.

Incremental costs directly attributable to the issue of new shares are presented in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the parent company's shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the equity holders of the parent until the shares are redeemed, reissued or sold. When these shares are sold or subsequently reissued, any amount received, net of any incremental directly attributable transaction cost and the corresponding income tax effects, is included in equity attributable to the equity holders of the parent.

2.14. Government grants

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

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

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

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

2.15. Trade payables

Trade accounts payable are payment obligations arising from the purchase of goods or services from suppliers in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise they are presented as non-current liabilities. Trade payables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method.

2.16. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the term of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of the reporting period.

2.17. Current and deferred income tax

Tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement unless the tax relates to items recognised in other comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income or directly in equity, as appropriate.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates the positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, recognising provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are only offset if the Group has a legally enforceable right to set off the recognised amounts and when they relate to income taxes levied by the same taxation authority on a single tax subject/entity, or in the event of different tax subjects/entities, when the Group intends to realise the asset and settle the liability on a net basis.

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2.18. Employee benefits

Pension and retirement obligations

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in the consolidate income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, past-service costs are amortised on a straight-line basis over the vesting period.

Other long-term remuneration obligations

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

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or as a result of an offer of termination benefits made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Profit-sharing and bonus plans

The Group recognises a provision when it is contractually bound to make payment.

2.19. Provisions

The Group recognises provisions when it has a present legal or implied obligation as a result of past events, the settlement of which is expected to result in an outflow of resources and the amount of which can be reliably estimated. The Group does not recognise provisions for future operating losses although it does recognise provisions for engineering contracts expected to generate losses (Note 2.20).

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

2.20. Revenue recognition

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

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 method. The price payable by the end customer consists of the direct costs incurred, to which a fixed margin is applied for indirect costs and business profit.

Turnkey engineering projects

When the outcome of a contract cannot be reliably estimated, the relevant revenues are only recognised to the extent of the expenses recognised that are recoverable.

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

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

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

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

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

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

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

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

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

Service concession arrangements

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

Dividend income

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

Interest income

Interest income is recognised using the effective interest rate method.

2.21. Derivative financial instruments and hedging activities

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

The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

A hedge is considered highly effective when the changes in fair value or cash flows of the underlying directly ascribable to the hedged risk are offset by changes in the fair value or cash flows of the hedging instrument with an effectiveness rate in the 80%-125% range

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities, as appropriate.

Note 10 disclose the fair value of the derivatives designated as hedges. The consolidated statement of comprehensive income shows the movements in the hedging reserve included in equity.

Cash flow hedges

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

Amounts deferred in equity are reclassified to the income statement in the year in which the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

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Derivatives not qualifying for hedge accounting

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

2.22. Leases

Asset leases in which the Group acts as lessee and retains substantially all the risks and rewards of ownership of the assets are classed as finance leases. Finance leases are recognised at the inception of the lease term at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The payment obligation under the lease, net of finance charges, is recognised in non-current borrowings, except for the portion falling due within 12 months. The interest component of the finance charge is taken to the income statement over the term of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Items of property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

Leases arrangements where the lessor retains substantially all the risks and benefits inherent to ownership of the asset are classified as operating leases. In operating leases where the Group acts as 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 lease term.

2.23. Dividend distribution

The payment of dividends to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the year in which the dividends are approved by the Company's shareholders.

2.24. Environmental disclosures

Given the Group companies' lines of business, they have no environmental liabilities, expenses, assets, provisions or contingencies that could be significant with respect to the Group's equity, financial position or performance. For this reason, no specific breakdowns are provided in these notes to the financial statements regarding environmental disclosures.

3. Financial risk management

3.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

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

a) Market risk

a.1) Exchange rate risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, particularly to the US dollar (USD) and Roubles (RUB) and, to a lesser extent, currencies tied to the USD. There is residual exposure to suppliers operating in other currencies (primarily, yens, Australian dollars, Canadian dollars, Turkish lira, Malaysian ringgit, Peruvian sol, Russian ruble and Kuwaiti

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dinar).Foreign exchange risk arises primarily on future commercial transactions and recognised assets and liabilities.

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

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

The nature of the Group's business operations means that it is very common to contract transactions with customers in US dollars, while the corresponding costs are habitually denominated in multiple currencies, albeit principally US dollars. If the euro had depreciated / appreciated against the US dollar by a hypothetical 10% in 2015, leaving all other variables constant, consolidated profit before tax for the year would have been €1.486k higher / lower (2014: €13.448k), mainly due to hypothetical gains / losses generated on the revaluation / devaluation of open positions in US dollars.

Meanwhile, if the euro had depreciated / appreciated against the US dollar by a hypothetical 10% in 2015, equity would have been € 121.410k higher / lower (2014: € 48.585k higher / lower); these amounts were calculated based on the changes in profits outlined in the paragraph above and the estimated changes in the value of hedging derivatives recognised in the hedging reserve (all before considering the related tax effects).

The Group also has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. In general, Group policy is to finance its foreign operations with borrowings denominated in the functional currency of that country, so that the open exposure relates only to the equity investment. The following chart shows the balances of the principal exposures in foreign currency as a result of equity investments in foreign operations:

	2015	2014
Peso Boliviano	78,472	4,230
Rial Saudita	55,217	83,731
Lira Turca	97,517	80,116
Dólar Australiano	-	26,835
Sol Peruano	7,674	-
Rublos	-	13,646

a.2) Price risk

The Group is exposed to price risk with respect to equity securities. Exposure to this risk is limited as the investments held by the Group and classified in the consolidated balance sheet at fair value through profit or loss correspond primarily to investments in fixed-income funds which invest in very short-term assets, assets maturing in less than six months and not exposed to interest rate risk (see Note 14).

The Group is partially exposed to commodity price risk, basically metals and oil, to the extent that they affect the price of equipment and manufactured materials used in construction projects. In general these impacts are effectively passed on in sales prices by all peer contractors operating in the sector. The Group reduces and mitigates price risk through the policies established by management, which basically consist of accelerating or slowing the rate of placements and selecting the currencies and countries of origin. An additional mechanism used by the Group to mitigate this risk takes the form of contracting formulae containing price resetting clauses for covering possible cost deviations.

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a.3) Cash flow interest rate risk

The Group generally attempts to self-finance its projects, establishing invoicing and collection milestones with its clients which cover the payment deadlines committed to with suppliers. This is why the Group presents significant net cash balance (cash and cash equivalents in excess of borrowings). This means that interest rate risk on liability positions is negligible. Most of these lines are negotiated at adjustable rates referenced to the EURIBOR. Given the current environment of negative EURIBOR rates, the variable rates established in the policies are the best strategy for minimising interest rate risk

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

	2015			2014		
	Referenced to Euribor	Other benchmarks	Total	Referenced to Euribor	Other benchmarks	Total
Borrowings	(174,384)	(65,075)	(239,459)	(27,415)	-	(27,415)
Interest-earning cash and cash equivalents	186,257	522,583	708,840	216,832	411,535	628,367
Net cash position	**11,873**	**457,508**	**469,381**	**189,417**	**411,535**	**600,952**

Based on sensitivity analysis performed on cash and cash equivalents, the impact of a 25 basis point fluctuation (in either direction) in interest rates would imply, at most, an increase / decrease in 2015 profit of 1.173k € (2014: 840k / €).

b) Credit risk

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

- Assets arising from derivatives (Note 10) and sundry balances including cash and cash equivalents (Note 15).
- Trade and other receivable balances (Note 11).

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

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

Our key customers represented 55% of total "Trade receivables" (within Trade and other receivables) at 31 December 2015 (2014: 77%) and are tied to transactions with entities such as those described in the preceding paragraph. As a result, the Group considers credit risk to be very low. In addition to the credit analysis performed before entering into a contract, the global position of trade and other receivables is monitored on an ongoing basis, while the most significant exposures (including exposure to the type of entities mentioned earlier) are monitored at the individual level.

The balance of trade receivables past due but not impaired at 31 December 2015 was € 269.950k (2014: €104.895), and primarily correspond to amounts past due by less than 6 months.

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

c) Liquidity risk

The prudent management of liquidity risk entails maintaining sufficient cash and marketable securities, ensuring available funding in the form of sufficient committed credit facilities and the ability to monetise market positions.

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

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Management monitors rolling forecasts of the Company's liquidity requirements as on the basis of cash flow projections. As mentioned above, the strategy of self-financing projects results in significant net cash balances. Additionally, the Group has credit lines that offer an additional liquidity buffer. Management therefore believes that the Group's liquidity risk is low. The following is a breakdown of the significant liquidity parameters:

	2015	2014
Borrowings (Note 21)	(239,459)	(27,415)
Financial assets at fair value through profit or loss		63,212
(Note 14)	63,198	
Cash and cash equivalents (Note 15)	708,840	628,367
Net cash balance	532,579	664,164
Undrawn credit lines	471,085	93,139
Total liquidity reserves	**1,003,664**	**757,303**

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts shown in the table correspond to the balances resulting from application of the amortised cost method (carrying amounts), which essentially coincide with the undiscounted forecast cash flows associated with the liabilities. The balances payable within 12 months are equivalent to their carrying amounts, since the effect of discounting them is insignificant.

	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2015				
Borrowings	81,808	136,692	8,805	12,154
Derivative financial instruments	167,225	13,426	-	-
Trade and other payables	2,657,382	-	-	-
Total	**2,906,415**	**150,118**	**8,805**	**12,154**
At 31 December 2014				
Borrowings	3,764	2,883	8,805	11,963
Derivative financial instruments	103,533	20,852	-	-
Trade and other payables	1,692,990	-	-	-
Total	**1,800,287**	**23,735**	**8,805**	**11,963**

3.2. Capital risk management

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

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

The Group monitors capital on the basis of the leverage ratios set out below. This ratio is calculated as debt divided by capital. Debt is calculated as total borrowings. Capital is calculated as equity, as shown in the financial statements. The Group also monitors the ratio of net cash to capital.

	2015	2014
Borrowings (Note 21)	(239,459)	(27,415)
Net cash position	532,579	664,164
Equity	397,520	455,832
% Borrowings / Equity	60.24%	6.01%
% Net cash position / Equity	133.98%	145.70%

Both ratios are within management's acceptable target ranges.

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3.3. Fair value

Financial instruments carried at fair value are grouped by valuation method based on the following valuation hierarchy:

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

The following table presents the Group's assets and liabilities that are measured at fair value:

At 31 December 2015	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss	63,198	-	-	63,198
Hedging derivatives	-	31,789	-	31,789
Total assets	**63,198**	**31,789**	**-**	**94,987**
Liabilities				
Hedging derivatives	-	180,651	-	180,651
Total liabilities	**-**	**180,651**	**-**	**180,651**

At 31 December 2014	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss	63,212	-	-	63,212
Hedging derivatives	-	37,306	-	37,306
Total assets	**63,212**	**37,306**	**-**	**100,518**
Liabilities				
Hedging derivatives	-	124,385	-	124,385
Total liabilities	**-**	**124,385**	**-**	**124,385**

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

a) Level 1 financial instruments

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

b) Level 2 financial instruments

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- In the case of derivatives the procedure consists of calculating the fair value by discounting the associated future cash flows using forward price curves.

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

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

There were no switches between levels in either 2015 or 2014.

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

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

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

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

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

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

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

4. Critical accounting estimates and judgements

The preparation of the consolidated financial statements in accordance with IFRS-EU requires that management make estimates and judgements that may affect the accounting policies adopted and the amount of related assets, liabilities, revenues, income and the scope of related disclosures. Estimates and assumptions are based, among other aspects, on past experience or other events deemed reasonable in view of the facts and circumstances analysed. Estimated results, by definition, seldom equal the related actual results. The main estimates are the followings:

Income tax and deferred tax assets

The Group is subject to income tax in numerous tax jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises tax liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Were changes in the judgements used by management to determine taxable profit to cause the effective tax rate (Note 29) to differ by 10% from management's estimates, the income tax liability recognised would increase / decrease by €2.215 / €2.014k (2014: €3.126k / €2.842k).

As disclosed in Note 29, the Group's effective tax rate was 24% in 2015 (19% in 2014).

In addition, the Group assesses the recoverability of deferred tax assets based on the existence of future taxable income against which these assets may be utilised.

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Useful lives of PPE and intangible assets

Group management determines the estimated useful lives and resulting depreciation and amortisation charges for PPE and intangible assets. The useful lives of non-current assets are estimated based on the period over which the asset will generate economic benefits.

At each close, the Group reviews the useful lives of its assets. When changes are identified, the necessary adjustments are made on a prospective basis. Historically, there were no material adjustments recorded related to useful lives of assets.

Employee benefits

The present value of employee benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions made to determine employee benefit costs and obligations include the appropriate discount rate and a growth rate for salaries and other benefits. Other key assumptions for pension obligations are based in part on prevailing market conditions. According to these estimates and advice of independent actuaries, the Group assesses the provision needed at each closing. Any change in these assumptions will have an impact on the amount of the expense and liability recognised in connection with employee benefits. Additional information is disclosed in Note 22, including sensitivity analysis.

Accounts receivable

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

Provisions

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

Revenue recognition

The Group uses the percentage-of-completion method to recognise revenue. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed. This revenue recognition method is applied only when the outcome of the contract can be reliably estimated and it is likely that the contract will generate profits. If the outcome of the contract cannot be reliably estimated, revenue is recognised to the extent that costs are recovered. When it is likely that the costs of a contract will exceed the revenues, the loss is immediately recognised as an expense. When applying the percentage-of-completion method, the Group 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 to apply the percentage-of-completion method or whether it is necessary to re-estimate the expected margin on the project. Contract revenues arising from claims made by the Group against customers or from changes in the scope of the project concerned are included in service revenue when they are approved by the final customer or when it is probable that the Group will receive an inflow of funds.

Fair value of unlisted financial instruments

The Group calculates the fair value of financial instruments (financial assets and liabilities) that are not traded on an active market through estimates made using a number of methods and assumptions that are based mainly on market conditions at each balance sheet date. The Group has used discounted cash flow analyses for some derivatives not traded on active markets, or other objective evidence of the fair value of the instrument concerned, such as recent comparable transactions or the value of call or put options outstanding at the balance sheet date.

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Warranty claims

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

Concession impairment

The estimated recoverable value of the concessions which the Group operates, have been determined based on discounted cash flows based on budgets and forecasts provided such concession assets and using appropriate discount rates to those businesses.

In applying the accounting policies have not been implemented different judgments estimates detailed above.

