14 consolidated financial

statements, management report and audit report 2014

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, 2014
and 2014 Directors' Report

TECNICAS REUNIDAS

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

Note

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

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

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

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

The equilibrium characterising its portfolio of orders can be attributed not only to its geographical distribution and customers but also to the type of products ordered. The contracts won in 2014 included the company's main business areas, covering refining, petrochemicals, oil and gas production and power generation operations.

These factors, taken as a whole, made 2014 an extraordinary year in terms of business. The portfolio of orders reached a historical high, offering visibility and growth for the next few years.

In 2014 ordinary income amounted to 3,149 million euros, 11% up on last year as a result of the company's robust business performance in previous years as well as the contribution of the new projects awarded in 2014. In light of the nature of the business, income is geographically distributed among the main areas of investment. Income from operations in Europe accounted for 36% of the total. The Middle East accounted for 31%, America for 23%, the rest of the world for 8% and the Spanish market for 2%. Profit after tax amounted to 134 million euros while the company's net cash position at the 2014 year end stood at 664 million euros. Técnicas Reunidas is in a comfortable financial position, distinguishing it from its competitors and enabling it to properly manage the major projects awarded by the leading market operators.

At the 2014 year end Técnicas Reunidas had 8,552 employees. This number enabled it to complete the projects not yet executed in a controlled manner. Nonetheless, the company continued to actively assess the opportunities currently offered by the labour market and opted to recruit and invest in those resources who could deliver value to its operations. As a result, the company's headcount increased by 8% compared with the previous year end.

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

The company paid out a total of 75 million euros in dividends against net profits for 2013, equal to 1.395 euros per share. This figure is similar to that paid out last year and represents 59% of profit in line with the company's dividend distribution policy (50% of net profit).

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

Oil and gas

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

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

In 2014 revenues from these operations amounted to 2,922 million euros and accounted for 93% of sales.

a) Refining and Petrochemicals

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

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

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

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

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

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

b) Natural gas and Upstream

In 2014, the company won a major project in Canada, a traditional and familiar market, which continues to look to the company in relation to its main investments.

- In February, North West Redwater Partnership awarded TR a turn-key project for light end and sulphur recovery units included in the first phase of the North West Redwater Sturgeon refinery in Alberta, Canada. The project scope includes engineering, procurement, construction and commissioning through to the completion of the light end and sulphur recovery unit. North West Redwater Partnership is the result of the partnership between Canadian Natural Resources Limited and North West Upgrading Inc., each of which has a 50% stake. This project is the second awarded by Canadian Natural Resources to TR since it entered the Canadian market in 2012, bearing out the customer's satisfaction with the work that TR is currently carrying out in the country.

During 2014, the projects which most contributed to the division's sales were the oil sand projects for Canadian Natural Resources in Canada, the Gran Chaco liquid separation project for YPFB in Bolivia and the Touat gas processing project for GDF Suez and Sonatrach in Algeria. The Mejillones liquefied natural gas storage project in Chile was delivered satisfactorily to the customer (consortium formed by GDF Suez and Codelco).

Power

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

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

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

The division's income amounted to 139 million euros, up 76% on 2014. Power accounted for 4% of the Group's sales.

The most important contracts won in the period were:

- In February, Ashuganj Power Station Company Ltd (APSCL) chose TR, as the consortium leader together with TSK, in relation to the engineering, equipment and material purchases, construction and commissioning of a new electricity generation plant in Ashuganj, Bangladesh. The contract was awarded on a turn-key basis in order to build a new combined cycle natural gas based facility to generate electricity which will be exported to the local grid. It will have a generation capacity of 380 MW. This is the company's first project in Bangladesh and addresses the investment needs of a new Asian customer who can open up new opportunities in the area.

- In April, Saudi Aramco chose TR to carry out the Utilities & Common Area project in the Integrated Gasification Combined Cycle (IGCC) Jazan complex in south-east Saudi Arabia. The project was awarded as a turn-key contract, including engineering services, equipment supplies, construction and pre-commissioning and commissioning support in relation to the units which will be started up in 2017. The plant's electricity capacity will stand at approximately 2,400 MW, which will largely be exported to the local grid. The IGCC Jazan complex will convert vacuum waste obtained from the neighbouring refinery into syngas. This complex will be the largest gasification plant in the world and its award bears out the confidence that the customer, Saudi Aramco, an oil major, has in TR with whom it has been working non-stop since 2003. This customer has once again involved TR in one of its most significant investments.

- In July, AES Dominicana, through Dominican Power Partners (DPP), awarded TR the execution of the work to convert the Los Mina power plant to a combined cycle plant in Santo Domingo in the Dominican Republic. The project was awarded on a turn-key basis, including engineering services, supplies of equipment and materials, construction and commissioning of the plant. The project completion timescale will be 27 months. The new plant will enable generation capacity to be increased by an additional 114 MWe compared with the present open cycle 210 MWe. This is the first contract that TR formalises with the American multinational AES Group which is strongly positioned in America. This project is the doorway into the US electricity generation market which is the company's short-term aim.

- Also in July, Polska Grupa Energetyczna (PGE) awarded the consortium made up of TR, Mitsubishi Hitachi Power Systems Europe (MHPSE) and Budimex a turn-key contract for the construction of new coal unit at the Turów plant in Bogatynia, south-east Poland. MHPSE will be responsible for the supply of the basic technology with a 55.4% stake in the consortium while TR and Budimex with a 22.3% stake each will supply the rest of the equipment and handle the assembly and construction. The new power plant will be far more efficient than conventional coal fuelled plants. The plant's total production capacity will be 450 MWe. It will be operational 56 months after the execution order. This project positions TR among the leading players in the coal efficient and environmental market. Poland's electricity is the most active in Europe in terms of the construction of new power plants and this contract offers TR the opportunity to work with a major investor.

- In July, EnerSur, one of the leading electric utilities in Peru and part of the GFG Suez Group, chose TR together with the Peruvian JJC to execute the contract for the design and construction of a new power plant in llo, southern Peru. The project scope includes engineering services, supply, construction and commissioning through to its commercial operation. The plant will be operational within 23 months of the final execution order. The new plant provides for the installation of three gas and dual fuel turbines with net total power of 500 MWe ±20%. Thanks to this contract, TR has strengthened its relationship with the GDF Suez group following the completion of the Montoir de Bretagne combined cycle plant in France, the Mejillones LNG terminal in Chile and the Touat Gaz project in Algeria.

- In late August, TR was selected by Fort Hills Energy L.P. to build the co-generation plant connected with its Fort Hills oil sands mining project, located in the region of Athabasca in Alberta, 90 km to the north of Fort McMurray in Canada. Fort Hills Energy L.P. is owned by Suncor Energy (40.8%), Total E&P Canada Ltd. (39.2%) and Teck Resources Limited (20.0%) and they are jointly carrying out the Fort Hills oil sand mining project, which is expected to produce 180,000 barrels of bitumen a day. The scope of the work awarded to TR, which will be carried out on a turn-key basis, includes engineering, purchases, construction and pre-commissioning, through to mechanical completion, of a facility with two gas turbines (nominal 85 MW each), two heat recovery furnaces to produce steam and all the auxiliary systems for interconnection with the Fort Hills mine services system. The project will be completed within approximately 31 months. This is TR's first power generation EPC contract in North America although it is the fifth in the region. The project represents a new step aimed at consolidating TR's presence in Canada with noteworthy customers such as Suncor Energy and Total, that are major investors in the innovative oil sands and shale gas market in the region.

Técnicas Reunidas also has extensive experience in other kinds of power generation such as nuclear power. The Fukushima disaster in 2011 had a negative impact on immediate investment at that time. This event, however, evidenced the need to increase investment in order to meet safety requirements. In its latest report (World Energy Outlook 2014), the International Energy Agency predicted that nuclear energy production will rise by an average of 2.3% a year, from 2,461 TWh in 2012 to 4,650 TWh in 2040. This growth is associated with an estimated investment of 1,533 billion dollars in new plants and the upgrade of existing plants over the next 26 years, which would account for 3% of total estimated investment in the energy sector.

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

- Detailed design and engineering for the preparation of the location and preliminary work at the Akkuyu nuclear plant in Turkey for the construction of four VVER 1,200 MW nuclear units. The work was carried out for NIAEP-ASE, which is the Russian consortium responsible for the construction of the entire nuclear plant owned by Rosatom.

- Work connected with the final phase of the project for the design and supply of all heat exchangers in the emergency refrigeration of the nuclear islands at the Taishan nuclear plant in China, units 1 and 2 (Areva 1,600 MW reactors), owned by China Guangdong Nuclear Power Corporation.

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

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

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

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

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

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

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

Infrastructure

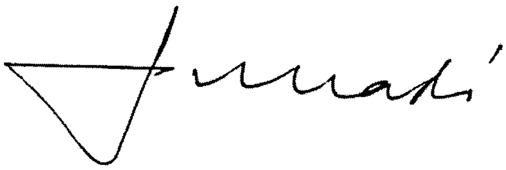
In keeping with the trend in the last few years, the company's infrastructure division focused on the international sphere. Since the start of the crisis, the Spanish market has failed to offer significant growth prospects linked to government investment plans. However, for the past few years the Company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

- In August, Oman Wastewater Services Company awarded TR a turn-key contract for the design and construction of the drainage system of the new waste water processing plant in Darsait and the Auzaibah central pumping station in Oman. The project will run for 20 months.

- In October, Jordan Industrial Ports Company (JIIPC) chose TR to carry out a turn-key project consisting of the engineering, procurement and construction of the renovation and extension of the industrial terminal at the port in southern Aqaba in Jordan. The contract duration is 22 months.

- In that same month, the Turkish Ministry for Silviculture and Water Matters chose Técnicas Reunidas to carry out the engineering work on the conversion of the action plans for Ankara river basin in Turkey in light of the EU's basin management plans. The project will run for 36 months.

In 2014, revenue from Infrastructure and Industrial activities amounted to 88 million euros. The division's largest project, the second phase of the Southern Seawater desalination plant for Water Corporation in Australia, was completed and delivered to the customer. Work on other smaller projects, such as airports, industrial facilities, desalination plants and water processing and government projects, was on schedule. The division's income is expected to reflect the downturn in business compared with previous years until it secures a volume of business similar to that contributed by the major project completed.



José Lladó
Chairman

Juan Lladó
Vice Chairman

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

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED ANNUAL ACCOUNTS

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

Report on the Consolidated Annual Accounts

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

Directors' Responsibility for the Consolidated 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 and 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.

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, 2014, 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.