5. Segment information

The Group classifies its operating segments as follows:

- Oil and Gas
- Power
- Infrastructure and Industry

Although the Group's core business is the provision of engineering and construction services, the above-mentioned segment reporting format is presented on the understanding that the attendant business risks and rewards and the specialisation required to complete the projects in these segments, among other differentiating factors, make this segment distinction necessary to provide optimal insight into the business structure. This segmentation additionally reflects the information reviewed by the Board of Directors. The oil and gas segment focuses on EPC services relating to oil and chemicals processing and production operations, and activities relating to the entire natural gas production and extraction value chain, i.e. production, processing, storage and transport. Activities in the refining sector range from the construction of refineries to the revamping and expansion of existing refining plants. Units designed and built include basic refining plants, plant conversions and octane improvement projects. The Group designs and builds auxiliary services and other refining units. Petrochemical activities include the design and construction of plants that produce and process monomers, polymers and plastics, chemical plants and fertiliser units. As regards natural gas, the Group mainly designs and builds units used in the extraction and preliminary processing of natural gas, prior to its use in subsequent processes or preparation for export. The Group is highly specialised in regasification and gas transport facilities.

In the power industry, the Group performs consulting, engineering, supply and construction services for a range of electricity generating plants such as conventional thermal plants, combined cycle power plants, gasification integrated with combined cycle, nuclear plants, co-generators, solar, fuel cells, solid waste and biomass technology. The Group also supplies turnkey plants and, at times, performs plant operation and maintenance (O&M) services. The infrastructure and industry segment executes project work in multiple arenas such as airports, industrial facilities, desalination and water treatment plants as well as initiatives for public authorities and other bodies such as management of car parks, public spaces and municipal sports centres.

The operating segment analysis is based on an assessment of the segments' operating profit, adjusted for unallocated Group overhead. Also, the Group manages financing and taxation on a centralised basis. As a result, finance income and cost and income tax have not been allocated by segment. Additionally, fixed assets are not assigned and nor is the relevant depreciation or impairment as they are not considered to be significant.No sales were made between the Group's operating segments in the years presented.

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	Oil and gas		Power		Infrastructure & other		Unallocated		Group	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Segment reporting										
Revenue	3,744,393	2,921,575	320,809	139,631	122,685	87,974	-	-	**4,187,887**	**3,149,180**
Operating profit	156,676	238,967	14,538	(2,098)	(4,236)	(3,332)	(80,948)	(75,954)	**86,030**	**157,583**
Net finance income (Note 28)	-	-	-	-	-	-	1,497	8,606	**1,497**	**8,606**
Share in profit (loss) of associates	(16)	(668)	526	757	(5,690)	(560)	-	-	**(5,180)**	**(471)**
Profit before tax		-		-		-	82,347	165,718	**82,347**	**165,718**
Income tax expense		-		-		-	(22,151)	(31,259)	**(22,151)**	**(31,259)**
Profit for the year		-		-		-		-	**60,196**	**134,459**
Assets and liabilities by operating segment										
Assets	2,937,129	1,864,615	179,641	132,357	198,629	174,870	282,356	252,197	**3,597,755**	**2,424,039**
Associates	3,878	4,882	5,712	5,854	5,894	3,302	-	551	**15,484**	**14,589**
Total assets	**2,941,007**	**1,869,497**	**185,353**	**138,211**	**204,523**	**178,172**	**282,356**	**252,748**	**3,613,239**	**2,438,628**
Liabilities	2,285,774	1,496,877	129,700	78,255	313,261	73,666	486,984	333,998	**3,215,719**	**1,982,796**
Additions to non-current assets (Notes 6 and 7)	8,613	4,892	332	-	2,178	2,967	24,809	13,792	**35,932**	**21,651**
Other operating segment disclosures										
Depreciation of PPE (Note 6)	-	-	-	-	-	-	(13,426)	(9,589)	**(13,426)**	**(9,589)**
Amortisation of intangible assets (Note 7)	-	-	-	-	-	-	(3,328)	(2,638)	**(3,328)**	**(2,638)**
Impairment of trade receivables (Note 11)	-	-	-	-	-	-	(814)	(236)	**(814)**	**(236)**

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

Revenue from third-party customers	**2015**	**2014**
Spain	96,774	61,367
Middle East	1,128,132	975,562
Americas	1,311,446	727,129
Asia	479,038	241,308
Europe	443,194	602,958
Mediterranean	729,303	540,856
	4,187,887	**3,149,180**

Income from the Middle East geographical refers primarily to operations in Saudi Arabia, Abu Dhabi, Kuwait and Oman; in America the income comes primarily from operations in in Peru, the Dominican Republic and Bolivia; in Asia, there were operations in Australia, Malaysia and Bangladesh; in Europe the operations were focused primarily in Russia, Belgium, Portugal, Norway and Poland; and in the Mediterranean operations were focused basically in Turkey and Algeria, among others.

The revenue generated by the Group's top five customers accounted for 55% of the 2015 total (2014: 43%). Revenue generation by customers who individually accounted for over 10% of total consolidated revenue in 2015 amounted to €1.075 million (2014: €990 million).

All the assets and liabilities allocated to the operating segments are measured using the same criteria as are outlined in Note 2. These assets and liabilities are allocated by region based on their physical location. The geographic breakdown of assets and investments is as follows:

	Assets		**Additions to non-current assets**	
	2015	**2014**	**2015**	**2014**
Spain	366,267	397,175	2,374	3,532
Middle East	1,222,706	526,127	5,021	1,511
Americas	589,891	432,342	1,674	2,174
Asia	472,990	149,297	432	67
Europe	125,422	379,013	2	(69)
Mediterranean	693,833	508,516	1,620	644
Total	**3,471,109**	**2,392,470**	**11,123**	**7,859**
Associates	15,483	14,589	-	-
Unallocated	126,647	31,569	24,809	13,792
	3,613,239	**2,438,628**	**35,932**	**21,651**

A reconciliation of reportable segment assets and liabilities to total assets and liabilities is provided as follows:

	2015	**2014**		**2015**	**2014**
Reportable segment assets	3,330,883	2,185,880	Reportable segment liabilities	2,728,735	1,648,798
Unallocated:			Unallocated:		
			Non-current liabilities	1,940	30,760
Non-current assets	195,283	98,407	Impairment provisions	28,369	52,104
Current assets	87,073	154,341	Current liabilities	456,675	251,135
Total assets per the balance sheet	**3,613,239**	**2,438,628**	**Total liabilities per the balance sheet**	**3,215,719**	**1,982,796**

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6. Property, plant and equipment

Detail and changes items comprising property, plant and equipment are as follows:

Cost	Land and buildings	Plant and machinery	Furniture and equipment	PPE under construction	Other PPE	Total
Balance at 1 January 2014	**2,457**	**37,635**	**49,894**	**2,537**	**5,383**	**97,906**
Additions	440	11,910	5,238	-	2,338	19,926
Decreases	-	(99)	(76)	-	(296)	(471)
Other movements	-	(16)	(400)	-	(43)	(459)
Balance at 31 December 2014	**2,897**	**49,430**	**54,656**	**2,537**	**7,382**	**116,902**
Additions	633	7,796	9,127	-	10,938	28,494
Decreases	(340)	(33)	-	-	(1,027)	(1,400)
Other movements	565	41	1,019	-	(475)	1,150
Balance at 31 December 2015	**3,755**	**57,234**	**64,802**	**2,537**	**16,818**	**145,146**

Accumulated depreciation	Land and buildings	Plant and machinery	Furniture and equipment	PPE under construction	Other PPE	Total
Balance at 1 January 2014	**756**	**21,002**	**31,293**	**-**	**3,053**	**56,104**
Additions	108	4,363	4,932	-	186	9,589
Decreases	-	(99)	(68)	-	(265)	(432)
Other movements	-	(16)	(387)	-	(41)	(444)
Balance at 31 December 2014	**864**	**25,250**	**35,770**	**-**	**2,933**	**64,817**
Additions	176	5,106	6,492	-	1,652	13,426
Decreases	(89)	(33)	-	-	(814)	(936)
Other movements	-	-	-	2,537	-	2,537
Balance at 31 December 2015	-	41	991	-	90	1,122
	951	**30,364**	**43,253**	**2,537**	**3,861**	**80,966**
Net carrying amount at 1 January 2014						
Net carrying amount at 31 December 2014	**1,701**	**16,633**	**18,601**	**2,537**	**2,330**	**41,802**
Net carrying amount at 31 December 2015	**2,033**	**24,180**	**18,886**	**2,537**	**4,449**	**52,085**
	2,804	**26,870**	**21,549**	**-**	**12,957**	**64,180**

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

Property, plant and equipment under construction relate to the engineering costs arising from the design and construction of a battery and fluorescent tube recycling plant by a Group company. Following the Group's analysis of the project, there are doubts about the chances of recovering the engineering costs.

Furniture and equipment includes the following amounts in respect of finance leases under which the Group is the lessee:

	2015	2014
Capitalized finance lease cost	6,805	6,805
Accumulated depreciation	(6,805)	(6,758)
Net carrying amount	**-**	**47**

Finance lease agreements entered into by the Company mainly relate to the acquisition of computer equipment. These contracts have an average term of 3 years. The maturity schedule for the finance lease liabilities is detailed in Note 20.

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At 31 December 2015, the Group carried items of property, plant and equipment located outside Spain with an original cost of €37.036k (2014: €22.780k) and accumulated depreciation of €13.605k (2014: €10.124k).

The Group's policy is to take out all insurance policies deemed necessary to cover risks that could affect its property, plant and equipment.

7. Goodwill and other intangible assets

Detail and changes items comprising goodwill and other intangible assets are as follows:

Cost	Concessions	Intangible assets under construction	Software and other intangible assets	Subtotal	Goodwill	Total
Balance at 1 January 2014	**68,798**	**14,836**	**83,634**	**1,242**	**84,876**	
Additions	42	1,683	1,725	-	1,725	
Decreases	-	-	-	-	-	
Other movements						
Transfers	-	(157)	(157)	-	(157)	
Balance at 31 December 2014	(8,778)	-	(8,778)	-	(8,778)	**77,666**
Additions	**60,062**	**16,362**	**76,424**	**1,242**	**77,666**	
Decreases	4,521	2,917	7,438	-	**7,438**	
Other movements	-	-	-	-	**-**	
Transfers	-	391	391	-	**391**	
Balance at 31 December 2015	**64,583**	**19,670**	**84,253**	**1,242**	**85,495**	

Accumulated amortisation and impairment losses	Concessions	Intangible assets under construction	Software and other intangible assets	Subtotal	Goodwill	Total
Balance at 1 January 2014	**3,002**	**10,906**	**13,908**	**-**	**13,908**	
Additions	702	1,936	2,638	-	2,638	
Decreases	-	-	-	-	-	
Impairment charge	-	(127)	(127)	-	(127)	
Other movements	(399)	-	(399)	-	(399)	
Balance at 31 December 2014	**3,305**	**12,715**	**16,020**	**-**	**16,020**	**16,020**
Additions	1,243	2,085	**3,328**	-	**3,328**	
Decreases	-	-	-	-	**-**	
Impairment charge						
Other movements	403	(57)	**346**	-	**346**	
Balance at 31 December 2015	**4,951**	**14,743**	**19,694**	**-**	**19,694**	
Net carrying amount at 1 January 2014	**65,796**	**3,930**	**69,726**	**1,242**	**70,968**	
Net carrying amount at 31 December 2014	**56,757**	**3,647**	**60,404**	**1,242**	**61,646**	
Net carrying amount at 31 December 2015	**59,632**	**4,927**	**64,559**	**1,242**	**65,801**	**61,646**

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In 2015 the research and development expense charged to the income statement totalled € 4.432k (2014: € 6.331k).

The section on concessions reflects the recognition of expanded concession rights. There were no other changes to the public service concession agreements in which the Group participates. All of the aforementioned concession agreements are governed by the Public Contracts Act.

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

With regard to concession contracts, the Company is complying with the terms of the business plans for each project although operating losses are expected in the first few years. The validity and progress of those plans are reviewed annually. At the end of 2015 and 2014, no indications of impairment were detected regarding the concession assets recorded under this heading.

The ownership and user's licences for the computer software acquired from third parties are recorded under Computer Applications. The Computer Applications balance does not include amounts linked to the internal development of computer programmes. The additions during the year referred mainly to the acquisition of management software licences..

No financial expenses were capitalised in 2015 or 2014.

Goodwill impairment testing

As set out in Note 2.8, Técnicas Reunidas implemented a procedure in which at year-end is the possible impairment of goodwill is assessed. Goodwill is impaired when the carrying value of the CGU to which the asset belongs is less than its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use is taken to be the present value of estimated future cash flows. Goodwill is assigned to the cash generating unit (CGU) identified as Eurocontrol, S.A., an 80%-owned Group company. The cash generating unit identified pertains to the business segment designated as 'Infrastructure and industry' in Note 5 and its operations are located in Spain. Impairment tests were performed at 31 December 2015 and 31 December 2014 and no impairment losses were recognised.

Concessions

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

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

Concession assets under construction have been financed with borrowings amounting to € 24.172k in 2015 (€27.200k at year-end 2014) (See Note 21).

Revenues from concessions operations amounted to € 3.962k in 2015 (2014: € 3.640k).

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8. Investments in associates

Detail and changes in investments in associates are as follows:

	2015	2014
Opening balance	**14,589**	**12,431**
Additions	2,030	3,683
Derecognitions	(643)	(1,054)
Change perimetre	(5,908)	-
Share of profit/loss	(5,180)	(471)
Closing balance	**4,889**	**14,589**

The additions during the year refer primarily to a capital increase by Ibérica del Espacio, S.A. in the amount of €1,500,000.

The changes in the consolidation scope were caused by the derecognition of the Heymo investment in the amount of €989,000, in which the Group acquired 50% of the interest that was owned by third parties, converting it into a fully consolidated wholly-owned subsidiary. A water treatment project in which the group participates is now consolidated by equity.

The presentation date of the financial statements of all the associates coincides with the presentation date of the parent company's financial statements. The Group's interest in its principal associates, all of which are unlisted, is as follows:

Name	County of incorporation	Assets	Liabilities	Revenues	Profit/(Loss)	% ownership interest
2015						
Empresarios Agrupados Internacional, S,A,	España	15,954	3,420	-	1,223	43.00%
Layar Castilla, S,A,	España	1,692	1	11	12	25.39%
Ibérica del Espacio, S,A,	España	20,131	9,369	7,906	2,178	50.00%
Empresarios Agrupados, A,I,E,	España	4,961	4,211	23,761	-	43.00%
Master S,A de Ingeniería y Arquitectura	España	6,212	5,158	3,290	15	40.00%
Ebramex S, de R,L, de C,V,	México	1	(11,144)	-	(592)	33.33%
Minatrico S, de R,L, de C,V,	México	12,681	-	535	535	33.33%
Explotaciones Varias S,A,	España	6,244	-	(26)	-	12.69%
Proyecto de tratamiento de aguas	España	35,606	70,709	5,948	(30,522)	33.00%
2014						
Empresarios Agrupados Internacional, S,A,	España	37,217	24,353	44,515	1,760	43.00%
Layar Castilla, S,A,	España	1,679	1	11	10	25.39%
Ibérica del Espacio, S,A,	España	19,182	13,092	8,042	217	50.00%
Empresarios Agrupados, A,I,E,	España	4,943	4,193	21,890	-	43.00%
Master S,A de Ingeniería y Arquitectura	España	3,973	4,688	942	(1,641)	40.00%
Ebramex S, de R,L, de C,V,	México	399	11,612	834	(944)	33.33%
Minatrico S, de R,L, de C,V,	México	13,547	450	1,482	900	33.33%
Explotaciones Varias S,A,	España	6,517	248	634	205	12.69%
Heymo Ingeniería, S,A,	España	3,529	1,059	5,171	(1,644)	39.98%

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9. Available-for-sale financial assets

This balance relates to minor investments in unlisted companies in which the Group does not have significant influence. Due to the fact that these are residual investments in companies that are not material to the Group and the impossibility of using valuation methods for measurement purposes, these investments are carried at acquisition cost.

No impairment provisions were recognised on available-for-sale financial assets in 2015 and 2014. There have been no movements.

10. Financial instruments

10.1. a. Financial instruments by category

The table below breaks down financial assets (excluding trade and other receivables and cash and cash equivalents) and financial liabilities (excluding trade accounts payable) at 31 December 2015 and 31 December 2014 by nature and category for measurement purposes:

	31 December 2015			
Financial assets:	**Financial assets at fair value through profit or loss (Note 14)**	**Available-for-sale (Note 9)**	**Loans and receivables (Note 13)**	**Hedging derivatives (Note 10)**
Nature/category				
Equity instruments	-	1,010	-	-
Derivatives (Note 10,1,b)	-	-	-	6,273
Other financial assets	-	-	16,093	-
Non-current	**-**	**1,010**	**16,093**	**6,273**
Equity instruments	-	-	-	25,516
Derivatives (Note 10,1,b)				
Other financial assets	63,198	-	47,476	-
Current	**63,198**	**-**	**47,476**	**25,516**
Total financial assets at 31/12/2015				

	31 December 2014			
Financial assets:	**Financial assets at fair value through profit or loss (Note 14)**	**Available-for-sale (Note 9)**	**Loans and receivables (Note 13)**	**Hedging derivatives (Note 10)**
Nature/category				
Equity instruments	-	1,010	-	-
Derivatives (Note 10,1,b)	-	-	-	2,252
Other financial assets	-	-	15,126	-
Non-current	**-**	**1,010**	**15,126**	**2,252**
Equity instruments				
Derivatives (Note 10,1,b)	-	-	-	35,054
Other financial assets	63,212	-	23,264	-
Current	**63,212**	**-**	**23,264**	**35,054**
Total financial assets at 31/12/2014	**63,212**	**1,010**	**38,390**	**37,306**

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	31 December 2015		31 December 2014	
Financial liabilities	**Trade and other payables**	**Hedging derivatives**	**Trade and other payables**	**Hedging derivatives**
Nature/category				
Borrowings (Note 21)	157,651	-	23,651	-
Derivatives (Note 10,1,b)	-	13,426	-	20,852
Other financial liabilities	1,059	-	913	-
Non-current	**158,710**	**13,426**	**24,564**	**20,852**
Borrowings (Note 21)	81,808	-	3,764	-
Derivatives (Note 10,1,b)	-	167,225	-	103,533
Other financial liabilities (Note 20)	46,060	-	39,354	-
Current	**127,868**	**167,225**	**43,118**	**103,533**
Total financial liabilities at 31/12/2013	**286,578**	**180,651**	**67,682**	**124,385**

10.1. b. Derivative financial instruments

The derivative balances at year-end 2015 and 2014 are as follows:

	2015		2014	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange forwards – cash flow hedges	31,789	180,651	36,848	123,974
Forward contracts on commodities	-	-	458	411
Total	**31,789**	**180,651**	**37,306**	**124,385**
Non-current portion	6,273	13,426	**2,252**	**20,852**
Current portion	25,516	167,225	**35,054**	**103,533**

The derivative financial instruments contracted by the Group refer primarily to the FX forwards to cover highly probable future cash flows.

The Group evaluates the effectiveness of hedges by conducting prospective and retrospective efficacy tests in which the variations in hedged cash flows are compared with the variations in the cash flows of the assigned derivative.

Set out below is a maturity schedule in notional terms for the contracts outstanding at 31 December 2015 and 2014:

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Instrument type	Reasonable value (miles de euros) Saldo al 2015	Currency	Maturities notional (Miles) 2016	2017	2018	Total
foreign currency forward contracts						
Dólar Canadá / Euro	3,311	Dólar Canadá	100,826	-	-	100,826
Rublo / Euro	678	Rublo	529,000	-	-	529,000
Dólar USD / Euro	21,189	Dólar	292,020	472,130	55,000	819,150
Dinar Kuwait / Euro	966	Dinar	31,429	-	-	31,429
Zloti Polaco / Euro	88	Zloti	18,458	-	-	18,458
Dólar USD / Nuevo Sol PEN	713	Dólar	30,960	-	-	30,960
Dólar USD / Dólar Canadá	4,554	Dólar	102,300	-	-	102,300
Dólar USD / Yen JPY	137	Dólar	6,449	-	-	6,449
Libra GBP / Euro	19	Libra	800	-	-	800
Assets	**31,789**					

Instrument type	Fair value (thousand de euros) 2015	Currency	Maturities notional (Miles) 2016	2017	2018	Total
foreign currency forward contracts						
Rublo / Euro	23,622	Rublo	2,869,701	-	-	2,869,701
Corona Noruega NOK / Euro	328	Corona	25,742	-	-	25,742
Dólar Canadá / Euro	63	Dólar Canadá	2,378	-	-	2,378
Libra GBP / Euro	973	Libra	8,300	-	-	8,300
Dólar USD / Malaysian Ringgit MYR	40,970	Dólar	140,835	49,500	-	190,335
Dólar USD / Nuevo Sol PEN	26,201	Dólar	168,860	25,000	-	193,860
Dólar USD / Dólar Canada	1,638	Dólar	37,740	-	-	37,740
Dólar USD / Euro	81,229	Dólar	852,154	22,669	-	874,823
Dólar USD / Yen JPY	5,410	Dólar	68,059	-	-	68,059
Zloti Polaco/ Euro	8	Zloti	15,773	-	-	15,773
Dólar USD / Corona Noruega NOK	209	Dólar	13,816	-	-	13,816
Liabilities	**180,651**					
balance	**(148,862)**					

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Type of instrument	Fair value (miles de euros) Saldo al 2014	currency	National maturities (Miles) 2015	2016	2017	Total National
Contracts on commodities						
Derivado sobre el cobre (Nocional: 1,020 TM)	458					
foreign currency forward contracts						
Dólar Canadá / Euro	14	Dólar Canadá	207	103	-	310
Rublo / Euro	5,991	Rublo	1,665,000	-	-	1,665,000
Dólar USD / Euro	30,230	Dólar	423,865	20,753	-	444,618
Peso Chileno /Euro	19	Peso	627,000	-	-	627,000
Dólar USD / Malaysian Ringgit MYR	38	Dólar	-	-	2,500	2,500
Dólar USD / Nuevo Sol PEN	534	Dólar	-	80,000	25,000	105,000
Dólar USD / Yen	14	Dólar	1,941	-	-	1,941
Dólar USD / Lira turca TRY	8	Dólar	2,992	-	-	2,992
Assets	**37,306**					

Type of instrument	Fair value (miles de euros) Saldo al 2014	currency	National maturities (Miles) 2015	Type of instrument	Saldo al	currency
Contracts on commodities						
Cooper (Nocional: 650 TM)	411					
foreign currency forward contracts						
Dólar USD / Dólar Australia	3,452	Dólar	21,380	-	-	21,380
Rublo / Euro	41,734	Rublo	4,538,571	1,758	-	4,540,329
Dólar USD / Libra GBP	34	Dólar	1,038	-	-	1,038
Dólar Canadá / Euro	300	Dólar Canadá	11,149	-	-	11,149
Libra GBP / Euro	263	Libra	7,900	-	-	7,900
Dólar USD / Malaysian Ringgit MYR	9,565	Dólar	32,000	130,000	47,000	209,000
Dólar USD / Nuevo Sol PEN	596	Dólar	-	115,000	-	115,000
Dólar USD / Dólar Canadá	970	Dólar	34,850	-	-	34,850
Dólar USD / Euro	60,002	Dólar	1,132,839	32,587	-	1,165,426
Dólar USD / Yenes JPY	6,969	Dólar	87,553	1,298	-	88,851
Dólar USD / Peso Chileno	23	Dólar	1,390	-	-	1,390
Dólar USD / Lira turca TRY	66	Dólar	4,054	-	-	4,054
Liabilities	**124,385**					
Balance	**(87,079)**					

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

	2015	2016	2017	2018	Total Valor razonable
Total Assets 2015		25,516	5,620	653	**31,789**
Total liabilities 2015		167,224	13,427	-	**180,651**
Total Assets 2014	35,054	2,029	223	-	**37,306**
Total liabilities 2014	103,533	19,200	1,652	-	**124,385**

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

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

The after-tax gains/losses accumulated in equity in connection with foreign currency forward contracts at 31 December 2015 amounted to € 93.203k (2014: € (49.255)k). These gains and losses are recognised in the income statement in the year or years in which the hedged transactions affect profit or loss. In 2015, a net loss of €53342k (2014 a net loss of €37.300k).

The variations of the headings of hedging derivatives and hedging reserve, and their impacts on equity and income statement during the year is as follows

	31,12,2014	Imputed income in equity *	Liquidations exercise ***	31,12,2015
Hedging derivatives (net liability position)	87,079	109,026	(47,243)	148,862

	31,12,2014	Imputed income in equity *	Transfer to profit and loss account **	31,12,2015
Hedging reserve (gross of tax effect)	(64,595)	(109,026)	53,342	(120,279)

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

** Amount carried to the income statement for the year, to the extent that the hedged operation impacts results.

Value of the hedging derivatives liquidated by the Company during the year

No material portion of the foreign currency hedges was deemed ineffective in either 2013 or 2012. Any gains or losses on any ineffective portion are recognised, when they arise, in the income statement as finance income or expense.

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11. Trade and other receivables

Set out below is an analysis of this balance sheet heading at year-end 2015 and 2014:

	2015	2014
Trade receivables	2,129,760	1,229,762
Less: provision for impairment of receivables	(13,504)	(12,797)
Trade receivables-net	2,116,256	1,216,965
Other accounts receivable	11,466	11,754
Prepayments	167,711	99,195
Other items	90,975	90,901
Total	15,129	18,057
	2,401,537	**1,436,872**

Trade receivables includes €1.658.666 k (2014: € 729.447k) relating to completed work pending to be billed, measured on the basis of the accounting criteria set forth in Note 2.20.

Anticipated payments refer to the payments made on account for supplies to be used in the Group's projects. The amounts under this heading increase and decrease cyclically, depending on the stage of each one of the projects on the closing date.

Customer claims totalled €102 million at 31 December 2015 (€18 million at 31 December 2014). Of the €102 million in claims, a total of €74 million stemmed from operations in America and the rest from operations in the Middle East and North Africa (€18 million at December 2014 stemmed from operations in the Middle East).

The grounds for the claims are rooted in the contractual clauses or events of force majeure. In this case, the claims are basically related to legislative changes affecting either the working conditions or restrictions on the access to materials in the country, as well as delays caused by the subcontractors chosen by the customer. Depending on the types of projects in the portfolio, negotiations with customers regarding claims may go on during the entire life of the project, normally concluding when the project is in the final stages.

Discounting has no significant effect on the fair values of trade and other receivables. Nominal values are considered to approximate fair values and the effect of discounting them is not significant.

The Group's maximum exposure to credit risk at the balance sheet date is the carrying amount of trade and other accounts receivable.

At 31 December 2015, trade receivables of €187.640 k (2014: €336.899k) were fully performing.

At 31 December 2015, trade receivables of €269.950k (2014: €104.895 k) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2015	2014
Up to 3 months	214,955	53,375
3 to 6 months	5,255	4,669
Over 6 months	49,740	46,851
	269,950	**104,895**

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During 2015, trade receivables of € 814k (2014: € 236k) were impaired and provided for by the Group. Movements on the provision for impairment of trade receivables are as follows:

	2015	2014
Opening balance	**12,797**	**10,858**
Amounts impaired	814	236
Amounts used	(107)	-
Transfers	-	**1,703**
Closing balance	**13,504**	**12,797**

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

	2015	2014
Euro	153,851	198,708
US dollars	227,643	209,992
Other currencies	89,600	91,615
Subtotal	471,094	500,315
Completed work pending billing	1,658,666	729,447
Total	**2,129,760**	**1,229,762**

The accumulated balance of revenue and incurred expenses recognised in connection with all contracts in progress at the balance sheet date amounted to €10,149,758 k (2014: €9,994.898 k) and € 841,720 k (2014: € 940.276 k, respectively).

The amount of the advances received on projects in progress is disclosed in Note 20. As with advances to suppliers, the amounts under this heading increase and decrease cyclically, depending on the stage of each one of the projects on the closing date. The amount withheld by customers totalled €159,733,000 (2014: €100,000). The withholdings are refunded at the end of the project.

12. Inventories

The breakdown of inventory balances is as follows:

	2015	2014
Construction projects in progress	135	720
Bid presentation costs	16,667	14,801
Materials	4,894	7,741
	21,696	**23,262**

Construction projects in progress capitalise the cost of building a number of assets (mainly car parks), as described in Note 7, in respect of the portions held for sale, Given their characteristics, a significant portion of these assets require over 12 months to ready for sale,

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13. Receivables and other assets

	2015	2014
Receivables and other assets (non-current)		
Loans to employees	2,013	1,780
Deposits and guarantees	4,710	3,976
Public Authorities	9,370	9,370
	16,093	**15,126**
Receivables and other assets (current)		
Loans to venturers in UTEs and joint ventures	43,895	12,259
Interest	1,479	2,360
Short-term guarantee deposits	2,102	8,645
	47,476	**23,264**

The carrying amount of accounts receivable and other assets is considered to be close to the fair value, The maximum exposure to credit risk as of the reporting date is the carrying amount of the accounts receivable and other assets,

The average interest rate on loans to joint venture partners is the market rate of Euribor + 1,5% (2014: Euribor + 1,5%),

The balance under the heading of investments held to maturity refers mainly to deposits and bonds,

The caption Receivables Management includes the balances receivable from the following concessions:

1	Complejo Deportivo de Huercal-Overa (Almería)	50 years
2	Aparcamiento subterráneo de Pulpí	40 years

The heading titled “Tax Credits” includes the receivable balances for the following concessions:
In 2014, the Group decided to withdraw from the operating concessions due to the fact that after the contracts were awarded to Técnicas Reunidas, there were circumstances that significantly affected and altered the agreed legal relationships and ownership arrangements with the respective local authorities,

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

The termination of the concession agreement should result in a refund of the amounts invested by Técnicas Reunidas, The Consultative Board of Andalucía should issue a decision on both cases,

The Group’s management believes it will be possible to recover the investment from the local governments, although a provision has been set up in the amount of €4 million to cover the risks associated with this process, The provision is recorded as a “Provision for Infrastructure”,

The carrying amount of accounts receivable and other assets is considered to be close to the fair value, The maximum exposure to credit risk as of the reporting date is the carrying amount of the accounts receivable and other assets.