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 913 083 566, www.pwc.com/es

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

pwc

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' Report for 2014 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 2014.Our work as auditors is limited to checking the directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from ABC, S.A. and its subsidiaries´ accounting records.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Rafael Pérez Guerra

26 February 2015

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT DECEMBER 31, 2014

CONSOLIDATED BALANCE SHEET
(Figures in Thousand of Euros)

		At 31 December	
	Note	**2014**	**2013**
ASSETS			
Non-current assets			
Property, plant and equipment	6	52,085	41,802
Goodwill	7	1,242	1,242
Other intangible assets	7	60,404	69,725
Investments in associates	8	14,589	12,431
Deferred income tax assets	29	81,889	37,852
Available-for-sale financial assets	9	1,010	1,010
Derivative financial instruments	10	2,252	4,251
Receivables and other assets	13	15,126	5,796
		228,597	**174,109**
Current assets			
Inventories	12	23,262	24,298
Trade and other receivables	11	1,436,872	1,461,065
Receivables and other assets	13	23,264	22,891
Derivative financial instruments	10	35,054	21,899
Financial assets at fair value through profit or loss	14	63,212	67,872
Cash and cash equivalents	15	628,367	590,814
		2,210,031	**2,188,839**
Total assets		**2,438,628**	**2,362,948**

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, 2014

CONSOLIDATED BALANCE SHEET
(Figures in Thousand of Euros)

		At 31 December	
	Note	2014	2013
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	(73,371)	(73,371)
Other reserves	17	1,137	1,137
Hedging reserve	10	(49,255)	(4,386)
Cumulative translation differences	18	(18,307)	(25,121)
Retained earnings	19	614,288	557,790
Interim dividend	19	(35,846)	(35,846)
Equity attributable to owners of the parent		**452,927**	**434,484**
Non-controlling interests	19	**2,905**	**4,036**
Total equity		**455,832**	**438,520**
LIABILITIES			
Non-current liabilities			
Borrowings	21	23,651	25,915
Derivative financial instruments	10	20,852	8,799
Deferred income tax liabilities	29	39,178	10,203
Other payables	20	375	332
Other liabilities		538	539
Employee benefit obligations	22	10,449	8,827
Provisions for liabilities and charges	23	36,796	29,566
		131,839	**84,181**
Current liabilities			
Trade and other payables	20	1,653,636	1,729,828
Current tax liabilities	29	49,068	47,945
Borrowings	21	3,764	4,126
Derivative financial instruments	10	103,533	18,011
Other payables	20	39,354	38,351
Provisions for liabilities and charges	23	1,602	1,986
		1,850,957	**1,840,247**
Total liabilities		**1,982,796**	**1,924,428**
Total equity and liabilities		**2,438,628**	**2,362,948**

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, 2014

CONSOLIDATED INCOME STATEMENT
(Figures in Thousand of Euros)

		Year ended 31 December	
	Note	**2014**	**2013**
Revenue	**24**	3,149,180	2,846,101
Change in inventories		(2,279)	(1,205)
Own work capitalised		-	126
Raw materials and consumables		(2,056,833)	(1,944,536)
Employee benefit expense	**26**	(495,347)	(439,112)
Depreciation/amortisation and impairment charges	**6 & 7**	(12,227)	(9,249)
Lease and royalty expenses	**27**	(46,279)	(44,219)
Other expenses	**25**	(383,388)	(267,612)
Other income	**25**	4,756	7,739
Operating profit		**157,583**	**148,033**
Finance income	**28**	12,185	11,750
Finance costs	**28**	(3,579)	(6,485)
Share in profit (loss) of associates	**8**	(471)	(2,836)
Profit before tax		**165,718**	**150,462**
Income tax expense	**29**	(31,259)	(21,998)
Profit for the year		**134,459**	**128,464**
Attributable to:			
Owners of the parent	19	135,590	127,649
Non-controlling interests	**19**	(1,131)	815
		134,459	**128,464**
Earnings per share (expressed in euro per share)			
- Basic and diluted	**30**	2.52	2.38

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, 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(In Thousand of euros)

	Fiscal year ended 31 December	
	2014	**2013**
Profit /(loss) for the period	**134,459**	**128,464**
Other comprehensive income		
Items that will not be restated to income		
Restatement of retirement benefit commitments	(130)	266
Total items that will not be restated to income	**(130)**	**266**
Items that may later be restated to income		
Cash flow hedges, net of tax	(44,869)	(18,430)
Net investment hedges		
Foreign currency translation differences	6,814	(18,488)
Total items that may later be restated to income	**(38,055)**	**(36,918)**
Other comprehensive income for the period, net of tax		
Total comprehensive income for the period	**96,274**	**91,812**
Attributable to:		
- Parent company	97,405	90,997
- Minority interests	(1,131)	815
Total comprehensive income for the period	**96,274**	**91,812**
Total comprehensive income attributable to the owners of the parent arising from:		
– Continuous operations	97,405	90,997
– Discontinued operations	-	-
	97,405	**90,997**

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 2014

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 2014

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 2013	**5,590**	**8,691**	**(73,371)**	**1,137**	**14,044**	**(6,633)**	**518,517**	**(35,846)**	**11,562**	**443,691**
Comprehensive income	-	-	-	-	-	-	-	-	-	
Profit (loss) for the year, 2013	-	-	-	-	-	-	127,649	-	815	**128,464**
Other comprehensive income	-	-	-	-	-	-	-	-	-	
Cash flow hedges, net of tax	-	-	-	-	(18,430)	-	-	-	-	**(18,430)**
Currency translation differences	-	-	-	-	-	(18,488)	-	-	-	**(18,488)**
Actuarial gains on post-employment benefit obligations	-	-	-	-	-	-	266	-	-	**266**
Total other comprehensive income	-	-	-	-	(18,430)	(18,488)	266	-	-	**(36,652)**
Total comprehensive income	-	-	-	-	**(18,430)**	**(25,121)**	**127,915**	-	**815**	**91,812**
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	-	-	-	-	-	-	(6,285)	-	(8,341)	**(14,626)**
Other movements	-	-	-	-	-	-	(7,357)	-	-	**(7,357)**
Total transactions with owners	-	-	-	-	-	-	**(88,642)**	-	**(8,341)**	**(96,983)**
Balance at 31 December 2013	**5,590**	**8,691**	**(73,371)**	**1,137**	**(4,386)**	**(25,121)**	**557,790**	**(35,846)**	**4,036**	**438,520**

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 2014

CONSOLIDATED CASH FLOW STATEMENT
(Figures in Thousand of Euros)

	Note	Year ended 31 December	
		2014	2013
Cash flows from operating activities			
Profit for the year		134,459	128,464
Adjustments:			
- Taxes	29	31,259	21,998
- Depreciation/amortisation of PPE and intangible assets	6 & 7	12,227	9,249
- Change in provisions, net		9,605	3,433
- Share in (profit)/loss of associates	8	471	2,836
- Change in fair value of financial instruments	28	(2,511)	(4,270)
- Interest income	28	(6,093)	(7,480)
- Interest expense	28	3,579	6,485
- Change in gains/losses on derivatives	10	25,960	1,066
- Exchange gains/losses	28	(3,581)	-
- Other income / expense		389	863
Changes in working capital			
- Inventories		45	1,402
- Trade and other receivables		17,135	250,821
- Other financial assets		8,241	(786)
- Trade payables		(69,589)	(319,498)
- Other accounts payable		2,503	(328)
- Other changes		2,433	2,787
Other operating cash flows:			
- Interest paid		(3,328)	(6,485)
- Interest received		4,391	7,618
- Tax paid		(29,760)	(13,650)
Net cash from/(used in) operating activities		**137,835**	**84,526**
Cash flows from investing activities			
Purchases of property, plant and equipment	6	(19,926)	(16,323)
Purchases of intangible assets	7	(1,725)	(1,468)
Acquisition of associates	8	(2,000)	-
Acquisition of other non-current assets		925	-
Disposal of non-current assets		-	654
Net cash used in investing activities		**(22,726)**	**(17,137)**
Cash flows from financing activities			
Acquisition of interest in a subsidiary		-	(14,645)
Repayment of borrowings		(2,556)	(3,762)
Dividends paid	19	(75,000)	(75,000)
Acquisition of treasury shares	16	-	-
Net cash used in financing activities		**(77,556)**	**(93,407)**
Net increase/(decrease) in cash and cash equivalents		**37,553**	**(26,018)**
Cash and cash equivalents at beginning of year		**590,814**	**616,833**
Cash and cash equivalents at end of the year		**628,367**	**590,814**

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 2014

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 refining, 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 2014 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 2014, 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 2014

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 thousand of Euros, unless explicitly stated otherwise.

2.1.1 Changes in accounting policies and disclosures

Mandatory standards, amendments and interpretations for all years commencing 01 January 2014.

As a result of their approval, publication and entry into effect on 1 January 2014, the following standards have been applied:

- IFRS 10 "Consolidated financial statements";
- IFRS 11 "Joint arrangements";
- IFRS 12 "Disclosure of interests in other entities";
- IAS 27 (Amendment), "Separate financial statements";
- IAS 28 (Amendment) "Investments in associates and joint ventures";
- IAS 32 (Amendment) "Offsetting Financial Assets and Financial Liabilities";
- IFRS 10 (Amendment), IFRS 11 (Amendment) and IFRS 12 (Amendment) "Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guide (amendments to IFRS 10, IFRS 11 and IFRS 12)";
- IFRS 10 (Amendment), IFRS 12 (Amendment) and IAS 27 (Amendment) "Investment entities";
- IAS 36 (Amendment) "Recoverable amount disclosures for non-financial assets";
- IAS 39 (Amendment) "Novation of derivatives and continuation of hedge accounting".

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 2014.

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.

- 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".

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 14 "Regulatory deferral accounts";
- IFRS 11 (Amendment) "Accounting for acquisitions of interests in joint operations";
- IAS 16 (Amendment) and IAS 38 (Amendment) "Clarification of acceptable methods of depreciation and amortisation";
- IFRS 15 "Revenue from contracts with customers";
- IFRS 9 "Financial instruments";
- IAS 27 (Amendment) "Equity method in separate financial statements"
- IFRS 10 (Amendment) and IAS 28 (Amendment) "Sale or contribution of assets between an investor and its associate or joint venture";
- Improvements project Cycle 2012-2014;
- IAS 1 (Amendment) "Presentation of Financial Statements".

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

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

IFRS 11 "Joint arrangements" supersedes IAS 31 "Interests in joint ventures" and SIC 13 "Jointly controlled entities – Non-monetary contributions by Venturers". IFRS 11 establishes the accounting treatment of joint arrangements based on the rights and obligations arising from the agreement rather than its legal form. There are only two types of joint arrangements: joint operations and joint ventures. Under a joint operation a member has direct rights over the assets and liabilities arising from the arrangement and therefore reflects its proportional interest in the assets, liabilities, income and expenses of the entity in which it participates. 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. The proportionate consolidation alternative for accounting for joint ventures is eliminated.