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14. Financial assets at fair value through profit or loss

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

	2015	2014
Opening balance	63,212	67,872
Net additions (disposals) (fair value)	(14)	(4,660)
Closing balance	**63,198**	**63,212**

Listed securities:

- Investments in short-term fixed income securities	54,178	48,439
- Investments in listed equity securities	9,020	14,773
	63,198	**63,212**

All these financial assets are designated as held for trading,

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

In 2015, the Group invested €7,794 k in funds and disposed of €8,575 k, Additions and disposals in 2014 were €5,139 k and €12,309 k, respectively,

Financial assets at fair value through profit or loss include investments in listed equities and short term fixed income funds and their fair value at 31 December 2015 and 2014 has been determined by reference year-end market prices, Returns on fixed-income securities are tied to trends in eurozone interest rates,

15. Cash and cash equivalents

	2015	2014
Cash at bank and on hand	452,657	424,991
Short-term bank deposits and other cash equivalents	256,183	203,376
	708,840	**628,367**

This heading includes cash (cash in hand and deposits held at call with banks) and cash equivalents (short-term highly-liquid investments readily convertible into specific amounts of cash within a maximum of three months, the value of which is not subject to significant risks), The short-term bank deposits earn interest at market rates, The average yields on deposits were: 0,4% Eur and 0,65% USD for average term of 15 days,

Of the total balance of cash and cash equivalents at 31 December 2015, €250,567 k (€316,090 k in 2014) came from the integration of the joint arrangements and joint ventures included in the scope of consolidation, as detailed in Annexes III and IV, respectively,

There were no cash or cash equivalents with restricted availability at 2015 and 2014 year-end, For the purposes of the consolidated statement of cash flows, the cash balance includes cash and cash equivalents.

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16. Capital

	Share capital	Share premium	Treasury shares	Total
Balance at 1 January 2014	5,590	8,691	(73,371)	**(59,090)**
Purchase of treasury shares	-	-	-	**-**
Balance at 31 December 2014	5,590	8,691	(73,371)	**(59,090)**
Other movements	-	-	(779)	**(779)**
Balance at 31 December 2015	**5,590**	**8,691**	**(74,150)**	**(59,869)**

At 31 December 2015 and 2014 the total number of authorised ordinary shares was 55,896,000, each having a par value of €0,10 per share, All issued shares are fully paid up and carry equal voting and dividend rights, There are no restrictions on the transfer of shares,

The movement in treasury shares in 2015 and 2014 is set forth below:

	2015		2014	
	Number of treasury shares	Amount	Number of treasury shares	Amount
Opening balance	2,154,324	73,371	2,154,324	73,371
Additions / purchases	3,890,825	165,837	-	-
Decreases / sales	(3,866,775)	(165,058)	-	-
Other movements				
Closing balance	**2,178,374**	**74,150**	**2,154,324**	**73,371**

At 31 December 2015 treasury shares represented 3,90% of the parent company's share capital (2014: 3,85%), Treasury shares totalled 2,178,374 shares (2014: 2,154,324 shares), acquired at an average price of €38,81 per share (€34,33 per share in 2014),

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

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

	2015	2014
Shareholder	**Ownership interest, %**	**Ownership interest, %**
Aragonesas Promoción de Obras y Construcciones, S,L,	5.10%	5.10%
Araltec, S,L,	31.99%	31.99%
Causeway Capital Management, LLC	5.02%	5.00%
Resto de accionistas	53.99%	51.05%
(incluyendo capital flotante)		
Acciones propias	3.90%	3.85%
TOTAL	**100.00%**	**100.00%**

According to a notice filed with the Spanish securities market regulator in November 2009, Mr, José Lladó Fernández-Urrutia holds a direct and indirect shareholding, through Araltec S,L, and Aragonesas Promoción de Obras y Construcciones S,L,, in Técnicas Reunidas, S,A, of 37,20%,

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On 25 June 2014, the General Meeting of Shareholders of the parent company agreed to authorise the purchase of an amount of treasury stock not to exceed the legal limit for a minimum price of 75% of the listed value and a maximum of 120% of the listed value on the transaction date, The authorisation is good for 5 years from the date on which the motion was passed,

The parent company has signed a liquidity agreement with Santander Investment Bolsa, Sociedad de Valores, and S,A,U, for the Spanish stock market, the purpose of which is to favour transaction liquidity, The contract was signed for a term of one year, The number of shares in the account associated with the contract is 55,000 and a total of €2,500,000 was deposited in the cash account associated with the contract

17. Other reserves

The entire balance, €1,137 k (2014: €1,137 k), corresponds to the legal reserve, This reserve, which is fully assigned, may not be distributed to shareholders and may only be used to offset income statement losses should sufficient other reserves not be available, It may also be used to increase share capital under certain circumstances,

18. Cumulative translation differences

	Total
1 January 2014	**(25,121)**
Translation differences:	
– Group companies and associates	6,814
31 December 2014	**(18,307)**
Translation differences:	
– Group companies and associates	14,142
31 December 2015	**(4,165)**

A breakdown of cumulative translation differences by company / subgroup at year-end 2015 and 2014 is as follows:

	2015	2014
Company or subgroup		
Técnicas Reunidas (UTEs y consorcios del exterior)	(4,225)	(11,429)
-Surcursal Abu Dabhi	*4,936*	*(493)*
- Sucursal Khabarovsk	*(7,595)*	*(9,796)*
-Australia	*(786)*	*(769)*
-Sucursal Ankara	*928*	*1,221*
-Sucursal Moscu	*(1,083)*	*(1,845)*
-Otros	*(625)*	*253*
Damietta LNG Construction (Egipto)	32	(589)
Técnicas Reunidas TEC (Bolivia)	(3,520)	(4,655)
Técnicas Reunidas Australia Pty Ltd (Australia)	(175)	(160)
Técnicas reunidas Saudia (Arabia Saudita)	5,331	3,564
Técnicas Reunidas RUP Insaat (Turquía)	(14,211)	(3,846)
Técnicas Reunidas Chile Limitada (Chile)	2,461	(1,893)
Técnicas Reunidas Gulf Ltd, (Arabia Saudí)	4,762	4,533
Técnicas Reunidas Omán LLC (Omán)	(258)	(327)
Técnicas Reunidas Canada (Canada)	7,202	(3,591)
Técnicas Reunidas de Talara, S,A,C,	(940)	52
TSGI Mühendislik İnşaat Limited Şirketi	(611)	(28)
Treunidas Mühendislik ve İnsaat A,S	(272)	(166)
Otros	259	228
Total	**(4,165)**	**(18,307)**

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19. Dividend distribution and non-controlling interests

The proposed distribution of 2015 profit to be put before the parent company's shareholders in general meeting and the ratified distribution of 2014 profit is set forth below:

Basis of appropriation	2015	2014
Profit (loss) for the year	154,537	185,426
	154,537	**185,426**

Distribution	2015	2014
Retained earnings	3,056	110,426
Other reserves	76,481	-
Dividends	75,000	75,000
	154,537	**185,426**

The breakdown of dividends is as follows:

- 2015: The €75,000 k dividend consists of the following:
    - A €35,830 k interim dividend approved by the Board of Directors on 18 December 2015 and paid on 12 January 2016,
    - A dividend of €39,154 k pending to be approved at the AGM that will ratify the 2015 annual accounts,
- 2014: The €75,000 k dividend consists of the following:
    - A €35,846 k interim dividend approved by the Board of Directors on 18 December 2014 and paid on 15 January 2015,
    - A dividend of €39,154 k pending to be approved at the AGM that will ratify the 2014 annual accounts,

The following are the provisional accounting and cash statements as of the date of payment of the interim dividends from 2015 and 2014 profits, as detailed above:

	2015	2014
Estimated profit for the year	169,000	166,000
Estimated income tax	(42,000)	(31,500)
Maximum possible payout	**127,000**	**134,500**
Proposed payout	35,846	(35,846)
Surplus	**91,154**	**98,654**
Cash balance prior to payout	350,000	560,000
Interim dividend	(35,846)	(35,846)
Cash surplus	**314,154**	**524,154**

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Non-controlling interests

Movements in non-controlling interests in 2015 and 2014 are analysed below:

Balance at 01/01/2014:	**4,036**
Profit for the year	(1,131)
Translation differences	-
Other movements	-
Balance at 31/12/2014:	**2,905**
Profit for the year	832
Translation differences	-
Other movements	-
Balance at 31/12/2015:	**3,737**

20. Trade and other payables

a) Trade payables are analysed below:

	2015	2014
Payable to suppliers	2,217,828	1,493,979
Prepayments received for contract work	358,229	133,329
Other items	35,265	26,328
	2,611,322	**1,653,636**

b) Other payables are set out below:

	2015	2014
Non-current		
Finance lease liabilities	482	375
	482	**375**
Finance lease liabilities		
Dividends payable	35,906	35,888
Other items	10,154	3,466
	46,060	**39,354**

Non-current finance lease liabilities fall due as follows:

	2015	2014
Between 1 and 2 years	482	375
Between 2 and 5 years	-	-
Over 5 years	-	-
	482	**375**

The above amounts represent minimum lease payments discounted to their present value, Future financial charges under finance leases total €18 k (2014: €18 k), The Group's finance leases relate to acquisitions of computer equipment and other items of property, plant and equipment,

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

21. Borrowings

Non-current	2015	2014
Borrowings	157,651	23,651
	157,651	**23,651**
Current		
Borrowings	81,808	3,764
	81,808	**3,764**
Total borrowings	**239,459**	**27,415**

The average effective interest rates (all floating) at the balance sheet dates are as follows:

	2015		2014	
	EUR	USD	EUR	USD
Borrowings	1,25%	1,5%	1,48%	-

Borrowings totalling €24,172 k (2014: €27,200 k) fund the construction of concession assets (Note 7), These loans are secured, with the concession assets as collateral,

The carrying amount of borrowings (both current and non-current) approximates their fair value, The borrowings are referenced mainly to floating interest rates, principally Euribor and Libor, with monthly reset clauses,

The maturity of borrowings is broken down in Note 3 – liquidity risk,

The carrying amount of the Group's borrowings is denominated in the following currencies:

	2015	2014
Euro	174,384	27,415
US dollars and other currencies	65,074	
	239,458	**27,415**

The Group has the following undrawn credit lines:

Floating rate:	2015	2014
– Maturing in less than one year	311,085	93,139
– Maturing in more than one year	160,000	-
	471,085	**93,139**

22. Employee benefits

At 31 December 2015 and 2014 the Group has pension and retirement obligations related to retirement and long-term remuneration,

On 19 November 2015, the Madrid Commercial Court rules that the collective agreement in question was no longer valid, resulting in the disappearance of the retirement bonus, Therefore, future obligations assumed by the Group's Spanish companies regulated under that collective agreement are cancelled as of this fiscal year, Non-current remuneration obligations refer to length-of-service awards payable by certain Group companies,

At 31 December 2015 and 2014 there are no assets linked to the defined benefit commitments with employees,

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	2015	2014
Balance sheet commitments:		
Pension and retirement benefits	984	7,969
Non-current remuneration obligations	956	956
	1,940	**8,925**
Income statement charges:		
Pension and retirement benefits	-	1,025
Non-current remuneration obligations	148	301
	148	**1,326**

In addition to the commitments mentioned above, there are other commitments to employees, primarily in Oman, which totalled €1,988 k at 31 December 2015, (€1,524 k in 2014),

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

23. Provisions for liabilities and charges

a) Provisions for liabilities and charges – non current

Item	Provision for estimated project losses	Provision for project completion	Other provisions	Total provisions for liabilities and charges
Balance at 01/01/2014	**7,730**	**21,836**	**-**	**29,566**
Reversals / Amounts used	(5,760)	(2,242)	-	(8,002)
Amounts provisioned	1,405	2,827	11,000	15,232
Balance at 31/12/2014	**3,375**	**22,421**	**11,000**	**36,796**
Reversals / Amounts used	(1,206)	(4,608)	-	(5,814)
Amounts provisioned	16	219	-	235
Balance at 31/12/2015	**2,185**	**18,032**	**11,000**	**31,217**

Provision for estimated project losses:

In compliance with IAS 11, the Group recognises provisions for estimated future losses on projects currently in progress,

Provision for project completion:

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

Other provisions:

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

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

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b) Provisions for liabilities and charges – current

	Euro thousand
Balance at 1 January 2014	**1,986**
Reversals / Amounts used	(384)
Amounts provisioned	-
Balance at 31 December 2014	**1,602**
Reversals / Amounts used	-
Amounts provisioned	2,410
Balance at 31 December 2015	**4,012**

The provisions set up by the Group at the end of FY 2015 and 2014 refer to the following segments

Proyect division	2015	2014
Gas	-	-
Energy and industry	4,012	1,602
Total	**4,012**	**1,602**

24. Revenue

	2015	2014
Construction and engineering contract revenue	4,187,838	3,149,021
Services rendered	49	159
Total revenue	**4,187,887**	**3,149,180**

Note 5 presents the Group's main business and geographic operating segments.