In accordance with the assumptions and requirements contained in IAS 8 ("Accounting policies, changes in accounting estimates and errors"), IFRS 11 has been applied retrospectively. However, the Directors do not consider that the impact on these consolidated financial statements will be significant, requiring the restatement of the comparative information presented for 2013, which was not prepared in accordance with IFRS 11 although it is still comparative with the information at 31 December 2014.

Had IFRS 11 been applied in the preparation of the consolidated financial statements for 2013, the estimated effect of the change in the consolidation method applicable to the balance sheet at 31 December 2013 and the income statement for 2013 would be as follows:

Thousand Euros	**12.31.2013**	**12.31.13 as per NIIF 11**	**Variation**
Non-current assets	174,109	175,491	1,382
Current assets	2,188,839	2,187,204	(1,635)
Total Assets	**2,362,948**	**2,362,695**	**(253)**
Equity	438,520	438,520	-
Non-current liabilities	84,181	84,181	-
Current liabilities	1,840,247	1,839,994	(253)
Total equity and liabilities	**2,362,948**	**2,362,695**	**(253)**

	12.31.2013	**12.31.13 as per NIIF 11**	**Variation**
Revenue	2,846,101	2,843,269	2,832
Raw materials, consumables and other expenses	(2,688,819)	(2,685,449)	(3,370)
Depreciation/amortisation and impairment charges	(9,249)	(9,229)	(20)
Operating profit	148,033	148,591	558
Net finance income	5,265	5,310	45
Results in entities measured under the equity method	(2,836)	(3,258)	(422)
Profit before tax	150,462	150,643	181
Income tax expense	(21,998)	(22,179)	(181)
Non-controlling interests	815	815	-
Profit for the year attributable to the company	127,649	127,649	-

Such impacts result from the change in the consolidation of Heymo Ingeniería, S.A., in which the interest held amounts to 39.98%. Other joint arrangements were not affected by the adoption of new legislation.

The final impact that would arise in 2013 would be a decrease in both assets and liabilities of 253 thousand euros. There would be no impact on equity or results.

On the basis of the analysis of other accounting standards and interpretations applicable as from 1 January 2014, no significant impact has been identified which should be disclosed in this report.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

According to the analysis of other accounting standards and interpretations to be applied in the years beginning on and after 1 January 2015, Técnicas Reunidas does not expect their application to have a significant effect on the consolidated financial statements.

2.2. Principles of Consolidation

Consolidation scope

The TÉCNICAS 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 2014:

The following companies have been incorporated:

- Técnicas Reunidas Malaysia, 85% owned by Técnicas Reunidas, S.A. and 15% by Initec Plantas Industriales, S.A.U.
- Tecreun Republica Dominicana, S.R.L., 50% owned by Técnicas Reunidas and 50% owned by Initec Plantas Industriales, S.A.U.
- Técnicas Reunidas Perú Ingeniería y Construcción, S.A.C., wholly owned by Técnicas Reunidas, S.A.
- Empresarios Agrupados, S.R.L. de C.V. 80% owned by Empresarios Agrupados Internacional, S.A., 10% owned by Técnicas Reunidas, S.A. and 10% owned by Ghesa, Ingeniería y Tecnología, S.A.
- Técnicas Reunidas México Ingeniería y Construcción de R.L. de C.V., 75% owned by Técnicas Reunidas and 25% owned by Initec Plantas Industriales, S.A.U.

The following changes have taken place:

- During 2014 the Group's parent company, Técnicas Reunidas, S.A., increased capital in Ibérica del Espacio, S.A. by 2,000 thousand euros, thereby increasing its ownership percentage to 50% (Note 8).
- As mentioned in note 2.1.1, Heymo Ingeniería, S.A. has been consolidated under the equity method following the application of IFRS 11.
- During the third quarter of 2014 Talara, S.A.C., which is 85% owned by Técnicas Reunidas, S.A. and 15% owned by Initec Plantas Industriales, S.A.U. was consolidated for the first time.

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 2013:

The following companies were incorporated:

- Técnicas Reunidas Saudia for Services and Contracting Company Limited which is owned 50%-50% by Técnicas Reunidas, S.A. and Técnicas Reunidas Proyectos Internacionales, S.A.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

- TSGI Mühendislik İnşaat Limited Şirketi which is owned 30% by Técnicas Reunidas S.A., 30% by SAIPEM, 30% by GS Engineering and 10% by Itochu Corporation.

- Técnicas Reunidas Mühendislik ve İnsaat A.S., a wholly-owned subsidiary of Técnicas Reunidas S.A.

- Técnicas Reunidas Engineers India Private Limited (TREI), a wholly-owned subsidiary of Técnicas Reunidas S.A.

The following changes also occurred:

- In 2013 the parent company of the Técnicas Reunidas, S.A. Group acquired 25% of the investee company Técnicas Reunidas Gulf, Ltd from the minority shareholders, which had an impact on the Consolidated Statement of Change in Equity.

- The companies Ebramex S. de R.L. de C.V. and Minatrico S. Minatrico S. de R.L. de C.V. are now consolidated using the equity method, whereas in 2012 they were consolidated using the proportional method. Now that the plant has been delivered and paid in full, the Company no longer has enough control over it to carry it using the proportional method.

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 2014 and 2013.

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 2014 and 2013.

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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

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.

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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

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.

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.

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:

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

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 5-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).

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 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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014 or 2013.

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 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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

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.

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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

2.18. Employee benefits

Pension and retirement obligations

Some Group entities have assumed commitments to their employees in the form of defined benefit retirement plans (pension awards).

A defined benefit plan is a pension plan under which the amount of the benefit that will be received by an employee at the time of retirement is defined, normally on the basis of one or more factors such as age, years of service and compensation.

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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

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.

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.

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).

Costs incurred to present bids for construction contracts in Spain and abroad are expensed in the income statement when incurred whenever the contact award is not likely or known on the date these costs are incurred. The cost of submitting bids is included in the cost of the contract when it is likely or certain that the contract will be won, or when it is known that these costs will be reimbursed or included in the revenues originating from the contract.

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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

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.

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.

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 (principally Yen, Australian dollars and Turkish liras). 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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014, leaving all other variables constant, consolidated profit before tax for the year would have been € 13,448k higher / lower (2013: € 8,659k), mainly due to hypothetical gains / losses generated on the revaluation / devaluation of open positions in US dollars.

Meanwhile, if the euro had depreciated / appreciated against the US dollar by a hypothetical 10% in 2014, equity would have been € 48,585k higher / lower (2013: € 29,991k 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:

	2014	2013
Bolivian peso	4,230	13,250
Saudi riyal	83,731	47,055
Turkish lira	80,116	30,811
Australian dollar	26,835	15,513
Roubles	13,646	53,916

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.

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.

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

	2014			2013		
	Referenced to Euribor	Other benchmarks	Total	Referenced to Euribor	Other benchmarks	Total
Borrowings	(27,415)	-	(27,415)	(30,040)	-	(30,040)
Interest-earning cash and cash equivalents	216,832	411,535	628,367	196,072	394,742	590,814
Net cash position	**189,417**	**411,535**	**600,952**	**166,032**	**394,742**	**560,774**

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 2014 profit of € 840k (2013: € 1,401k).

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

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 77% of total "Trade receivables" (within Trade and other receivables) at 31 December 2014 (2013: 68%) 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 2014 was € 104,895k (2013: € 122,801k), 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.

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:

	2014	2013
Borrowings (Note 21)	(27,415)	(30,041)
Financial assets at fair value through profit or loss (Note 14)	63,212	67,872
Cash and cash equivalents (Note 15)	628,367	590,814
Net cash balance	664,164	628,645
Undrawn credit lines	93,139	112,778
Total liquidity reserves	**757,303**	**741,423**

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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
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**
At 31 December 2013				
Borrowings	4,126	4,126	12,378	9,411
Derivative financial instruments	18,011	7,291	1,507	-
Trade and other payables	1,768,179	871	-	-
Total	**1,790,316**	**12,288**	**13,885**	**9,411**

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.

	2014	2013
Borrowings (Note 21)	(27,415)	(30,041)
Net cash position	664,164	560,773
Equity	455,832	438,520
% Borrowings / Equity	6.01%	6.85%
% Net cash position / Equity	145.70%	127.88%

Both ratios are within management's acceptable target ranges.

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 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**

At 31 December 2013	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss	67,872	-	-	63,407
Hedging derivatives	-	26,150	-	26,150
Total assets	**67,872**	**26,150**	**-**	**94,022**
Liabilities				
Hedging derivatives	-	26,810	-	26,810
Total liabilities	**-**	**26,810**	**-**	**26,810**

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.

- 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 2014 or 2013.

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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

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 € 3,126k / € 2,842k (2013: € 2,200k / € 2,000k).

As disclosed in Note 29, the Group's effective tax rate was 19% in 2014 (15% in 2013).

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.

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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

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.

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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

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 areas 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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

	Oil and gas		Power		Infrastructure & other		Unallocated		Group	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Segment reporting										
Revenue	2,921,575	2,613,786	139,631	79,117	87,974	153,199	-	-	**3,149,180**	**2,846,102**
Operating profit	238,967	220,374	(2,098)	(4,198)	(3,332)	(904)	(75,954)	(67,238)	**157,583**	**148,034**
Net finance income (Note 28)	-	-	-	-	-	-	8,606	5,265	**8,606**	**5,265**
Share in profit (loss) of associates	(668)	(3,979)	757	1,036	(560)	107	-	-	**(471)**	**(2,836)**
Profit before tax	-	-	-	-	-	-	165,718	150,462	**165,718**	**150,462**
Income tax expense	-	-	-	-	-	-	(31,259)	(21,998)	**(31,259)**	**(21,998)**
Profit for the year	-	-	-	-	-	-	-	-	**134,459**	**128,464**
Assets and liabilities by operating segment										
Assets	1,864,615	1,881,944	132,357	67,684	174,870	224,806	252,197	180,223	**2,424,039**	**2,354,657**
Associates	4,882	440	5,854	6,022	3,302	1,827	551	-	**14,589**	**8,289**
Total assets	1,869,497	1,882,384	138,211	73,706	178,172	226,633	252,748	180,223	**2,438,628**	**2,362,946**
Liabilities	1,496,877	1,596,347	78,255	47,607	73,666	54,870	333,998	225,602	**1,982,796**	**1,924,428**
Additions to non-current assets (Notes 6 and 7)	4,892	2,148	-	16	2,967	2,053	13,792	13,385	**21,651**	**17,602**
Other operating segment disclosures										
Depreciation of PPE (Note 6)		-	-	-	-	-	(9,589)	7,759	**(9,589)**	**7,759**
Amortisation of intangible assets (Note 7)		-	-	-	-	-	(2,638)	1,490	**(2,638)**	**1,490**
Impairment of trade receivables (Note 11)		-	-	-	-	-	-	392	**-**	**392**

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

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	2014	2013
Spain	61,367	96,621
Middle East	975,562	968,275
Americas	727,129	485,980
Asia	241,308	316,714
Europe	602,958	471,284
Mediterranean	540,856	507,228
	3,149,180	**2,846,102**

Revenue generated in the Middle East corresponds to projects performed in Saudi Arabia, Abu Dhabi and Oman; the region labelled the Americas mainly includes projects in Chile, Bolivia and Mexico; Asia includes work in China and Australia; European revenues are concentrated in Russia, Portugal, the Netherlands and Greece, while the Mediterranean region mainly includes projects done in Turkey and Algeria, among other nations.