25. Other expenses and income

	2015	2014
Other operating expenses		
Services	331,023	223,171
Independent professional services	77,073	89,695
Repairs and maintenance	6,989	5,412
Banking and similar services	30,701	29,872
Transport expenses	784	160
Insurance premiums	14,659	9,465
Utilities	7,557	5,854
Other	4,186	19,759
	472,972	**383,388**
Other income		
Grants related to income	1,945	1,782
Other	5,560	2,974
	7,505	**4,756**

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The “Other" heading in the table above breaking down other expenses relates mainly to recognitions and reversals of provisions for non-current and current liabilities and charges,

26. Employee benefit expenses

	2015	2014
Wages and salaries	472,493	429,023
Social security contributions	71,296	64,998
Pension cost – pension and retirement benefit plans (Note 22)	-	1,025
Non-current remuneration obligations (Note 22)	148	301
	543,937	**495,347**

In the caption “Wages and salaries” is included termination benefits amounting to €1,855 k (2014: €1,764 k),

27. Operating leases

The Group rents offices under irrevocable operating lease agreements, The related lease terms are between 5 and 10 years and most are renewable at the end of the lease term at market rents,

Minimum future payments on irrevocable operating leases are as follows:

	2015	2014
Less than 1 year	18,530	18,642
Between 1 and 5 years	17,023	21,004
Over 5 years	-	-

Operating lease expense recognised in the income statement amounted to €46,279 k (2014: €44,219 k) and corresponds in its entirely to minimum lease payments,

28. Finance income and finance cost

	2015	2014
Financial revenue		
Interest on short term bank deposits and others	6,242	6,093
Net gains /(losses) on the fair value of financial instruments at fair value with changes in income and others,	(981)	2,511
	5,261	**8,604**
Net gains on foreign currency transactions,	431	3,581
	431	**3,581**
Financial expenses		
Interest payable on bank loans and others,	(4,195)	(3,579)
	(4,195)	**(3,579)**
	1,497	**8,606**

Note 10 sets forth the impact on finance income and cost of foreign currency hedges, This impact is recorded as part of the operating profit,

29. Income tax expense

On 30 September 1993, the Spanish tax authorities authorised the following companies to apply the tax

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consolidation regime: Técnicas Reunidas, S,A,, Técnicas Reunidas Internacional, S,A,, Termotécnica, S,A,, Técnicas Reunidas Construcciones y Montajes, S,A, and Técnicas Reunidas Ecología, S,A, Subsequently, in 1994, Técnicas Siderúrgicas, S,A,, Española de Investigación y Desarrollo, S,A, and Técnicas Reunidas Proyectos Internacionales, S,A, were included in the tax consolidation regime, The tax group was enlarged in 1998 to include Técnicas Reunidas Metalúrgicas, S,A, and, in 1999, Layar, S,A,, Layar Castilla, S,A, and Layar Real Reserva, S,A,, Eurocontrol, S,A, and ReciclAguilar, S,A, were included in 2003 and Initec Plantas Industriales, S,A, and Initec Infraestructuras, S,A, in 2005, In 2007, Layar Castilla, S,A, left the tax group and in 2015 EUROCONTROL International Services, S,L and Euromoody International Services S,L,

For the purpose of calculating the tax base of the tax group and the different individual companies included in the consolidation scope, the accounting result is adjusted according to the permanent and temporary differences that may exist, leading to the corresponding assets and liabilities deferred taxes, They arise as a result of homogenizing valuation criteria and accounting principles between individual companies and of the consolidated, which are applicable to the parent company,

Current tax liabilities reflect corporate tax, VAT, personal income tax, social security and other tax balances amounting to 41,876 thousand euro at 31 December 2015 (47,945 thousand euro at 31 December 2014),

The income tax breaks down as follows:

	2015	2014
Current tax	97,749	58,539
Deferred tax	(77,973)	(27,280)
Fiscal	5,870	
Other years adjustments	(3,495)	
	22,151	**31,259**

Income tax expense as a percentage of the Group’s pre-tax profit differs from the theoretical amount that would have been obtained had the statutory tax rate applicable to the consolidated companies’ profits been applied, as reconciled below:

	2015	2014
Profit before taxes	**82,347**	**165,718**
Taxes calculated at tax rate applicable to the parent company's profits		49,715
Efectos impositivos de:		
- Tax exempt	(32,427)	(22,472)
Losses incurred by permanent establishments,	13,476	4,899
Non-deductible expenses for tax purposes	113	618
Effect of different tax rates in other countries	14,640	(5,609)
Losses for which no tax credit has been recognised	514	5,947
- Adjustment fiscal	7,335	1,456
Positive taxable bases in companies with prior tax losses not capitalised	(6,704)	-
Deductions applied and unrecoverable withholdings	(1,289)	(5,640)
- Fiscal contingencies	5,870	-
- IS last year	(3,495)	-
- Other	1,060	2,345
Tax expense	**22,151**	**31,259**

The effective tax rate has been 24% (19% in 2015):

The deferred tax assets and liabilities is:

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Deferred tax assets and liabilities	2015	2014
Deferred income tax assets		
- to be recovered after more than 12 months	186,730	81,889
- to be recovered within 12 months	-	-
	186,730	**81,889**
Deferred income tax liabilities		
- to be recovered after more than 12 months	11,500	39,178
- to be recovered within 12 months	-	-
	11,500	**39,178**

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

	Activo	Pasivo
A 1 de enero de 2014	**37,852**	**10,204**
Charged to the income statement	(2,572)	-
Credited to the income statement	35,699	5,847
Charged directly to equity	14,078	-
	(3,168)	23,127
A 31 de diciembre de 2014	**81,889**	**39,178**
Charged to the income statement	(21,881)	(5,736)
Credited to the income statement	106,131	1,347
Charged directly to equity	12,076	(163)
Other movements	8,515	(23,126)
A 31 de diciembre de 2015	**186,730**	**11,500**

The origin of recognised deferred tax assets and liabilities is analysed below:

	2015	2014
Unused tax losses carried forward	117,414	19,775
Tax credits arising from temporary differences:	4,411	
- Provisions for liabilities and charges	6,701	10,257
- Pension plans	2,330	2,758
- Standardisation of project assessments and other	27,034	31,860
- Hedging reserve	27,222	15,566
- Other items	1,618	1,674
	186,730	**81,889**

Liabilities

	2015	2014
Hedging reserve	1,605	23,126
- Standardisation of project assessments and other	9,895	16,052
	11,500	**39,178**

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

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The tax credits for available tax loss carryforwards at 31 December 2015 and 2014 are shown below, broken down by geographical area:

	2015	2014
Spain	79,776	1,775
Oriente medio	27,097	-
America	-	-
Asia	-	-
Europe	9,868	18,000
Mediterranean	673	-
Total	**117,414**	**19,775**

There is no legal time limit for deducting tax loss carryfowards according to tax laws in Spain or Saudi Arabia,

These tax credits are expected to be recovered in less than 10 years since there is a plan in place to liquidate these branch offices even sooner than that,

The details of the cumulative negative taxable bases from foreign subsidiaries for which the Group has not recognised any tax assets,

	2015		2014	
	Base	**Cuota**	**Base**	**Cuota**
Portugal	34,986	8,747	32,189	8,047
Malasia	2,741	685	-	-
Bolivia	94,404	23,601	-	-

The taxable bases are normally recovered by the parent when the subsidiaries are liquidated, In Spain, there is currently no time limit for such recovery, In the process of evaluating the potential recovery, management does not consider capitalising these balances at the year end since the liquidation dates of the subsidiaries cannot be reliably estimated,

The deferred taxes generated by operations charged or paid directly against equity in fiscal year 2015 totalled 0 euros (2014: €56,000),

The tax charge/credits relating to the items comprising other comprehensive income are set forth below:

	2015			2014		
	Before tax	**Tax (charge)/ credit**	**After tax**	**Before tax**	**Tax (charge)/ credit**	**After tax**
Cash flow hedges	(56,040)	12,092	(43,948)	(59,864)	14,995	(44,869)
Currency translation differences	14,142		14,142	6,814		6,814
Actuarial gains/(losses)	-	-	-	(186)	56	(130)
Other comprehensive income	**(41,898)**	**12,092**	**(29,806)**	**(38,241)**	**56**	**(38,185)**
Current tax	-	-	-	-	-	-
Deferred tax	-	12,092	-	-	56	-

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At 31 December 2015 and 2014, the Group has no unused tax credits,

On 28 June 2014 the tax agency informed Técnicas Reunidas, S,A,, as the Tax Group's parent, of the start of inspection proceedings in connection with corporate income tax for the years 2008-2011,

On 15 June 2015 the Company received a proposed tax assessment in the amount of €136,2 million plus interest, which it signed in disagreement, The assessment is based on the tax authorities' disagreement with the principles used by the Group to support its transfer pricing study,

On 10 July 2015, the proposed assessment was appealed to the tax authorities, which rejected the appeal, The Company then filed an appeal against the decision with the courts,
It is the opinion of the Company's management and its tax advisers that it is unlikely that the tax assessment will have to be paid, Management believes that there are technical arguments to support the position of Técnicas Reunidas and that the Company's chances for success are even greater in the contentious administrative appeals process, The criterion of Técnicas Reunidas is based on the fact that the assessments signed in 2010 recognised the right to exclude the Joint Ventures in which the Técnicas Reunidas Group operates abroad and also defined the intergroup transactional model that was used by Técnicas Reunidas, with the help of its tax advisers, to develop a new transfer pricing model, In addition to the technical arguments that support this position, it is important to note that the model currently under inspection was devised on the basis of the points made by the tax authorities in the assessments signed with the tax agency in 2010,
Consequently, management believes there is no need to recognise any liability whatsoever,

As of the date of these Annual Account, the Company has not made any payments on the balances shown in the disputed tax assessments, Guarantees in the amount of €136,2 million euros for principal and €28,6 million in late interest were provided,

The inspection has been extended to include the VAT returns filed by Técnicas Reunidas, S,A, and Initec Plantas Industriales, S,A, in 2012 and 2013,

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

Tax	Years
Corporate income tax	2012 to 2015
Value added tax	2012 to 2015
Withholding tax	2012 to 2015
Other taxes	Last four years

As a result, among other things, of the different interpretations to which Spanish tax legislation lends itself, additional tax assessments may be raised in the event of a tax inspection, The Company's directors consider, however, that any additional assessments that might be made would not significantly affect these accounts,

Due to the amendment introduced by Law 27/2015, according to which the general corporate income tax rate falls from 30% to 28% for the tax periods starting on and after 1 January 2015, and to 25% for the tax periods starting on and after 1 January 2016, at 31 December 2015 deferred tax assets and liabilities have been adjusted on the basis of the amount expected to be recovered or paid, respectively, The impact of these adjustments has increased the corporate income tax expense by 7,445 thousand euro (2014: €1,456 k),

30. Earnings per share

a) Basic earnings per share

Basic earnings per share is calculated by dividing profit attributable to the equity holders of the parent by the weighted average number of ordinary shares in the year, excluding treasury shares acquired by the parent company,

b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, Given that the parent does not hold

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any class of potentially dilutive ordinary shares, diluted earnings per share coincides with the basic earnings per share,

	2015	2014
Profit attributable to owners of the parent	59,364	135,590
Weighted average number of ordinary shares in issue	53,717,626	53,741,676
Basic earnings per share (€ per share)	1,11	2,52

31. Dividend per share

In 2015 the dividends paid against 2014 profits amounted to €75,000 k (of which €35,846 k was declared in 2014 and paid as an interim dividend), which translates into a dividend per share of €1,39,

In 2014 the dividends paid against 2013 profits amounted to €75,000 k (of which €35,846 k was declared in 2013 and paid as an interim dividend), which translates into a dividend per share of €1,39,

The dividend against 2014 profits to be submitted to the general meeting called in 2015 to ratify the accompanying consolidated annual accounts is estimated at €75,000 k (of which €35,846 k was declared in 2014 as an interim dividend), which translates into a dividend per share of €1,39, This per share calculation will be modified on the basis of the treasury shares held on the dividend payment date,

32. Contingencies and guarantees furnished

The Group has contingent liabilities relating to bank sureties and other guarantees granted during the ordinary course of business, The contingent liabilities are not expected to give rise to additional material liabilities other than those already provisioned, as disclosed in Note 23, In the ordinary course of the Group's activities, as is common practice with engineering and construction companies, the Group extended guarantees to third parties totalling €4,270,073 k (2014: €2,980,964 k) in order to duly guarantee contract delivery,

In accordance with the general terms of contracting, the parent company and Group companies are required to provide technical guarantees for the execution of works, in cash or in the form of bank guarantees, which must be upheld for a specified period,

As detailed in Note 21, borrowings totalling €24,172 k (€27,200 k at year-end 2014) fund the construction of concession assets, These loans are secured by the concession assets (Note 7),

The tax authorities continued their examination of Técnicas Reunidas, S,A, for corporate tax (2008 to 2011) and other taxes (2009 to 2011), as well as VAT (2012 to 2013) for Técnicas Reunidas, S,A, and Initec Plantas Industriales, S,A, Consequently, the Group is open to inspection of its corporate tax returns for 2012 through 2015 and other taxes for 2012 through 2015,

With regard to the tax inspection mentioned above, as of the date of these annual accounts, the Group had received a proposed assessment in the amount of €136,2 million plus interest, which it signed in disagreement, Guarantees in the amount of €136,2 million euros for principal and €28,6 million in late interest were provided, (Note 29),

The Group is a party to certain legal disputes in the course of its ordinary operations (with customers, employees, tax and governmental authorities), The opinion of the Group's external legal advisers is that the outcomes of these cases will not have a significant effect on the Group's equity,

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

As regards the Hellenic Project in Greece, arbitration proceedings were initiated by Técnicas Reunidas to collect the payment of an 18 million euro balance for the engineering and supervisory service project completed in 2013, The claim was subsequently disputed by the client, Management has conducted an evaluation and determined that there is no risk of insolvency on the part of the end customer

33. Commitments

Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is not material,

Operating and finance lease commitments

The Group rents several premises under irrevocable operating lease agreements, These leases have variable terms, segment clauses and renewal rights, The Group is required to provide six months' termination notice on these agreements (Note 27),

The Group's finance lease obligations are detailed in Note 20,

Purchase commitments (suppliers and subcontractors)

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

Information on weighted average days to pay suppliers, third additional provision of Law 15/2010 of 5 July: «Duty to inform»,

As stipulated in the law of reference and in the resolution of 4 February 2016, the following information is provided on the weighted average days to pay suppliers:

	2015
	Days
Period of accounts payable	64
Ratio de paid operations	64
Ratio of operations not paid	62
	Amount (thousand EUR)
Total paid	1,450,271
Total unpaid	219,390

The Company is complying with the legally-mandated payment terms, with minor delays on invoices that do not meet the contractual conditions, either due to lack of official approval, missing guarantees or failure on the part of the supplier to meet other obligations under the signed order service agreement, Minor payment delays can be caused by any of these issues,

The information shown on the table above was calculated as stipulated in the resolution of 4 February 2016, For the purposes of this note, the concept of trade payables includes the miscellaneous suppliers and creditors

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for amounts owed to the supplier of goods or services including the scope of the regulation governing payment deadlines,

To calculate the information shown in this note, the Group considered the transactions with Group suppliers after eliminating the reciprocal credits and debits of subsidiaries and other Group companies as stipulated in the applicable consolidation standards,

The table above shows the information for Spanish companies included in the consolidation group only,

Since the resolution only took effect this year, there is no comparative information available for this new obligation, since these consolidated annual accounts are considered first time accounts only inasmuch as the application of the principle of uniformity and the comparability requirement are concerned,

34. Related-party transactions

Transactions with related parties in 2015 and 2014 arose in the ordinary course of business, The following transactions were carried out with related parties:

a) Transactions with the Company's core shareholders

The Company did not carry out any transactions with primary shareholders in 2015 or 2014,

b) Transactions with Company directors and officers

There were no transactions with the Company's Directors in 2015 or 2014,
Note 37 includes information related to the compensation paid to Técnicas Reunidas, S,A, board members as company directors,

Senior management pay

In 2015, remuneration paid to the Group's senior management in respect of fixed and variable compensation totalled €4,530 k (2014 comparative: €4,113 k), Advances to senior management totalled €0k (2013: €0k),

c) Transactions with associates
Set out below is a breakdown of balances and transactions with the associates included in Exhibit II:

	2015				2014			
	Trade receivables	Payable to suppliers	Purchases	Sales	Trade receivables	Payable to suppliers	Purchases	Sales
Empresarios Agrupados, A,I,E,	761	-	6,961	2,625	905	27	8,054	2,109
E,A, Internacional, S,A,	6,761	33	36	10,752	4,830	104	94	11,054
Ibérica del Espacio, S,A,	1,005	-	-	309	2,224	-	-	301

35. Joint ventures

The Group has interests in the joint ventures listed in Exhibit III, The amounts set out below represent the Group's percentage interest in the assets, liabilities, revenues and profits of the joint ventures:

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Assets:	**2015**	**2014**
Non-current assets	1,359	1,086
Current assets	69,079	54,506
Total assets	**70,438**	**55,592**
Liabilities:		
Non-current liabilities	1,298	178
Current liabilities	59,946	50,865
Total liabilities	**61,244**	**51,043**
Net assets (liabilities)	**9,194**	**4,549**
Revenue	128,007	25,037
Expenses	(122,421)	(23,288)
Profit/(loss) after taxes	**5,586**	**1,749**

There are no contingent liabilities in relation to the Group's shareholdings in joint ventures, nor contingent liabilities in the joint ventures themselves,

Temporary joint ventures (UTEs)

The Group has interests in the UTEs listed in Exhibit IV, The amounts set out below represent the Group's percentage interest in the assets, liabilities, revenues and profits of the UTEs:

Assets:	**2015**	**2014**
Non-current assets	59,961	38,598
Current assets	1,609,916	1,227,221
	1,669,877	**1,265,819**
Liabilities:	**2015**	
Non-current liabilities	18,801	18,897
Current liabilities	1,310,828	1,216,640
	1,329,629	**1,235,537**
Net assets (liabilities)	**340,248**	**30,282**
Revenue	1,956,050	1,055,571
Expenses	(1,732,786)	(1,000,588)
Profit after tax	**223,264**	**54,983**

There are no contingent liabilities in relation to the Group's shareholdings in the UTEs, nor contingent liabilities in the UTEs themselves,

36. Environmental disclosures

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

37. Other information

a) Average Group headcount by category

Average headcount during the year at the companies accounted for using the full method of consolidation, by professional category:

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	2015	2014
Directors and senior management	25	25
Graduates, diploma holders and administrative staff	7,702	7,182
Skilled workers	1,053	987
Sales staff	40	37
	8,820	**8,231**

Average headcount during the year at the companies accounted for using the equity method, by professional category:

	2015	2014
Directors and senior management	-	-
Graduates, diploma holders and administrative staff	324	337
Skilled workers	36	29
Sales staff	9	4
	369	**370**

The breakdown of the year-end headcount at fully consolidated Group companies by gender:

	2015			2014		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Directors and senior management	23	2	25	23	2	25
Graduates, diploma holders and administrative staff	5,426	2,641	8,067	5,093	2,370	7,463
Skilled workers	608	475	1,083	588	438	1,026
Sales staff	25	15	40	26	12	38
	6,082	**3,133**	**9,215**	**5,730**	**2,822**	**8,552**

Figures above include 1327 subcontracted employees (2014: 2,065 employees),

The average number employees at consolidated companies that had a disability of a severity of 33% or higher in 2015 and 2014 is as follows:

	2015	2014
Senior managers		-
Graduates, diploma holders and administrative staff	18	19
Skilled workers		1
Sales staff		-
	18	20

b) Audit fees

Fees accrued for audit services rendered to Group companies in 2015 with their auditors and other auditing firms, are detailed below:

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	2015	2014
Audit PWC	878	696
Auditors others	245	56
Other Works different assurance pwc	586	263
	1,709	**1,015**

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

The directors of the parent company have no disclosures to make with respect to the contents of Article 229 of the Spanish Corporate Enterprises Act, enacted by means of Legislative Royal Decree 1/2010 of 2 July 2010, except for the following:

- Mr, José Lladó Fernández-Urrutia is the Chairman of Técnicas Reunidas Internacional, S,A,
- Juan Lladó Arburúa is a non-executive director of Initec Plantas Industriales, S,A,U, Initec Infraestructuras, S,A,U, Empresarios Agrupados Internacional, S,A,, Técnicas Reunidas Internacional, S,A, Española de Investigación y Desarrollo, S,A, and Eurocontrol, S,A, He is also member of the directors' committee of Empresarios Agrupados A,I,E, and is vice-chairman of Técnicas Reunidas Internacional, S,A and Eurocontrol, S,A,, as well as sole director of Técnicas Reunidas Proyectos Internacionales, S,A,
- Mr, Javier Gómez Navarro is a non-executive Director of Grupo Isolux Corsán, S,A,
- Mr, William Blaine Richardson is a non-executive director who sits on the International Advisory Committee of Abengoa S,A,

e) Compensation paid to members of the Company's Board of Directors

There follows information on total compensation paid to members of the Company's Board of Directors during the year ended 31 December 2015 and 2014:

- Board meeting attendance fees received by all board members: €1,131k (2014: €1,082k),
- Wages and salaries: €1,705k (2014: €1,121k),
- Insurance premiums and pension plans: €7k (2014: €13k),
- Services rendered to the Group: €257k (2014: €134 k),

38. Events after the balance sheet date

Between 31 December 2015 and the date of authorising these annual accounts for issue, no significant events have occurred that required disclosure.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2015

Exhibit I

Subsidiaries included in the scope of consolidation – 2015

Company name	Registered business address	Ownership interest, %	Shareholding company	Consol, method	Business	Auditor
Técnicas Reunidas Internacional, S,A,	Madrid	100%	Técnicas Reunidas, S,A,	FULL	Engineering Services	PwC
Termotécnica, S,A,	Madrid	99,98%	Técnicas Reunidas, S,A, y Técnicas Reunidas Construcción y Montaje, S,A,	FULL	Engineering services and machinery wholesaler	Unaudited
Técnicas Reunidas Construcción y Montaje, S,A,	Madrid	100%	Técnicas Reunidas, S,A,	FULL	Real Estate development	Unaudited
Técnicas Reunidas Ecología, S,A,	Madrid	100%	Técnicas Reunidas, S,A,	FULL	Engineering Services	PwC
Técnicas Reunidas Metalúrgicas, S,A,	Madrid	100%	Técnicas Reunidas, S,A,	FULL	Engineering Services	Unaudited
Técnicas Reunidas Trade Panamá, S,A,	Panamá	100%	Técnicas Reunidas, S,A,	FULL	Dormant	Unaudited
Técnicas Siderúrgicas, S,A,	Madrid	100%	Técnicas Reunidas Construcción y Montaje, S,A,	FULL	Engineering Services	Unaudited
Técnicas Reunidas Proyectos Internacionales, S,A,	Madrid	100%	Técnicas Reunidas, S,A,	FULL	Engineering Services	Unaudited
Española de Investigación y Desarrollo, S,A,	Madrid	100%	Técnicas Reunidas, S,A,	FULL	Engineering Services	PwC
Layar, S,A,	Madrid	100%	Técnicas Reunidas, S,A,	FULL	Real Estate	Unaudited
Layar Real Reserva, S,A,	Madrid	100%	Layar, S,A,	FULL	Real Estate	Unaudited
Eurocontrol, S,A,	Madrid	80%	Layar, S,A y Layar Real Reserva, S,A,	FULL	Inspection, Quality Control & Technical Advisory	Acisa
Initec Plantas Industriales, S,A,	Madrid	100%	Técnicas Reunidas, S,A,	FULL	Engineering Services	PwC
Initec Infraestructuras, S,A,	Madrid	100%	Técnicas Reunidas, S,A,	FULL	Engineering Services	PwC
Técnicas Reunidas Chile Ltda,	Chile	100%	Initec Plantas Industriales, S,A,	FULL	Engineering Services	PwC
ReciclAguilar, S,A,	Madrid	80%	Técnicas Reunidas, S,A,	FULL	Engineering Services	Unaudited
Técnicas Reunidas Gulf Ltd, – Arabia Saudí	Yedah	100%	Técnicas Reunidas, S,A,	FULL	Engineering Services	PwC
TR Engineering LLC – Oman	Muscat	49%	Initec Plantas Industriales, S,A,	FULL	Engineering Services	PwC

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Exhibit I

Company name	Registered business address	Ownership interest, %	Shareholding company	Consol, method	Business	Auditor
Técnicas Reunidas Omán LLC	Muscat	70%	Initec Plantas Industriales, S,A	FULL	Engineering Services	PwC
Técnicas Reunidas Hellas, S,A – Grecia	Athens	100%	Tecnicas Reunidas, SA	FULL	Engineering Services	PwC
Tecnicas Reunidas Netherlands B,V	La Haya	100%	Técnicas Reunidas, S,A,	FULL	Engineering Services	PwC
Técnicas Reunidas de Construcao Unip, LDA - Portugal	Lisbon	100%	Técnicas Reunidas, S,A,	FULL	Engineering Services	PwC
Técnicas Reunidas Australia Pty Ltd	Perth	100%	Técnicas Reunidas, S,A,	FULL	Engineering Services	Unaudited
Técnicas Reunidas TEC – Bolivia	Santa Cruz	100%	Técnicas Reunidas, S,A, / Initec Plantas Industriales, S,A,	FULL	Engineering Services	PwC
Técnicas ReunidasR RUP INSAAT TAAHHÜT Limited Sirketi	Istambul	100%	Técnicas Reunidas, S,A, / Initec Plantas Industriales, S,A,	FULL	Engineering Services	PwC
Técnicas Reunidas Dufi CCGT Kft	Budapest	10%	Técnicas Reunidas, S,A, / Initec Plantas Industriales, S,A,	FULL	Engineering Services	Unaudited
TR Canada Inc	Alberta	100%	Técnicas Reunidas, S,A, / Initec Plantas Industriales, S,A,	FULL	Engineering Services	PwC
TR Arabia Saudi LLC	Yedah	100%	Técnicas Reunidas, S,A, / Técnicas Reunidas Proyectos Internacionales, S,A,	FULL	Engineering Services	PwC
Técnicas Reunidas Saudia for Services and Contracting Company Limited	Saudi Arabia	100%	Técnicas Reunidas, S,A, / Técnicas Reunidas Proyectos Internacionales, S,A,	FULL	Engineering Services	PwC
Treunidas Mühendislik ve İnsaat A,S	Istambul	100%	Técnicas Reunidas, S,A,	FULL	Engineering Services	Unaudited
Técnicas Reunidas engineers India private limited (TREI)	New Delhi	100%	Técnicas Reunidas, S,A,	FULL	Consultoría y asistencia en proyectos internacionales de ingeniería	LUTHRA-LUTHRA
Tecreun República Dominicana, S,R,L,	Dominican Republic	100%	Técnicas Reunidas, S,A, / Initec Plantas Industriales, S,A,	FULL	Engineering Services	PwC
TR Perú Ingeniería y Construcción S,A,C,	Peru	100%	Técnicas Reunidas, S,A, / Initec Plantas Industriales, S,A,	FULL	Engineering Services	Unaudited
TReunidas México Ingeniería y Construcción de R,L, de C,V,	México	100%	Técnicas Reunidas, S,A, / Initec Plantas Industriales, S,A,	FULL	Engineering Services	Unaudited
Técnicas Reunidas de Talara, S,A,C,	Peru	100%	Técnicas Reunidas, S,A, / Initec Plantas Industriales, S,A,	FULL	Engineering Services	PwC
Técnicas Reunidas Malaysia SDN,	Malaysia	100%	Técnicas Reunidas, S,A, / Initec Plantas Industriales, S,A,	FULL	Engineering Services	PwC

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Exhibit I

TR Servicios S,R,L, de C,V,	México	100%	Técnicas Reunidas, S,A, / Initec Plantas Industriales, S,A,	FULL	Engineering Services	Unaudited
Técnicas Reunidas USA L,L,C,	USA	100%	Técnicas Reunidas, S,A,	FULL	Servicios de Ingeniería	Unaudited
TR Louisiana L,L,C,	USA	100%	Técnicas Reunidas USA L,L,C,	FULL	Servicios de Ingeniería	Unaudited
Técnicas Reunidas Houston L,L,C,	USA	100%	Técnicas Reunidas USA L,L,C,	FULL	Servicios de Ingeniería	Unaudited
Heymo Ingeniería, S, A,	Madrid	100%	Técnicas Reunidas, S, A,	FULL	Servicios de Ingeniería	PwC
Técnicas Reunidas Ghana	Ghana	100%	Técnicas Reunidas Netherlands B,V,	FULL	Servicios de Ingeniería	Unaudited
Eurocontrol International Services, S,L,	Madrid	100%	Eurocontrol, S,A,	FULL	Servicios de Ingeniería	Unaudited
Euromoody International Services, S,L,	Madrid	100%	Eurocontrol, S,A,	FULL	Servicios de Ingeniería	Unaudited
TR do Brazil Participaçoes	Brasil	100%	Técnicas Reunidas, S,A, / Initec Plantas Industriales, S,A,	FULL	Servicios de Ingeniería	Unaudited

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Exhibit I

Subsidiaries included in the scope of consolidation – 2014

Company name	Registered business address	Ownership interest, %	Shareholding company	Consol, method	Business	Auditor
Técnicas Reunidas Internacional, S,A,	Madrid	100%	Técnicas Reunidas, S,A,	FULL	Engineering services	PwC
Termotécnica, S,A,	Madrid	99,98%	Técnicas Reunidas, S,A, y Técnicas Reunidas Construcción y Montaje, S,A,	FULL	Engineering services and machinery wholesaler	Unaudited
Técnicas Reunidas Construcción y Montaje, S,A,	Madrid	100%	Técnicas Reunidas, S,A,	FULL	Real Estate development	Unaudited
Técnicas Reunidas Ecología, S,A,	Madrid	100%	Técnicas Reunidas, S,A,	FULL	Engineering services	PwC
Técnicas Reunidas Metalúrgicas, S,A,	Madrid	100%	Técnicas Reunidas, S,A,	FULL	Engineering services	Unaudited
Técnicas Reunidas Trade Panamá, S,A,	Panama	100%	Técnicas Reunidas, S,A,	FULL	Dormant	Unaudited
Técnicas Siderúrgicas, S,A,	Madrid	100%	Técnicas Reunidas Construcción y Montaje, S,A,	FULL	Engineering services	Unaudited
Técnicas Reunidas Proyectos Internacionales, S,A,	Madrid	100%	Técnicas Reunidas, S,A,	FULL	Engineering services	Unaudited
Española de Investigación y Desarrollo, S,A,	Madrid	100%	Técnicas Reunidas, S,A,	FULL	Engineering services	PwC
Layar, S,A,	Madrid	100%	Técnicas Reunidas, S,A,	FULL	Real Estate	Unaudited
Layar Real Reserva, S,A,	Madrid	100%	Layar, S,A,	FULL	Real Estate	Unaudited
Eurocontrol, S,A,	Madrid	80%	Layar, S,A y Layar Real Reserva, S,A,	FULL	Inspection, Quality Control & Technical Advisory	Acisa
Initec Plantas Industriales, S,A,	Madrid	100%	Técnicas Reunidas, S,A,	FULL	Engineering services	PwC
Initec Infraestructuras, S,A,	Madrid	100%	Técnicas Reunidas, S,A,	FULL	Engineering services	PwC
Técnicas Reunidas Chile Ltda,	Chile	100%	Initec Plantas Industriales, S,A,	FULL	Engineering services	PwC
ReciclAguilar, S,A,	Madrid	80%	Técnicas Reunidas, S,A,	FULL	Engineering services	Unaudited