The revenue generated by the Group’s top five customers accounted for 43% of the 2014 total (2013: 61%). Revenue generation by customers who individually accounted for over 10% of total consolidated revenue in 2014 amounted to €990 million (2013: €1,481 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	
	2014	2013	2014	2013
Spain	397,175	485,434	3,532	2,081
Middle East	526,127	764,204	1,511	1,515
Americas	432,342	265,979	2,174	511
Asia	149,297	142,541	67	65
Europe	379,013	320,145	(69)	-
Mediterranean	508,516	338,884	644	46
Total	**2,392,470**	**2,317,187**	**7,859**	**4,218**
Associates	14,589	8,289	-	-
Unallocated	31,569	37,470	13,792	13,385
	2,438,628	**2,362,948**	**21,651**	**17,603**

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

	2014	2013
Reportable segment assets	2,185,880	2,182,723
Unallocated:		
Non-current assets	98,407	54,193
Current assets	154,341	126,029
Total assets per the balance sheet	**2,438,628**	**2,362,948**

	2014	2013
Reportable segment liabilities	1,648,798	1,698,825
Unallocated:		
Non-current liabilities	30,760	65
Impairment provisions	52,104	35,692
Current liabilities	251,135	189,844
Total liabilities per the balance sheet	**1,982,796**	**1,924,428**

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 2013	**2,457**	**31,383**	**40,601**	**2,581**	**5,950**	**82,972**
Additions	-	6,292	9,734	-	93	16,119
Decreases	-	(4)	(157)	-	(600)	(761)
Other movements	-	(36)	(284)	(44)	(60)	(424)
Balance at 31 December 2013	**2,457**	**37,635**	**49,894**	**2,537**	**5,383**	**97,906**
Additions	44	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**

Accumulated depreciation	**Land and buildings**	**Plant and machinery**	**Furniture and equipment**	**PPE under construction**	**Other PPE**	**Total**
Balance at 1 January 2013	**717**	**17,548**	**27,834**	**-**	**3,095**	**49,194**
Additions	65	3,715	3,793	-	185	7,758
Decreases	(22)	(225)	(75)	-	(180)	(502)
Other movements	(4)	(36)	(259)	-	(47)	(346)
Balance at 31 December 2013	**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**
Net carrying amount at 1 January 2013	**1,740**	**13,835**	**12,767**	**2,581**	**2,855**	**33,778**
Net carrying amount at 31 December 2013	**1,701**	**16,633**	**18,601**	**2,537**	**2,330**	**41,802**
Net carrying amount at 31 December 2014	**2,033**	**24,180**	**18,886**	**2,537**	**4,449**	**52,085**

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. Management continues to analyse a number of alternatives for this project on which basis it assumes that recovery of the engineering costs is reasonably probable.

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

	2014	**2013**
Capitalized finance lease cost	6,805	6,805
Accumulated depreciation	(6,758)	(6,396)
Net carrying amount	**47**	**409**

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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

At 31 December 2014, the Group carried items of property, plant and equipment located outside Spain with an original cost of € 22,780k (2013: € 14,313k) and accumulated depreciation of € 10,124k (2013: € 7,604k).

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 2013	**44,327**	**24,545**	**13,606**	**82,478**	**1,242**	**83,720**
Additions	-	-	1,273	1,273	-	1,273
Decreases	(74)	-	(41)	(115)	-	(115)
Other movements						
Transfers	24,545	(24,545)	(2)	(2)	-	(2)
Balance at 31 December 2013	**68,798**	**0**	**14,836**	**83,634**	**1,242**	**84,876**
Additions	42	-	1,683	1,725	-	1,725
Decreases			-	-	-	-
	-	-				
Other movements	-	-	(157)	(157)	-	(157)
Transfers	(8,778)	-	-	(8,778)	-	(8,778)
Balance at 31 December 2014	**60,062**	**0**	**16,362**	**76,424**	**1,242**	**77,666**

Accumulated amortisation and impairment losses	Concessions	Intangible assets under construction	Software and other intangible assets	Subtotal	Goodwill	Total
Balance at 1 January 2013	**484**	**2,200**	**9,767**	**12,451**	**-**	**12,451**
Additions	318	-	1,172	1,490	-	1,490
Decreases	-	-	(33)	(33)	-	(33)
Impairment charge	-	-	-	-	-	0
Other movements	2,200	(2,200)	-	-	-	0
Balance at 31 December 2013	**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**
Net carrying amount at 1 January 2013	**43,843**	**22,345**	**3,839**	**70,027**	**1,242**	**71,269**
Net carrying amount at 31 December 2013	**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**

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

In 2014 the research and development expense charged to the income statement totalled €6,331k (2013: € 4,304k).

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

Software records the ownership and user rights for computer software acquired from third parties. This balance does not include amounts related to the in-house development of software programs.

During 2014 and 2013 there were not capitalised borrowing costs.

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 2014 and 31 December 2013 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 €27,200k in 2014 (€ 30,040k at year-end 2013) (See Note 21).

Revenues from concessions operations amounted to €3,640k in 2014 (2013: €825k).

8. Investments in associates

Detail and changes in investments in associates are as follows:

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
Opening balance	**12,431**	**8,021**
Additions	3,683	7,461
Derecognitions	(1,054)	(215)
Share of profit/loss	(471)	(2,836)
Closing balance	**14,589**	**12,431**

Additions for the year derive from the application of IFRS 11, as mentioned in note 21 to the financial statements, and as a result of which Heymo Ingeniería, S.A. is consolidated under the equity method. Additionally, capital was increased in Ibérica del Espacio, S.A. by 2,000 thousand euros, increasing the ownership interest held to 50%.

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	Country of incorporation	Assets	Liabilities	Revenues	Profit/(Loss)	% ownership interest
2014						
Empresarios Agrupados Internacional, S.A.	Spain	37,217	24,353	44,515	1,760	43.00%
Layar Castilla, S.A.	Spain	1,679	1	11	10	25.39%
Ibérica del Espacio, S.A.	Spain	19,182	13,092	8,042	217	50.00%
Empresarios Agrupados, A.I.E.	Spain	4,943	4,193	21,890	-	43.00%
Master S.A de Ingeniería y Arquitectura	Spain	3,973	4,688	942	(1,641)	40.00%
Ebramex S. de R.L. de C.V.	Mexico	399	11,612	834	(944)	33.33%
Minatrico S. de R.L. de C.V.	Mexico	13,547	450	1,482	900	33.33%
Explotaciones Varias S.A.	Spain	6,517	248	634	205	12.69%
Heymo Ingeniería, S.A.	Spain	3,529	1,059	5,171	(1,644)	39.98%
2013						
Empresarios Agrupados, A.I.E.	Spain	9,402	8,652	21,302	-	43.00%
Empresarios Agrupados Internacional, S.A.	Spain	29,400	16,146	42,979	2,410	43.00%
Layar Castilla, S.A.	Spain	1,686	2	11	-	25.39%
Ibérica del Espacio, S.A.	Spain	14,310	12,344	5,736	(171)	47.45%
Master S.A de Ingeniería y Arquitectura	Spain	4,861	3,838	3,842	417	40.00%
Ebramex S. de R.L. de C.V.	Mexico	493	10,659	41	(4,748)	33.33%
Minatrico S. de R.L. de C.V.	Mexico	12,506	436	28	(7,191)	33.33%

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 2014 and 2013. There have been no movements.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014 and 31 December 2013 by nature and category for measurement purposes:

				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**

				31 December 2013
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)	-	-	-	4,251
Other financial assets	-	-	5,796	-
Non-current	**-**	**1,010**	**5,796**	**4,251**
Equity instruments				
Derivatives (Note 10.1.b)	-	-	-	21,899
Other financial assets	67,872	-	22,891	-
Current	**67,872**	**-**	**22,891**	**21,899**
Total financial assets at 31/12/2013	**67,872**	**1,010**	**28,687**	**26,150**

	31 December 2014		31 December 2013	
Financial liabilities	**Trade and other payables**	**Hedging derivatives**	**Trade and other payables**	**Hedging derivatives**
Nature/category				
Borrowings (Note 21)	23,651	-	25,915	-
Derivatives (Note 10.1.b)	-	20,852	-	8,799
Other financial liabilities	913	-	871	-
Non-current	**24,564**	**20,852**	**26,786**	**8,799**
Borrowings (Note 21)	3,764	-	4,126	-
Derivatives (Note 10.1.b)	-	103,533	-	18,011
Other financial liabilities (Note 20)	39,354	-	38,351	-
Current	**43,118**	**103,533**	**42,477**	**18,011**
Total financial liabilities at 31/12/2013	**67,682**	**124,385**	**69,263**	**26,810**

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

10.1. b. Derivative financial instruments

The derivative balances at year-end 2014 and 2013 are as follows:

	2014		2013	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange forwards – cash flow hedges	36,848	123,974	26,150	26,511
Forward contracts on commodities	458	411	-	299
Total	**37,306**	**124,385**	**26,150**	**26,810**
Non-current portion	**2,252**	**20,852**	**4,251**	**8,799**
Current portion	**35,054**	**103,533**	**21,899**	**18,011**

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

Type of instrument	Fair value (Thousand of euros) Balance at 2014	Notional currency	Notional maturity (thousands) 2015	2016	2017	Total notionals
Foreign currency forwards						
CAD / Euro	14	CAD	207	103	-	310
Rouble / Euro	5,991	Rouble	1,665,000	-	-	1,665,000
USD / Euro	30,230	USD	423,865	20,753	-	444,618
Chilenan peso /Euro	19	Peso	627,000	-	-	627,000
USD / MYR	38	USD	-	-	2,500	2,500
USD / PEN	534	USD	-	80,000	25,000	105,000
USD / Yen	14	USD	1,941	-	-	1,941
USD / TRY	8	USD	2,992	-	-	2,992
Assets	**37,306**					
Raw material forwards						
Copper derivative (notional: 650 TM)	411					
Foreign currency forwards						
USD / AUD	3,452	USD	21,380	-	-	21,380
Rouble / Euro	41,734	Rouble	4,538,571	1,758	-	4,540,329
USD / GBP	34	USD	1,038	-	-	1,038
CAD / Euro	300	CAD	11,149	-	-	11,149
GBP / Euro	263	GBP	7,900	-	-	7,900
USD / MYR	9,565	USD	32,000	130,000	47,000	209,000
USD / PEN	596	USD	-	115,000	-	115,000
USD / CAD	970	USD	34,850	-	-	34,850
USD / Euro	60,002	USD	1,132,839	32,587	-	1,165,426
USD / JPY	6,969	USD	87,553	1,298	-	88,851
USD / Chilenan peso	23	USD	1,390	-	-	1,390
USD / TRY	66	USD	4,054	-	-	4,054
Liabilities	**124,385**					
Net balances	**(87,079)**					

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

Type of instrument	Fair value (Thousand of euros) Balance at 2013	Notional currency	Notional maturity (thousands) 2014	2015	2016	Total notionals
Foreign currency forwards						
CAD / Euro	17	USD	34,000	-	–	34,000
USD / AUD	185	USD	7,000	-	–	7,000
USD / CHF	507	USD	14,516	-	–	14,516
USD / Euro	25,167	USD	810,548	87,300	–	897,848
USD / Libra GBP	8	USD	163	-	–	163
USD / Yen	209	USD	5,003	-	–	5,003
USD / TRY	42	USD	2,000	-	–	2,000
Assets	**26,135**					
Raw material forwards						
Copper derivative (notional: 1,670 TM)	299					
Foreign currency forwards						
Rouble / Euro	7,304	Rouble	2,512,985	3,768,571	1,757,720	8,039,276
USD / AUD	6,866	USD	147,991	38,820	-	186,811
USD / CAD	23	USD	14,472	-	-	14,472
USD / Euro	6,891	USD	275,711	89,805	20,650	386,166
USD / JPY	3,542	USD	58,265	8,930	-	67,196
USD / TRY	1,884	USD	42,633	-	-	42,633
Liabilities	**26,810**					
Net balances	**(675)**					

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

	2015	2016	2017	2018	Total Fair Value
Total Assets 2014	35,054	2,029	223	-	**37,306**
Total Liabilities 2014	103,533	19,200	1,652	-	**124,385**
Total Assets 2013	21,899	4,251	-	-	**26,150**
Total Liabilities 2013	18,011	7,291	1,507	-	**26,809**

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.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

The after-tax gains/losses accumulated in equity in connection with foreign currency forward contracts at 31 December 2014 amounted to € 49,255k (2013: € (4,384)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 2014, a net profit of € 25,960k (2013 a net loss of € 15,260k)

No material portion of the foreign currency hedges was deemed ineffective in either 2014 or 2013. Any gains or losses on any ineffective portion are recognised, when they arise, in the income statement as finance income or expense.

11. Trade and other receivables

Set out below is an analysis of this balance sheet heading at year-end 2014 and 2013:

	2014	2013
Trade receivables	1,229,762	1,250,003
Less: provision for impairment of receivables	(12,797)	(10,858)
Trade receivables-net	1,216,965	1,239,145
Other accounts receivable	11,754	18,077
Prepayments	99,195	116,260
Other items	18,057	87,585
Total	**1,436,872**	**1,461,065**

Trade receivables includes € 729,447k (2013: € 746,664k) relating to completed work pending to be billed, measured on the basis of the accounting criteria set forth in Note 2.20.

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 2014, trade receivables of € 336,899k (2013: € 227,360k) were fully performing.

At 31 December 2014, trade receivables of € 104,895k (2013: € 122,801k) 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:

	2014	2013
Up to 3 months	53,375	84,519
3 to 6 months	4,669	3,138
Over 6 months	46,851	35,144
	104,895	**122,801**

During 2014, trade receivables of € 236k (2013: € 392k) were impaired and provided for by the Group. Movements on the provision for impairment of trade receivables are as follows:

	2014	2013
Opening balance	**10,858**	**10,466**
Amounts impaired	236	392
Amounts used	-	-
Transfers	**1,703**	**-**
Closing balance	**12,797**	**10,858**

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

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

	2014	2013
Euro	198,708	152,358
US dollars	209,992	268,797
Other currencies	91,615	82,184
Subtotal	500,315	503,339
Completed work pending billing	729,447	746,664
Total	**1,229,762**	**1,250,003**

The accumulated balance of revenue and incurred expenses recognised in connection with all contracts in progress at the balance sheet date amounted to €9,994,898 k (2013: €9,838,379 k) and €940,276 k (2013: € 978,303 k, respectively).

Prepayments received on projects in progress are broken down in Note 20. Withholdings on customer invoices amounted to €100,459 k (2013: €74,696 k).

12. Inventories

The breakdown of inventory balances is as follows:

	2014	2013
Construction projects in progress	720	5,804
Bid presentation costs	14,801	17,098
Materials	7,741	1,396
	23,262	**24,298**

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.

During 2014 car park places for sale under the Pulpí underground car park concession totalling 992 thousand euros were transferred to Accounts receivable and other assets. This concession was transferred on the understanding that following the relinquishment reported regarding its continuation, the amount recoverable is a receivable with the Public Authorities.

13. Receivables and other assets

	2014	2013
Receivables and other assets (non-current)		
Loans to employees	1,780	969
Deposits and guarantees	3,976	4,827
Public Authorities	9,370	-
	15,126	**5,796**
Receivables and other assets (current)		
Loans to venturers in UTEs and joint ventures	12,259	13,480
Interest	2,360	1,412
Short-term guarantee deposits	8,645	7,999
	23,264	**22,891**

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

The loans to partners in UTEs and joint ventures earn interest at market Euribor +300bp (2013: Euribor + 300bp).

Receivables with the Public Authorities include balances receivable transferred from property, plant and equipment (note 7) and inventories (note 12) related to the Huercal – Overa (Almeria) Sports Complex and the Pulpi underground car park.

The carrying amount of accounts receivable and other assets is considered to be similar to fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of the receivables and other assets.

The carrying amounts of receivables and other assets are deemed to approximate their fair value. The Group's maximum exposure to credit risk at the reporting date is the carrying amount of receivables and other assets.

14. Financial assets at fair value through profit or loss

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

	2014	2013
Opening balance	67,872	63,407
Net additions (disposals) (fair value)	(4,660)	4,465
Closing balance	63,212	67,872
Listed securities:		
- Investments in short-term fixed income securities	48,439	53,951
- Investments in listed equity securities	14,773	13,921
	63,212	**67,872**

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 2014, the Group invested € 5,139k in funds and disposed of € 12,309k. Additions and disposals in 2013 were €5,823k and €5,628k, 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 2014 and 2013 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

	2014	2013
Cash at bank and on hand	424,991	381,970
Short-term bank deposits and other cash equivalents	203,376	208,844
	628,367	**590,814**

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: 0.6% Eur and 0.61% USD for average term of 15 days.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

Of the total balance of cash and cash equivalents at 31 December 2014, €316,090k (€266,863k in 2013) 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 2014 and 2013 year-end. For the purposes of the consolidated statement of cash flows, the cash balance includes cash and cash equivalents.

16. Capital

	Share capital	Share premium	Treasury shares	Total
Balance at 1 January 2013	5,590	8,691	(73,371)	**(59,090)**
Purchase of treasury shares	-	-	-	-
Balance at 31 December 2013	5,590	8,691	(73,371)	**(59,090)**
Other movements	-	-	-	-
Balance at 31 December 2014	5,590	8,691	(73,371)	**(59,090)**

At 31 December 2014 and 2013 the total number of authorised ordinary shares was 55,896,000, each having a par value of €0.10 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 2014 and 2013 is set forth below:

	2014		2013	
	Number of treasury shares	Amount	Number of treasury shares	Amount
Opening balance	2,154,324	73,371	2,154,324	73,371
Additions / purchases	-	-	-	-
Decreases / sales	-	-	-	-
Other movements	-	-	-	-
Closing balance	**2,154,324**	**73,371**	**2,154,324**	**73,371**

At 31 December 2014 treasury shares represented 3.85% of the parent company's share capital (2013: 3.85%). Treasury shares totalled 2,154,324 shares (2013: 2,154,324 shares), acquired at an average price of €34.33 per share (€34.33 per share in 2013). 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 Técnicas Reunidas, S.A. is as follows:

	2014	2013
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	5.00%	5.00%
Bilbao Vizcaya Holding	0.52%	1.03%
BBVA Elcano Empresarial, SCR, S.A.	0.49%	0.99%
BBVA Elcano Empresarial II, SCR, S.A.	0.49%	0.99%
Other shareholders (including free float)	52.56%	51.05%
Treasury shares	3.85%	3.85%
TOTAL	**100.00%**	**100.00%**

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

According to a notice filed with the Spanish securities market regulator in November 2009, Mr. José Lladó Fernández-Urrutia holds a direct and indirect shareholding, through Araltec, S.L. and Aragonesas Promoción de Obras y Construcciones, S.L., in Técnicas Reunidas, S.A. of 37.09%.

In addition, under the terms of a shareholder agreement signed by Aragonesas Promoción de Obras y Construcción, S.L., BBVA Elcano Empresarial I, SCR, and BBVA Elcano Empresarial II, SCR, S.A. on 23 May 2006, and subsequently amended on 24 April 2009, specifically the clause stipulating vote pooling, Mr. José Lladó Fernández-Urrutia controls 38.59% of the voting rights in TÉCNICAS REUNIDAS, S.A. There is also a 0.10% personal holding.

Futhermore, the Annual Shareholders Meeting of the Parent Company approved as of June 25, 2013 the authorization of the acquisition of own shares up to the limit established by law, at a minimum price of 75% of its value and a maximum of 120% of their purchase price on the date of the transaction. This authorization has been granted for a period of 5 years from the date of making the agreement.