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Exhibit I

Company name	Registered business address	Ownership interest, %	Shareholding company	Consol, method	Business	Auditor
TR Engineering LLC – Oman	Muscat	49%	Initec Plantas Industriales, S,A,	FULL	Engineering services	PwC
Técnicas Reunidas Omán LLC	Muscat	70%	Initec Plantas Industriales, S,A,	FULL	Engineering services	PwC
Técnicas Reunidas Hellas, S,A, – Greece	Athens	100%	Técnicas Reunidas, S,A,	FULL	Engineering services	PwC
Técnicas Reunidas Netherlands B,V	The Hague	100%	Técnicas Reunidas, S,A,	FULL	Engineering services	PwC
Técnicas Reunidas de Construçao Unip, LDA - Portugal	Lisboa	100%	Técnicas Reunidas, S,A,	FULL	Engineering services	PwC
Técnicas Reunidas Australia Pty Ltd,	Melbourne	100%	Técnicas Reunidas, S,A,	FULL	Dormant	PwC
Técnicas Reunidas TEC – Bolivia	Santa Cruz	100%	Técnicas Reunidas, S,A,	FULL	Engineering services	PwC
Técnicas ReunidasR RUP INSAAT TAAHHÜT Limited Sirketi	Istambul	80%	Técnicas Reunidas, S,A,	FULL	Engineering services	PwC
Técnicas Reunidas Dufi CCGT Kft	Budapest	80%	Técnicas Reunidas, S,A:	FULL	Engineering services	Unaudited
TR Canada Inc	Alberta	100%	Técnicas Reunidas, S,A,	FULL	Engineering services	Unaudited
TR Arabia Saudi LLC	Jeddah	100%	Técnicas Reunidas, S,A, / Técnicas Reunidas Proyectos Internacionales, S,A,	FULL	Engineering services	PwC
Técnicas Reunidas Saudia for Services and Contracting Company Limited	Saudi Arabia	100%	Técnicas Reunidas, S,A, / Técnicas Reunidas Proyectos Internacionales, S,A,	FULL	Engineering services	PwC
Treunidas Mühendislik ve İnsaat A,S	Istambul	100%	Técnicas Reunidas, S,A,	FULL	Engineering services	PwC
Técnicas Reunidas engineers India private limited (TREI)	New Delhi	100%	Técnicas Reunidas, S,A,	FULL	Advisory and assistance in international engineering projects	LUTHRA-LUTHRA

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Exhibit II

Associates included in the scope of consolidation - 2015

Company name	Registered business address	Ownership interest, %	Shareholding company	Consol, method	Business	Auditor
Layar Castilla, S,A,	Madrid	25,39%	Técnicas Reunidas, S,A,	P, Eq,	Real Estate	Unaudited
Empresarios Agrupados, A,I,E,	Madrid	43,00%	Técnicas Reunidas, S,A,	P, Eq,	Engineering services	PwC
Empresarios Agrupados Internacional, S,A,	Madrid	43,00%	Técnicas Reunidas, S,A, y TR Proyectos Internacionales, S,A,	P, Eq,	Engineering services	PwC
Ibérica del Espacio, S,A,	Madrid	47,45%	Técnicas Reunidas, S,A, y TR Proyectos Internacionales, S,A,	P, Eq,	Engineering services	PwC
Proyectos Ebramex, S, de R,L, de C,V,	Mexico D,F	33,33%	Técnicas Reunidas, S,A,	P, Eq,	Engineering services	PwC
Minatrico, S, de R,L, de C,V,	Mexico D,F	33,33%	Técnicas Reunidas, S,A,	P, Eq,	Engineering services	PwC
Máster S,A, de ingeniería y Arquitectura	Barcelona	40,00%	Técnicas Reunidas, S,A,	P, Eq,	Engineering services	Unaudited
Heymo Ingeniería, S, A,	Madrid	39,98%	Técnicas Reunidas, S, A,	P, Eq,	Engineering services	PwC

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Exhibit II

Associates included in the scope of consolidation – 2014

Company name	Registered business address	Ownership interest, %	Shareholding company	Consol, method	Business	Auditor
Layar Castilla, S,A,	Madrid	25,39%	Técnicas Reunidas, S,A,	Equity	Real estate development	Unaudited
Empresarios Agrupados, A,I,E,	Madrid	43,00%	Técnicas Reunidas, S,A,	Equity	Engineering services	PwC
Empresarios Agrupados Internacional, S,A,	Madrid	43,00%	Técnicas Reunidas, S,A, and TR Proyectos Internacionales, S,A,	Equity	Engineering services	PwC
Ibérica del Espacio, S,A,	Madrid	47,45%	Técnicas Reunidas, S,A, and TR Proyectos Internacionales, S,A,	Equity	Engineering services	PwC
Proyectos Ebramex, S, de R,L, de C,V,	Mexico D,F	33,33%	Técnicas Reunidas, S,A,	Equity	Engineering services	PwC
Minatrico, S, de R,L, de C,V,	Mexico D,F	33,33%	Técnicas Reunidas, S,A,	Equity	Engineering services	PwC
Máster S,A, de ingeniería y Arquitectura	Barcelona	40,00%	Técnicas Reunidas, S,A,	Equity	Engineering services	Unaudited

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Exhibit III

Joint ventures included in the scope of consolidation – 2015

Company name	Registered business address	Ownership interest, %	Venturer	Consol, method	Business	Auditor
KJT Engeharia Materiais	Madeira	33,33%	Técnicas Reunidas, S, A,	Proporcional	Engineering services	Deloitte
Damietta LNG Construction	Damietta	33,33%	Técnicas Reunidas, S, A,	Proporcional	Engineering services and project execution	E&Y
Construcción e Ingeniería D,I, Ltda,	Santiago	50,00%	Técnicas Reunidas Chile, S,A,	Proporcional	Engineering services	Unaudited
Construcción e Ingeniería FIM Ltda,	Santiago	33,33%	Técnicas Reunidas Chile, S,A,	Proporcional	Engineering services and project execution	Unaudited
Construcción e Ingeniería FI Ltda,	Santiago	50,00%	Técnicas Reunidas Chile, S,A,	Proporcional	Engineering services and project execution	Unaudited
TSGI Mühendislik İnşaat Limited Şirketi	Istambul	30%	Técnicas Reunidas, S, A,	Proporcional	Engineering services	PwC

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2015

Exhibit III

Joint ventures included in the scope of consolidation - 2014

Company name	Registered business address	Ownership interest, %	Venturer	Consol, method	Business	Auditor
Heymo Ingeniería, S, A,	Madrid	39,98%	Técnicas Reunidas, S, A,	Proportionate	Engineering services	PwC
KJT Engeharia Materiais	Madeira	33,33%	Técnicas Reunidas, S, A,	Proportionate	Engineering services	Deloitte
Damietta Project Management Co,	London	33,33%	Técnicas Reunidas, S, A,	Proportionate	Engineering services	KPMG
Damietta LNG Construction	Damietta	33,33%	Técnicas Reunidas, S, A,	Proportionate	Engineering services and project execution	E&Y
Construcción e Ingeniería D,I, Ltda,	Santiago	50,00%	Initec Chile, S,A,	Proportionate	Engineering services	Unaudited
Construcción e Ingeniería FIM Ltda,	Santiago	33,33%	Initec Chile, S,A,	Proportionate	Engineering services and project execution	Unaudited
Construcción e Ingeniería FI Ltda,	Santiago	50,00%	Initec Chile, S,A,	Proportionate	Engineering services and project execution	Unaudited
TSGI Mühendislik İnşaat Limited Şirketi	Istambul	30%	Técnicas Reunidas, S, A,	Proportionate	Engineering services	PwC

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2015

Exhibit III

UTEs and consortiums in which the consolidated companies have interests – 2015

Corporate name	Ownership interest	Corporate name	Ownership interest
TR FRANCIA BRANCH	100%	TR KHABAROVSK BRANCH	100%
UTE ALQUILACION CHILE	100%	UTE TR/SEG PROY,NT AENA	70%
UTE EP SINES	100%	UTE TR/ALTAMARCA/HMF C,ALCOBENDAS	34%
UTE HDT/HDK FASE II	100%	UTE TR/SENER PROEYCTO HPP GEPESA	60%
UTE HYDROCRACKER HUNGARY	100%	UTE TR/FERROVIAL LA PLANA DEL VENT	57%
UTE INITEC/TR JU'AYMAH GPE	100%	UTE TR/LOGPLAN A,T,AENA	55%
UTE INITEC/TR MEJILLONES	100%	UTE TR/PAI URBANIZACION CALAFELL	55%
UTE INITEC/TR PLANTAS HDT Y HCK	100%	EDIFICIO PIF AEROPUERTO BARCELONA	55%
UTE INITEC/TR RKF ARGELIA	100%	UTE INFRA/FULCRUM SRPHCS	51%
UTE INITEC/TR SAIH RAWL	100%	UTE INITEC INFRA/FULCRUM CUENCAS AT,ANDAL,	51%
UTE INITEC/TR TFT ARGELIA	100%	UTE CARGA ITOIZ	50%
UTE TR POWER	100%	UTE INITEC I,/GEOCART CATASTRO R,D,	50%
UTE TR/ALTAMARCA COMPLEJO LA VIÑA	100%	UTE INITEC I,/KV CONS,CONDUCCION DE TABERNAS	50%
UTE TR/ALTAMARCA PISCINA CUBIERTA	100%	UTE INITEC P,I,/SPIE CAPAG MEDGAZ	50%
UTE TR/ESPINDESA	100%	UTE INITEC/FOSTER ACONCAGUA II	50%
UTE TR/ESPINDESA - PEL SINES	100%	UTE IPI/ACCIONA 5º TANQUE CARTAGENA	50%
UTE TR/ESPINDESA - TR AKITA	100%	UTE PEIRAO XXI	50%
UTE TR/I,P,I, TR JUBAIL	100%	UTE PRESA ITOIZ	50%
UTE TR/I,P,I, ABUH DABIH –SAS	100%	UTE PRESA LOTETA	50%
UTE TR/I,P,I, C,P,BIO BIO	100%	UTE PROVER	50%
UTE TR/I,P,I, FENOLES KAYAN	100%	UTE RUZAFA	50%
UTE TR/I,P,I, OFFSITES ABUH DABIH	100%	UTE TR/ANETO RED NORTE OESTE	50%
UTE TR/INITEC DAMIETTA LNG	100%	UTE TR/ASFALTOSY CONS,APARCAM,ALCOBENDAS	50%
UTE TR/INITEC EBRAMEX INGENIERIA	100%	UTE TR/GDF AS PONTES	50%
UTE TR/INITEC INFRA CONS,COMP,LA VIÑA	100%	UTE TR/GDF BARRANCO DE TIRAJANA	50%
UTE TR/INITEC INFRA CONS,PC,HUERCAL OVERA	100%	UTE TR/GDF CTCC BESOS	50%
UTE TR/INITEC INFRA CONSTRUCCI,PARCELA S	100%	UTE TR/GDF CTCC PUERTO DE BARCELONA	50%
UTE TR/INITEC JV HAWIYAH GPE	100%	UTE TR/GUEROLA CENTRAL TERMOSOLAR	50%
UTE TR/INITEC KJT PR, LNG	100%	UTE TR/KV CON,PL,Y URB,ZALIA	50%
UTE TR/INITEC MINATRICO INGENIERIA	100%	UTE TR/RTA VILLAMARTIN	50%
UTE TR/INITEC P,I, JV TR RABIGH DP	100%	UTE TR/SEG PORTAS	50%
UTE TR/INITEC PROYECTO DGC CHILE	100%	UTE TR/SERCOAL CENTRO DE DIA	50%
UTE TR/INTERCONTROL VARIANTE PAJARES	80%	UTE TR/SERCOAL EDIFICIO SERVICIOS MULTIPLES	50%
UTE TR/IONICS RAMBLA MORALES	100%	UTE TR/TRIMTOR DEP,CAÑADA GALLEGO	50%
UTE TR/IPI ELEFSINAS	100%	UTE TR/TRIMTOR EDAR LIBRILLA	50%
UTE TR/IPI KHABAROVSK	100%	UTE VALORIZA TR SS2	50%

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2015

Exhibit III

UTE TR/IPI REFINERIA SINES GALP	100%	UTE PERELLO tr/vialobra	50%
UTE TR/TREC OPER,DESALADORA R,MORALES	50%	UTE ENSA/TR CAMBIADORES TAISHAN	50%
UTE TR/TT HORNOS RUSIA	100%	UTE ROSELL INFRA/COMAYPA	50%
UTE RUP TURQUIA	100%	UTE INITEC-INTRAESA Tramo II	50%
UTE TR YANBU REFINERY – TRYR	100%	UTE INITEC-INTRAESA Tramo I	50%
UTE TR ABU DHABI SHAH I	100%	UTE PARQUE RIBALTA	50%
UTE MARGARITA	100%	UTE COMAYPA INITEC TVR-CAS	50%
UTE TANQUE MEJILLONES	100%	UTE TR/GEA/SANHER EL CARAMBOLO,	40%
TR ABU DHABI SAS BRANCH	100%	UTE INITEC/FOSTER/MAN ACONCAGUA I	33%
UTE INITEC INFRA/BLC/FBA NAT AEROP,REUS	90%	UTE TRISA/AST, PET,/ODEBRECHT EBRAMEX SUMI,	33%
UTE TR/SOLAER I,S,F, MORALZARZAL	90%	UTE TRISA/AST, PET/,MINATRICO SUMINISTROS	33%
UTE TR/TECNORESIDUOS PT VALDEMINGOMEZ	90%	UTE IPI/TECHNIGAZ TZI CARTAGENA	30%
UTE TR/GEA COLECTOR PLUVIALES H,O,	80%	UTE TR/IONICS/TCOSA/CHSA DEP,OROPESA	25%
UTE INITEC I,/AN + PD S,C, AEROP,DE SANTIAGO	72%	VIETNAM	20%
UTE INFRA/INTECSA PTA CARGA LA LOTETA	50%	UTE PERLA VENEZUELA	100%
UTE TR INTEGRATED PROJECT (TRIP)	100%	JAZAN REFINERY AND T	100%
UTE TR VOLGOGRADO	100%	UTE TR/ESPINDESA - AUGUSTUS	100%
UTE Optara Total	100%	UTE TSGI	30%
UTE TSK TR ASHUGANJ NORTH	50%	UTE TR/SGS PISTA 18 R	50%
UTE INITEC INFRA/EVREN EVAL,RECURSOS	70%	UTE FORT HILLS	100%
UTE INITEC/PYCSA ALBERCA DEL JUCAR	50%	UTE TR-JJC	51%
UTE TR/ARDANUY ALGECIRAS	70%	UTE TR MINATITLAN	100%
UTE TR Rapid	100%	UTE TR Talara	100%
UTE TR Integrated gas	100%	JV Sohar	50%
UTE STURGEON	100%	JV Darsait	50%
TR MOSCU BRANCH	100%		