17. Other reserves

The entire balance, € 1,137k (2013: € 1,137k), 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 2013	**(6,633)**
Translation differences:	
– Group companies and associates	(18,488)
31 December 2013	**(25,121)**
Translation differences:	
– Group companies and associates	6,814
31 December 2014	**(18,307)**

A breakdown of cumulative translation differences by company / subgroup at year-end 2014 and 2013 is as follows:

	2014	2013
Company or subgroup		
Técnicas Reunidas (foreign branch offices and consortia)	(11,429)	(9,470)
- *Abu Dhabi Branch*	*(493)*	*(1,465)*
- *Khabarovsk Branch*	*(9,796)*	*(5,234)*
- *Australia Branch*	*(769)*	*(2,485)*
- *Ankara Branch*	*1,221*	*224*
- *Moscow Branch*	*(1,845)*	*(347)*
- *Others*	*253*	*(163)*
Damietta LNG Construction (Egypt)	(589)	(589)
Técnicas Reunidas TEC (Bolivia)	(4,655)	(5,313)
Técnicas Reunidas Australia Pty Ltd (Australia)	(160)	(179)
Técnicas Reunidas Saudita (Saudi Arabia)	3,564	67
Técnicas Reunidas RUP Insaat (Turkey)	(3,846)	(6,791)
Técnicas Reunidas Chile Limitada (Chile)	(1,893)	2,300
Técnicas Reunidas Gulf Ltd. (Saudi Arabia)	4,533	534
Técnicas Reunidas Omán LLC (Oman)	(327)	(397)
Técnicas Reunidas Canada (Canada)	(3,591)	(4,274)
Others	86	(1,009)
Total	**(18,307)**	**(25,121)**

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

19. Dividend distribution and non-controlling interests

The proposed distribution of 2014 profit to be put before the parent company's shareholders in general meeting and the ratified distribution of 2013 profit is set forth below:

Basis of appropriation	2014	2013
Profit (loss) for the year	185,426	82,657
	185,426	**82,657**

Distribution	2014	2013
Retained earnings	110,426	7,657
Dividends	75,000	75,000
	185,426	**82,657**

The breakdown of dividends is as follows:

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

- 2013: The €75,000k dividend consists of the following:
  - A €35,846k interim dividend approved by the Board of Directors on 14 December 2013 and paid on 16 January 2014.
  - A dividend of €39,154k approved at the AGM held to ratify the 2013 annual accounts.

The following are the provisional accounting and cash statements as of the date of payment of the interim dividends from 2014 and 2013 profits, as detailed above:

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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

Non-controlling interests

Movements in non-controlling interests in 2014 and 2013 are analysed below:

Balance at 1.1.2013:	**11,562**
Profit for the year	815
Translation differences	-
Other movements	(8,341)
Balance at 31.12.2013:	**4,036**
Profit for the year	(1,131)
Translation differences	-
Other movements	-
Balance at 31.12.2014:	**2,905**

20. Trade and other payables

a) Trade payables are analysed below:

	2014	2013
Payable to suppliers	1,493,979	1,524,029
Prepayments received for contract work	133,329	183,585
Other items	26,328	22,214
	1,653,636	**1,729,828**

b) Other payables are set out below:

	2014	2013
Non-current		
Finance lease liabilities	375	332
	375	**332**
Current		
Finance lease liabilities		
Dividends payable	35,888	35,846
Other items	3,466	2,505
	39,354	**38,351**

Non-current finance lease liabilities fall due as follows:

	2014	2013
Between 1 and 2 years	375	332
Between 2 and 5 years	-	-
Over 5 years	-	-
	375	**332**

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

The above amounts represent minimum lease payments discounted to their present value. Future financial charges under finance leases total €18k (2013: €18k). The Group's finance leases relate to acquisitions of computer equipment and other items of property, plant and equipment.

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

21. Borrowings

Non-current	**2014**	**2013**
Borrowings	23,651	25,915
	23,651	**25,915**
Current		
Borrowings	3,764	4,126
	3,764	**4,126**
Total borrowings	**27,415**	**30,041**

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

	2014		**2013**	
	EUR	**USD**	**EUR**	**USD**
Borrowings	1.48%	-	1.88%	-

Borrowings totalling €27,200k (2013: €30,040k) 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:

	2014	**2013**
Euro	27,415	30,041
US dollars and other currencies		
	27,415	**30,041**

The Group has the following undrawn credit lines:

Floating rate:	**2014**	**2013**
– Maturing in less than one year	93,139	112,778
– Maturing in more than one year	-	-
	93,139	**112,778**

22. Employee benefits

At 31 December 2014 and 2013 the Group has pension and retirement obligations related to retirement and long-term remuneration.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

Pension and retirement obligations refer to commitments set out in the collective bargaining agreements in place at certain Group companies, relating to retirement awards for employees that have worked for the number of years stipulated in the agreement at the date of retirement.

Non-current remuneration obligations refer to length-of-service awards payable by certain Group companies.

At 31 December 2014 and 2013 there are no assets linked to the defined benefit commitments with employees.

	2014	2013
Balance sheet commitments:		
Pension and retirement benefits	7,969	6,901
Non-current remuneration obligations	956	681
	8,925	**7,582**
Income statement charges:		
Pension and retirement benefits	1,025	947
Non-current remuneration obligations	301	105
	1,326	**1,052**

In addition to the commitments mentioned above, there are other commitments to employees, primarily in Oman, which totalled €1,524k at 31 December 2014, (€1,245k in 2013).

Pension and retirement benefits

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

	2014	2013
Present value of obligations at 1 January	6,901	6,433
Cost of services for the current year	798	751
Interest cost	227	196
Benefits paid and expenses	(143)	(250)
Actuarial (gains)/losses	186	(229)
Balance sheet liability	**7,969**	**6,901**

The amounts recognised in the income statement are as follows:

	2014	2013
Cost of current services (Note 26)	798	751
Interest cost	227	196
Total included in employee benefit expense	**1,025**	**947**

The main actuarial assumptions used are as follows:

	2014	2013
Annual discount rate	1.92%	3.50%
Annual salary growth	1.50%	2.00%
Annual inflation	2.00%	2.00%
Mortality table	PERM/F 2000 Production	PERM/F 2000 Production
Retirement age	65 years	65 years

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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

Sensitivity to interest rates:

31/12/2014	1.47%	1.97%	2.47%
Current value of the obligation	8,575	7,969	7,425
Assets attached to the plan	-	-	-
Limitations on assets	-	-	-
Liabilities (active)	8,575	7,969	7,425
Current FY service cost (excluding interest)	1,083	989	906

Sensitivity to inflation (CPI/wage increases):

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

Benefits to be paid in the following years:

	Thousand euros
2015	439
2016	341
2017	474
2018	371
2019	423
2020-2024	2,984

Non-current remuneration obligations

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

	2014	2013
Present value of obligations at 1 January	681	627
Cost of services for the current year	277	84
Interest cost	24	21
Benefits paid and expenses	(26)	(14)
Actuarial (gains)/losses	-	(37)
Balance sheet liability	**956**	**681**

The amounts recognised in the income statement are as follows:

	2014	2013
Cost of current services	277	84
Interest cost	24	21
Total included in employee benefit expense (Note 26)	**301**	**105**

The principal actuarial assumptions used are as follows:

	2014	2013
Annual discount rate	1.97%	3.60%
Annual salary increase	1.50%	2.00%
Annual inflation	2.00%	2.00%
Mortality	PERM/F 2000 Production	PERM/F 2000 Production
Retirement age	65 years	65 years

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

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

Sensitivity to interest rates:

31/12/2014	1.42%	1.92%	2.42%
Current value of the obligation	1,026	956	891
Assets attached to the plan	-	-	-
Limitations on assets	-	-	-
Liabilities (active)	1,026	956	891
Current FY service cost (excluding interest)	141	129	119

Sensitivity to inflation (CPI/wage increases):

31/12/2014	0.0%	0.5%
Current value of the obligation	956	1,028
Current FY service cost (excluding interest)	129	142

Benefits to be paid in the coming years:

	Thousand euros
2015	26
2016	16
2017	24
2018	24
2019	16
2020-2024	280

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 01/01/2013	**7,808**	**18,248**	**-**	**26,056**
Reversals / Amounts used	(4,000)	(3,912)	-	(7,912)
Amounts provisioned	3,922	7,500	-	11,422
Balance at 31/12/2013	**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**

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

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.

The provisions recognised by the Group at year-end 2014 and 2013 relate to the following segments:

Project / Division	2014	2013
Oil and gas	-	-
Power, infrastructure and other	1,602	1,986
Total	**1,602**	**1,986**

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.

b) Provisions for liabilities and charges – current

	Euro thousand
Balance at 1 January 2013	**2,063**
Reversals / Amounts used	(77)
Amounts provisioned	-
Balance at 31 December 2013	**1,986**
Reversals / Amounts used	(384)
Amounts provisioned	-
Balance at 31 December 2014	**1,602**

24. Revenue

	2014	2013
Construction and engineering contract revenue	3,149,021	2,846,016
Services rendered	159	85
Total revenue	**3,149,180**	**2,846,101**

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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

25. Other expenses and income

	2014	2013
Other operating expenses		
Services	223,171	144,478
Independent professional services	89,695	69,031
Repairs and maintenance	5,412	5,911
Banking and similar services	29,872	16,332
Transport expenses	160	188
Insurance premiums	9,465	6,900
Utilities	5,854	2,981
Other	19,759	21,791
	383,388	**267,612**
Other income		
Grants related to income	1,782	1,878
Other	2,974	5,861
	4,756	**7,739**

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

	2014	2013
Wages and salaries	429,023	384,267
Social security contributions	64,998	54,010
Pension cost – pension and retirement benefit plans (Note 22)	1,025	751
Non-current remuneration obligations (Note 22)	301	84
	495,347	**439,112**

In the caption “Wages and salaries” is included termination benefits amounting to €1,855k (2013: €1,764k).

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:

	2014	2013
Less than 1 year	18,642	16,982
Between 1 and 5 years	21,004	18,307
Over 5 years	-	-

Operating lease expense recognised in the income statement amounted to €46,279k (2013: €44,219k) and corresponds in its entirely to minimum lease payments.

28. Finance income and finance cost

	2014	2013
Financial revenue		
Interest on short term bank deposits and others	6.093	7.480
Net gains /(losses) on the fair value of financial instruments at fair value with changes in income and others	2.511	4.270
	8.604	**11.750**
Net gains on foreign currency transactions	3.581	(1.786)
	3.581	**(1.786)**
Financial expenses		
Interest payable on bank loans and others.	(3.579)	(4.700)
	(3.579)	**(4.700)**
	8.606	**5.265**

Note 10 sets forth the impact on finance income and cost of foreign currency hedges. This impac 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 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.U. and Initec Infraestructuras, S.A.U. in 2005. In 2007, Layar Castilla, S.A. left the tax group.

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 euros at 31 December 2014 (47,945 thousand euros at 31 December 2013).