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2015

Exhibit III

UTEs and consortiums in which the consolidated companies have interests – 2014

Corporate name	Ownership interest	Corporate name	Ownership interest
TR FRANCIA BRANCH	100%	UTE INITEC INFRA/EVREN EVAL,RECURSOS	70%
TR KHABAROVSK BRANCH	100%	UTE INITEC/PYCSA ALBERCA DEL JUCAR	50%
TR MOSCU BRANCH	100%	UTE TR/ARDANUY ALGECIRAS	70%
UTE ALQUILACION CHILE	100%	UTE TR/SEG PROY,NT AENA	70%
UTE EP SINES	100%	UTE TR/ALTAMARCA/HMF C,ALCOBENDAS	34%
UTE HDT/HDK FASE II	100%	UTE TR/SENER PROEYCTO HPP GEPESA	60%
UTE HYDROCRACKER HUNGARY	100%	UTE TR/FERROVIAL LA PLANA DEL VENT	57%
UTE INITEC/TR JU'AYMAH GPE	100%	UTE TR/LOGPLAN A,T,AENA	55%
UTE INITEC/TR MEJILLONES	100%	UTE TR/PAI URBANIZACION CALAFELL	55%
UTE INITEC/TR PLANTAS HDT Y HCK	100%	EDIFICIO PIF AEROPUERTO BARCELONA	55%
UTE INITEC/TR RKF ARGELIA	100%	UTE INFRA/FULCRUM SRPHCS	51%
UTE INITEC/TR SAIH RAWL	100%	UTE INITEC INFRA/FULCRUM CUENCAS AT,ANDAL,	51%
UTE INITEC/TR TFT ARGELIA	100%	UTE CARGA ITOIZ	50%
UTE TR POWER	100%	UTE INITEC I,/GEOCART CATASTRO R,D,	50%
UTE TR/ALTAMARCA COMPLEJO LA VIÑA	100%	UTE INITEC I,/KV CONS,CONDUCCION DE TABERNAS	50%
UTE TR/ALTAMARCA PISCINA CUBIERTA	100%	UTE INITEC P,I,/SPIE CAPAG MEDGAZ	50%
UTE TR/ESPINDESA	100%	UTE INITEC/FOSTER ACONCAGUA II	50%
UTE TR/ESPINDESA - PEL SINES	100%	UTE IPI/ACCIONA 5º TANQUE CARTAGENA	50%
UTE TR/ESPINDESA - TR AKITA	100%	UTE PEIRAO XXI	50%
UTE TR/I,P,I, TR JUBAIL	100%	UTE PRESA ITOIZ	50%
UTE TR/I,P,I, ABUH DABIH –SAS	100%	UTE PRESA LOTETA	50%
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UTE TR/INITEC INFRA CONS,PC,HUERCAL OVERA	100%	UTE TR/GDF CTCC BESOS	50%
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UTE TR/INITEC MINATRICO INGENIERIA	100%	UTE TR/RTA VILLAMARTIN	50%
UTE TR/INITEC P,I, JV TR RABIGH DP	100%	UTE TR/SEG PORTAS	50%
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CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2015

Exhibit III

UTE TR/INTERCONTROL VARIANTE PAJARES	80%	UTE TR/SERCOAL EDIFICIO SERVICIOS MULTIPLES	50%
UTE TR/IONICS RAMBLA MORALES	100%	UTE TR/TRIMTOR DEP,CAÑADA GALLEGO	50%
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UTE TR/IPI KHABAROVSK	100%	UTE VALORIZA TR SS2	50%
UTE TR/IPI REFINERIA SINES GALP	100%	UTE PERELLO tr/vialobra	50%
UTE TR/TREC OPER,DESALADORA R,MORALES	50%	UTE ENSA/TR CAMBIADORES TAISHAN	50%
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TR ABU DHABI SAS BRANCH	100%	UTE INITEC/FOSTER/MAN ACONCAGUA I	33%
UTE INITEC INFRA/BLC/FBA NAT AEROP,REUS	90%	UTE TRISA/AST, PET,/ODEBRECHT EBRAMEX SUMI,	33%
UTE TR/SOLAER I,S,F, MORALZARZAL	90%	UTE TRISA/AST, PET/,MINATRICO SUMINISTROS	33%
UTE TR/TECNORESIDUOS PT VALDEMINGOMEZ	90%	UTE IPI/TECHNIGAZ TZI CARTAGENA	30%
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UTE TR VOLGOGRADO	100%	UTE TR/ESPINDESA - AUGUSTUS	100%
UTE Optara Total	100%	UTE TSGI	30%
UTE TSK TR ASHUGANJ NORTH	50%		

1. Financial figures

The Group prepares its consolidated annual accounts in accordance with International Financial Reporting Standards adopted by the European Union, IFRS-EU.

In 2015 the Group's net sales totalled €4,188 million, 33% more than last year due to a higher contribution from the contracts obtained in prior years. Operating profits totalled €86 million, which is 2.1% of revenues. Profits after-tax totalled €60 million, 55% less than in 2014.

2. Research and development activities

Técnicas Reunidas continues to make important R&D efforts in order to develop new technologies that allow it to obtain turnkey plants in new markets and differentiate itself from the competition in current markets by offering competitive advantages.

In 2015 the José Lladó Technological Centre, which is in full operation with new laboratories and pilot plant areas, has become one of the most modern and equipped centres in Spain for the business areas in which TR carries out R&D projects. The investments made over the past five years show TR's clear and decided commitment to R&D with a strategy based on the consolidation of mature technologies and the development of new technologies in various fields, using existing knowledge at the organization and making a commitment to diversification.

R&D expense in 2015 was higher than last year, around €4 million to maintain the R&D investment policy.

In 2015 Técnicas Reunidas participated in the following national and European projects on an individual basis or as part of strategic consortia:

- The European project GREENLION in which we develop technology for the recycling of batteries based on lithium chemistry and for which TR has a budget of €0.63 million.

- The European project CERAMPOL in which the latest generation membranes for water treatment are developed with a budget of €0.65 million.

- The European project RECLAIM in which TR will develop new technologies to recover rare earth and other high added value metals from electrical waste such as photovoltaic panels and fluorescent tubes. TR's budget is €1 million.

- The European project DAPhNE in which we participate in the development of microwave oven technology for industrial sector applications with high energy consumption. TR's budget is €1.37 million.

- The European project NECOBAUT in which TR collaborates with the development of iron/air batteries for the automotive sector, with a budget of €0.6 million.

- The European project STEP in which TR participates in the scaling of new microwave oven technology applied to the natural stone industry, with a budget of €0.2 million.

- The SAMER Project, which consists of the development of longer-lasting components for flow batteries using Zn/air technology for the massive storage of energy, with a budget of €1.65 million.

- The European project WALEVA which will involve the scaling of the technology for obtaining levulinic acid from biomass to study technical/financial viability, with a budget of €1.04 million.

- The European project ZAESS which will involve the scaling of the Zn/air flow battery technology developed at the laboratory level to study technical/financial viability, with a budget of €0.67 million.

- The SDIL Direct Leaching of Zinc Sulphurs project with a budget of €0.84 million will develop a new technology that allows the application of the ZINCEX™ technology already implemented at the industrial level to be expanded.

- The European project BUTANEXT with a budget of €0.92 million for which TR develops an innovative lignocellulosic biomass pre-treatment process for the production of bio-butanol.

- The CIEN 3R2020 project, in which TR participates in the development of hydro-metallurgical processes to recover common metals in industrial and urban flows with a high metal content. TR's budget is €1.5 million.

- The CIEN ESTEFI project, in which TR participates in the development of an energy storage technology based on nickel-zinc batteries for application in Intermodal transportation networks, with a budget of €1.96 million.

As a result of the investment in R&D, TR has a portfolio of technologies that it has already developed and is being implemented throughout the world, such as ZINCEX™ for the recovery of Zn and ECOLEAD™ for the recovery of lead and silver. There is currently a portfolio of possible businesses for the industrial implementation of these technologies in new projects, despite the cycle of low prices for basic metals.

Specifically, the Company is completing the basic engineering for the adaptation and 33% increase in the capacity of the Skorpion metallic zinc plant in Namibia, which uses the ZINCEX™ technology. The WALEVA and ZAESS projects, regarding the sustainable use of biomass and the mass storage of electricity, respectively, are in the demonstration stage and will be executed in 2016 and 2017, for which there is a high level of confidence.

3. Significant subsequent events

After the end of 2015 the circumstances that marked the economic environment and the situation of the sector throughout the second half of the year continued to be present during the first months of 2016.

The slowdown of the Chinese economy continues to be a centre of attention due to the effect that it may have on world economic growth and the low prices of oil and their influence on the profitability of new investments create uncertainty and instability in the oil and gas sectors. The market closely follows OPEC's production levels, which currently exceed demand, and the market is also awaiting the imminent lifting of sanctions against Iran, the consequences of which would have a dual effect. It would give rise to a new increase in supply to the market which would push oil prices lower but it also represents a new source of investment since it is a reserve-rich country with a large need to modernize its infrastructure, develop its own economy and to satisfy local demand. The market is anticipating the possible decision by OPEC to cut production to assist with the rebalancing of supply and demand, with the consequent impact on oil prices.

Although Técnicas Reunidas focuses on onshore and downstream segments and also has a customer portfolio that benefits from its exposure to national oil companies that possess large volumes of reserves and take investment decisions based on criteria independent of economic factors, it is possible that the sceptical outlook in the sector could affect all types of customers and projects, which would result in the delay of new contracts. The reality is that the drop in income due to the decline in oil prices has affected all types of customers and, consequently, could have an effect on the payment policy for projects. Customers could tend to reduce their advance payments and extend payment milestones that characterize the payment system, which could affect the Company's cash management.

Finally, the Company provided an early report of 2015 profits on 15 February 2016 and revised the estimated net profit as a result of certain exceptional cost overruns affecting the improvement project in Alberta (Canada) for Canadian Natural Resources Limited (CNRL). This project was awarded in 2012, is in its final construction phase and delivery will take place in June 2016. The execution of this project was affected by specific factors relating to the instability in the oil and gas sector in Canada as a result of the sharp decline in oil prices. The main factors that negatively affected the execution of this project were: a longer than expected delay in the delivery of the final key modules, exceptional work necessary to complete those modules at the site before being assembled, costly acceleration and correction plans due to the high salary costs in Canada and average productivity that is lower than habitually seen due to current market and contracting circumstances, as well as a concentration of work that exceeded expectations in the middle of the Canadian winter in order to comply with TR's commitment to complete the project in June 2016. Técnicas Reunidas' priority is to complete projects in accordance with the terms agreed with customers and to maintain its reputation as a reliable quality contractor.

4. Acquisition of treasury shares

Within the framework of the liquidity agreement framework concluded with Santander, the Company increased its treasury shares to 2,178,374 shares.

5. Management of financial risks and use of financial instruments

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

6. Other business risk factors

The primary risks are:

- A high number of projects are contracted on a turnkey basis and the selling price is set at the start of the contract while costs generated during the execution of the projects are subject to change.
- The price of crude oil, in addition to other factors, affects the behaviour of our customers as well as our suppliers, competitors and shareholders.
- Projects are carried out in multiple geographic locations, each of which present a different risk profile to be mitigated.
  - There are locations that are subject to strong political and social tensions.
  - Some have limited access, low skill levels in local resources, requirements concerning local content or adverse weather, among others.
  - Some countries have limited legal security.
- At certain times the portfolio may show a high concentration in a low number of customers or high geographic dispersion.
- The plants that are built must satisfy the necessary environmental requirements.
- Financial variables such as exchange rates, interest rates and the predisposition of financial institutions and insurance companies to participate in projects, or tax legislation, have a significant impact on the business and the Company's results.
- A solid reputation and prior experience condition the success of future contracts.

7. Average number of employees at the Group by category

Category	2015	2014
Board Members	2	2
Senior managers	23	23
University graduates and technicians	7,702	7,182
Skilled workers	1,053	987
Sales personnel	40	37
TOTAL	8,820	8,231

8. Environment

Técnicas Reunidas integrates environmental sustainability in all work centres and projects in both the engineering and execution phases of the works as well as the launch and commissioning of facilities, as value added to our service.

Our management system is certified in accordance with ISO 14001 and verified externally by two independent companies. It is based on the principles of the Global Pact and we report the data annually to the CDP and they are included in the Company's Integrated Annual Report.

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

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

Significant shareholdings are as follows:

Company		Number of shares	% interest
Araltec, S.L.	Direct	17,882,564	31.99%
Aragonesa de Promoción de Obras y Construcciones	Direct	2,848,383	5.10%
Causeway Capital Management LLC	Indirect	2,797,034	5.02%

10. Restrictions to voting rights

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

11. Shareholder agreements

By virtue of an agreement concluded between Aragonesas Promoción de Obras y Construcción, S.L., BBVA Elcano Empresarial I, SCR and BBVA Elcano Empresarial II, SCR the following pacts were established on 23 May 2006:

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

- Commitment of the companies BBVA Elcano Empresarial I, SCR and BBVA Elcano Empresarial II, SCR to remain for nearly 9 years. A progressive and optional exclusion schedule is established for the shares covered by the syndication and involvement agreements between 2010 and 2015, as well as a preferred acquisition right for Mr. José Lladó Fernández Urrutia.

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

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

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

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

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

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

4. The Directors will be appointed for terms of five (5) years, notwithstanding the possibility that they may be removed early by the General Shareholders' Meeting. They may be re-elected one or more times for equal terms at the end of their mandate.

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

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

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

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

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

The Chair also holds the same powers as the Board of Directors (except for those established by Article 25) and is considered to be the top executive at the Company by virtue of Article 28 of the bylaws.

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

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

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

No agreements of this type exist.

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

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

16. Corporate Governance Report

The 2015 Corporate Governance Annual Report for Técnicas Reunidas forms part of the Directors' Report and as from the date on which the annual accounts are published is available on the website of the National Stock Market Committee and the website of Técnicas Reunidas.

TECNICAS REUNIDAS

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