The income tax breaks down as follows:

	2014	2013
Current tax	58,539	25,237
Deferred tax	(27,280)	(3,238)
	31,259	**21,999**

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:

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
Profit before taxes	**165,718**	**150,462**
Taxes calculated at tax rate applicable to the parent company's profits	49,715	45,139
Tax exempt	(22,472)	(40,736)
Losses incurred by permanent establishments	4,899	17,800
Non-deductible expenses for tax purposes	618	1,280
Effect of different tax rates in other countries	(5,609)	859
Losses for which no tax credit has been recognised	5,947	1,637
Positive taxable bases in companies with prior tax losses not capitalised	-	(2,601)
Deductions applied and unrecoverable withholdings	(5,640)	(2,667)
Other	3,801	1,294
Tax expense	**31,259**	**21,999**

The effective tax rate was 19% (15% in 2013), due mainly to the Group's foreign revenues, which are exempt from Spanish income tax in accordance with Law 18/1982 (26 May) on the Tax System for Groupings and UTEs and for Regional Industrial Development Companies. These revenues are included in “Tax-free earnings” in the above table and were generated mainly by UTEs engaged in export activities (see Exhibit IV).

Deferred tax assets and liabilities	2014	2013
Deferred income tax assets		
- to be recovered after more than 12 months	81,889	37,852
- to be recovered within 12 months	-	-
	81,889	**37,852**
Deferred income tax liabilities		
- to be recovered after more than 12 months	39,178	10,203
- to be recovered within 12 months	-	-
	39,178	**10,203**

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

	Assets	Liabilities
1 January 2013	**28,433**	**4,023**
Charged to the income statement	(443)	-
Credited to the income statement	9,862	6,181
Charged directly to equity	-	-
31 December 2013	**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	-
Other movements	(3,168)	23,127
31 December 2014	**81,889**	**39,178**

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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
Unused tax losses carried forward	19,775	-
Tax credits arising from temporary differences:		
- Provisions for liabilities and charges	10,257	9,657
- Pension plans	2,758	2,138
- Standardisation of project assessments and other	31,860	24,700
- Hedging reserve	15,566	572
- Other items	1,674	784
	81,889	**37,852**

Liabilities

	2014	2013
Hedging reserve	23,126	-
- Standardisation of project assessments and other	16,052	10,203
	39,178	**10,203**

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.

In addition, the Group has € 78,239k of accumulated tax losses (tax deduction of € 17,560k) at year-end 2014 (2013: € 50,792k, tax deduction of € 15,237k) generated by foreign subsidiaries for which the related tax assets have not been recognised.

Deferred taxes generated by transactions that have been directly charged or credited to equity in 2014 amounted to € 56k (2013: € 0k).

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

	2014			2013		
	Before tax	Tax (charge)/ credit	After tax	Before tax	Tax (charge)/ credit	After tax
Cash flow hedges	(59,864)	14,995	(44,869)	(18,430)	-	(18,430)
Currency translation differences	6,814		6,814	(18,488)	-	(18,488)
Actuarial gains/(losses)	(186)	56	(130)	380	(114)	266
Other comprehensive income	**(53,236)**	**15,051**	**(38,185)**	**(36,538)**	(114)	**(36,652)**
Current tax	-	-	-	-	-	-
Deferred tax	-	15,051	-	-	(114)	-

At 31 December 2014 and 2013, the Group has no unused tax credits.

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

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

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

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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

Tax	Years
Corporate income tax	2010 to 2014
Value added tax	2010 to 2014
Withholding tax	2010 to 2014
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 27/2014, according to which the general corporate income tax rate falls from 30% to 28% for the tax periods starting on and after 1 January 2015, and to 25% for the tax periods starting on and after 1 January 2016, at 31 December 2014 deferred tax assets and liabilities have been adjusted on the basis of the amount expected to be recovered or paid, respectively. The impact of these adjustments has increased the corporate income tax expense by 1,456 thousand euros.

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

	2014	2013
Profit attributable to owners of the parent	135,590	127,649
Weighted average number of ordinary shares in issue	53,741,676	53,741,676
Basic earnings per share (€ per share)	2.52	2.38

31. Dividend per share

In 2014 the dividends paid against 2013 profits amounted to € 75,000k (of which € 35,846k was declared in 2013 and paid as an interim dividend), which translates into a dividend per share of € 1.39.

In 2013 the dividends paid against 2012 profits amounted to € 75,000k (of which € 35,846k was declared in 2012 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 € 75,000k (of which € 35,846k 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 € 2,980,964k (2013: € 2,204,309k) 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 €28,675k (€30,041k at year-end 2013) fund the construction of concession assets. These loans are secured by the concession assets (Note 7).

During the inspection proceedings, the inspector team expressed their disagreement with the criteria upheld in the transfer pricing study. Their conclusions are, however, under review by the Tax Agency's technical office (Note 29).

The Group is involved in certain legal disputes in the ordinary course of business (primarily disputes with customers, suppliers, employees or administrative or fiscal authorities). Legal advisors opinion is that the outcome will not have materially effect to the group financial position. The most significant dispute involves the Sines project. The dispute arose when an agreement could not be reached on the final settlement after the plant had been received and paid in full by the client.

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.

Supplier payment disclosures under Law 15/2010

As required under disclosure requirements introduced by legislation passed in Spain on 29 December 2010, the Group has reviewed balances payable to suppliers and creditors outstanding at 31 December 2014 with respect to the Group companies to which the new disclosure requirements apply, concluding that no material balances outstanding were past due by more than the legally established payment terms and all the payments during the year has been occurred in the legally established payment terms.

34. Related-party transactions

Transactions with related parties in 2014 and 2013 arose in the ordinary course of business. The following transactions were carried out with related parties:

a) Transactions with the Company's core shareholders

a.1) Transactions with Grupo Banco Bilbao Vizcaya Argentaria (BBVA Group):

The only transactions that the Group carries out with BBVA Group relate to banking activities.

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

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

	2014	2013
Credit facilities	10,000	5,000
Drawn balances	-	-
Guarantees furnished	287,491	314,578

The average interest rate on these borrowings was Euribor +2.90% (2013: Euribor + 3.40%).

The Group has contracted forward currency transactions with the BBVA Group, the notional values of which totalled USD 154,793k at year-end 2014 (2013: USD 199,366k).

In addition, the Group has opened numerous bank accounts that are necessary to carry out its ordinary business and manages a portion of its cash balances by contracting financial assets through the BBVA Group. At year-end 2014 the balance in these current accounts was €52,890k (2013: €158,050k).

The accompanying income statement includes the following costs and revenues related to the above-mentioned transactions, which were carried out on an arm's length basis.

	2014	2013
Finance costs	1,603	1,405
Finance income	33	1,256

b) Transactions with Company directors and officers

During the years 2014 and 2013 there were no transactions with Company directors, except as described below:

- Transactions with Santander Group where one of the parent company's directors is a director at Santander Group:

	2014	2013
Finance costs	3,288	642
Finance income	792	236

	2014	2013
Credit facilities	10,000	19,000
Drawn balances	-	-
Guarantees furnished	753,822	499,010

The average interest rate on these borrowings was Euribor + 2.60% (2013: Euribor + 2.60%).

The Group has contracted forward currency transactions with Santander, the notional values of which totalled USD 285,894k, GBP 7,900k and CLP 627,000k at year-end 2014 (2013: USD 109,857k, JPY 24,551k and AUD 92,000k).

In addition, the Group has opened numerous bank accounts that are necessary to carry out its ordinary business and manages a portion of its cash balances by contracting financial assets through Santander. At year-end 2014 the balance in these current accounts was €213,312k (2013: €133,625k).

Note 37 provide details of the remuneration paid to the directors of Técnicas Reunidas, S.A.

Senior management pay

In 2014, remuneration paid to the Group's senior management in respect of fixed and variable compensation totalled €4,113k (2013 comparative: €4,492k). Advances to senior management totalled €0k (2013: €0k).

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

c) Transactions with associates

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

	2014				2013			
	Trade receivables	Payable to suppliers	Purchases	Sales	Trade receivables	Payable to suppliers	Purchases	Sales
Empresarios Agrupados, A.I.E.	905	27	8,054	2,109	1,124	1,191	7,595	2,587
E.A. Internacional, S.A.	4,830	104	94	11,054	4,451	640	1,208	11,052
Ibérica del Espacio, S.A.	2,224	-	-	301	2,224	-	-	334

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:

Assets:	**2014**	**2013**
Non-current assets	1,086	263
Current assets	54,506	2,947
Total assets	**55,592**	**3,210**
Liabilities:		
Non-current liabilities	178	-
Current liabilities	50,865	6,514
Total liabilities	**51,043**	**6,514**
Net assets (liabilities)	**4,549**	**(3,303)**
Revenue	25,037	3,122
Expenses	(23,288)	(3,798)
Profit/(loss) after taxes	**1,749**	**(676)**

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:	**2014**	**2013**
Non-current assets	38,598	38,642
Current assets	1,227,221	1,382,696
	1,265,819	**1,421,338**
Liabilities:		
Non-current liabilities	18,897	24,459
Current liabilities	1,216,640	1,238,820
	1,235,537	**1,263,279**
Net assets (liabilities)	**30,282**	**158,059**
Revenue	1,055,571	800,508
Expenses	(1,000,588)	(642,449)
Profit after tax	**54,983**	**158,059**

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

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:

	2014	2013
Directors and senior management	25	25
Graduates, diploma holders and administrative staff	7,182	6,620
Skilled workers	987	911
Sales staff	37	37
	8,231	**7,593**

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

	2014	2013
Directors and senior management	-	-
Graduates, diploma holders and administrative staff	350	337
Skilled workers	31	29
Sales staff	4	4
	385	**370**

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

			2014			2013
	Men	Women	Total	Men	Women	Total
Directors and senior management	23	2	25	23	2	25
Graduates, diploma holders and administrative staff	5,093	2,370	7,463	4,861	2,015	6,876
Skilled workers	588	438	1,026	569	378	947
Sales staff	26	12	38	25	12	37
	5,730	**2,822**	**8,552**	**5,478**	**2,407**	**7,885**

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

Figures above include 2,065 subcontracted employees (2013: 1,012 employees).

The average number employees at consolidated companies that had a disability of a severity of 33% or higher in 2014 and 2013 is as follows:

	2014	2013
Senior managers	-	-
Graduates, diploma holders and administrative staff	19	17
Skilled workers	1	1
Sales staff	-	-
	20	18

c) Audit fees

Fees accrued for audit services rendered to Group companies in 2014 with their auditors and other auditing firms, are detailed below:

- Audit Fees:
  Audits rendered by PwC firms and service other than audit services amounted €696k (2013: €705k).
  Other services by regulatory requirements are performed by the auditor: €56k (2013: €163k).
  Companies using the PwC brand: €263k (2013: €97k).

d) 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 2014:

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

38. Events after the balance sheet date

Between 31 December 2014 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 2014

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.	I.G.	Engineering Services	PwC
Termotécnica, S.A.	Madrid	99.98%	Técnicas Reunidas, S.A. y Técnicas Reunidas Construcción y Montaje, S.A.	I.G.	Engineering services and machinery wholesaler	Unaudited
Técnicas Reunidas Construcción y Montaje, S.A.	Madrid	100%	Técnicas Reunidas, S.A.	I.G.	Real Estate development	Unaudited
Técnicas Reunidas Ecología, S.A.	Madrid	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	PwC
Técnicas Reunidas Metalúrgicas, S.A.	Madrid	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas Trade Panamá, S.A.	Panama	100%	Técnicas Reunidas, S.A.	I.G.	Dormant	Unaudited
Técnicas Siderúrgicas, S.A.	Madrid	100%	Técnicas Reunidas Construcción y Montaje, S.A.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas Proyectos Internacionales, S.A.	Madrid	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Española de Investigación y Desarrollo, S.A.	Madrid	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	PwC
Layar, S.A.	Madrid	100%	Técnicas Reunidas, S.A.	I.G.	Real Estate	Unaudited
Layar Real Reserva, S.A.	Madrid	100%	Layar, S.A.	I.G.	Real Estate	Unaudited
Eurocontrol, S.A.	Madrid	80%	Layar, S.A y Layar Real Reserva, S.A.	I.G.	Inspection, Quality Control & Technical Advisory	Acisa
Initec Plantas Industriales, S.A.U.	Madrid	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	PwC
Initec Infraestructuras, S.A.U.	Madrid	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	PwC
Técnicas Reunidas Chile Ltda.	Chile	100%	Initec Plantas Industriales, S.A.U.	I.G.	Engineering Services	PwC
ReciclAguilar, S.A.	Madrid	80%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas Gulf Ltd. – Saudi Arabia	Yedah	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	PwC
TR Engineering LLC – Oman	Muscat	49%	Initec Plantas Industriales, S.A.U.	I.G.	Engineering Services	PwC

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

Exhibit I

Técnicas Reunidas Omán LLC	Muscat	70%	Initec Plantas Industriales, S.A.U.	I.G	Engineering Services	PwC
Técnicas Reunidas Hellas, S.A - Greece	Athens	100%	Técnicas Reunidas, S.A.	I.G	Engineering Services	PwC
Tecnicas Reunidas Netherlands B.V	Lisbon	100%	Técnicas Reunidas, S.A.	I.G	Engineering Services	PwC
Técnicas Reunidas de Construcao Unip. LDA - Portugal	Lisbon	100%	Técnicas Reunidas, S.A.	I.G.	Engineering services	PwC
Técnicas Reunidas Australia Pty Ltd	Perth	100%	Técnicas Reunidas, S.A.	I.G.	Engineering services	AMD
Técnicas Reunidas TEC – Bolivia	Santa Cruz	100%	Técnicas Reunidas, S.A.	I.G	Engineering services	PwC
Técnicas ReunidasR RUP INSAAT TAAHHÜT Limited Sirketi	Istambul	100%	Técnicas Reunidas, S.A.	I.G	Engineering services	PwC
Técnicas Reunidas Dufi CCGT Kft	Budapest	80%	Técnicas Reunidas, S.A:	I.G	Engineering services	PwC
TR Canada Inc	Alberta	100%	Técnicas Reunidas, S.A.	I.G.	Engineering services	Unaudited
TR Arabia Saudi LLC	Yedah	100%	Técnicas Reunidas, S.A. / Técnicas Reunidas Proyectos Internacionales, S.A.	I.G.	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.	I.G.	Engineering services	PwC
Treunidas Mühendislik ve İnsaat A.S	Istambul	100%	Técnicas Reunidas, S.A.	I.G.	Engineering services	PwC
Técnicas Reunidas engineers India private limited (TREI)	Nueva Delhi	100%	Técnicas Reunidas, S.A.	I.G.	Inspection, Quality Control & Technical Advisory	LUTHRA-LUTHRA
Tcreun República Dominicana, S.R.L.	Dominican Republic	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.U.	I.G.	Engineering services	Unaudited
TR Perú Ingeniería y Construcción S.A.C.	Peru	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.U.	I.G.	Engineering services	Unaudited
TReunidas México Ingeniería y Construcción de R.L. de C.V.	Mexico	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.U.	I.G.	Engineering services	Unaudited
Técnicas Reunidas de Talara, S.A.C.	Peru	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.U.	I.G.	Engineering services	Unaudited
Técnicas Reunidas Malaysia SDN.	Malaysia	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.U.	I.G.	Engineering services	Unaudited

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

Exhibit I

Subsidiaries included in the scope of consolidation – 2013

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.U.	Madrid	100%	Técnicas Reunidas, S.A.	FULL	Engineering services	PwC
Initec Infraestructuras, S.A.U.	Madrid	100%	Técnicas Reunidas, S.A.	FULL	Engineering services	PwC
Técnicas Reunidas Chile Ltda.	Chile	100%	Initec Plantas Industriales, S.A.U.	FULL	Engineering services	PwC
ReciclAguilar, S.A.	Madrid	80%	Técnicas Reunidas, S.A.	FULL	Engineering services	Unaudited

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

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.U.	FULL	Engineering services	PwC
Técnicas Reunidas Omán LLC	Muscat	70%	Initec Plantas Industriales, S.A.U.	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	Lisbon	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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

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.	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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

Exhibit II

Associates included in the scope of consolidation – 2013

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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

Exhibit III

Joint ventures included in the scope of consolidation – 2014

Company name	Registered business address	Ownership interest, %	Venturer	Consol. Method	Business	Auditor
KJT Engeharia Materiais	Madeira	33.33%	Técnicas Reunidas, S. A.	Proportionate	Engineering services	Deloitte
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%	Técnicas Reunidas Chile, S.A.	Proportionate	Engineering services	Unaudited
Construcción e Ingeniería FIM Ltda.	Santiago	33.33%	Técnicas Reunidas Chile, S.A.	Proportionate	Engineering services and project execution	Unaudited
Construcción e Ingeniería FI Ltda.	Santiago	50.00%	Técnicas Reunidas Chile, S.A.	Proportionate	Engineering services and project execution	Unaudited
TSGI Mühendislik İnşaat Limited Şirketi	Istambul	30.00%	Técnicas Reunidas, S. A.	Proportionate	Engineering services	PwC

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

Exhibit III

Joint ventures included in the scope of consolidation - 2013

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	30.00%	Técnicas Reunidas, S. A.	Proportionate	Engineering services	PwC

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

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

Corporatename	Ownershipinterest
TR FRANCIA BRANCH	100%
UTE ALQUILACION CHILE	100%
UTE EP SINES	100%
UTE HDT/HDK FASE II	100%
UTE HYDROCRACKER HUNGARY	100%
UTE INITEC/TR JU'AYMAH GPE	100%
UTE INITEC/TR MEJILLONES	100%
UTE INITEC/TR PLANTAS HDT Y HCK	100%
UTE INITEC/TR RKF ARGELIA	100%
UTE INITEC/TR SAIH RAWL	100%
UTE INITEC/TR TFT ARGELIA	100%
UTE TR POWER	100%
UTE TR/ALTAMARCA COMPLEJO LA VIÑA	100%
UTE TR/ALTAMARCA PISCINA CUBIERTA	100%
UTE TR/ESPINDESA	100%
UTE TR/ESPINDESA - PEL SINES	100%
UTE TR/ESPINDESA - TR AKITA	100%
UTE TR/I.P.I. TR JUBAIL	100%
UTE TR/I.P.I. ABUH DABIH –SAS	100%
UTE TR/I.P.I. C.P.BIO BIO	100%
UTE TR/I.P.I. FENOLES KAYAN	100%
UTE TR/I.P.I. OFFSITES ABUH DABIH	100%
UTE TR/INITEC DAMIETTA LNG	100%
UTE TR/INITEC EBRAMEX INGENIERIA	100%
UTE TR/INITEC INFRA CONS.COMP.LA VIÑA	100%
UTE TR/INITEC INFRA CONS.PC.HUERCAL OVERA	100%
UTE TR/INITEC INFRA CONSTRUCCI.PARCELA S	100%
UTE TR/INITEC JV HAWIYAH GPE	100%
UTE TR/INITEC KJT PR. LNG	100%
UTE TR/INITEC MINATRICO INGENIERIA	100%
UTE TR/INITEC P.I. JV TR RABIGH DP	100%
UTE TR/INITEC PROYECTO DGC CHILE	100%
UTE TR/INTERCONTROL VARIANTE PAJARES	80%
UTE TR/IONICS RAMBLA MORALES	100%
UTE TR/IPI ELEFSINAS	100%
UTE TR/IPI KHABAROVSK	100%
UTE TR/IPI REFINERIA SINES GALP	100%
UTE TR/TREC OPER.DESALADORA R.MORALES	50%
UTE TR/TT HORNOS RUSIA	100%
UTE RUP TURQUIA	100%
UTE TR YANBU REFINERY – TRYR	100%
UTE TR ABU DHABI SHAH I	100%
UTE MARGARITA	100%
UTE TANQUE MEJILLONES	100%
TR ABU DHABI SAS BRANCH	100%
UTE INITEC INFRA/BLC/FBA NAT AEROP.REUS	90%
UTE TR/SOLAER I.S.F. MORALZARZAL	90%
UTE TR/TECNORESIDUOS PT VALDEMINGOMEZ	90%
UTE TR/GEA COLECTOR PLUVIALES H.O.	80%
UTE INITEC I./AN + PD S.C. AEROP.DE SANTIAGO	72%
UTE INFRA/INTECSA PTA CARGA LA LOTETA	50%
UTE TR INTEGRATED PROJECT (TRIP)	100%
UTE TR VOLGOGRADO	100%
UTE Optara Total	100%
UTE TSK TR ASHUGANJ NORTH	50%
UTE INITEC INFRA/EVREN EVAL.RECURSOS	70%
UTE INITEC/PYCSA ALBERCA DEL JUCAR	50%
UTE TR/ARDANUY ALGECIRAS	70%
UTE TR Rapid	100%
UTE TR Integrated gas	100%
UTE STURGEON	100%
TR MOSCU BRANCH	100%

Corporatename	Ownershipinterest
TR KHABAROVSK BRANCH	100%
UTE TR/SEG PROY.NT AENA	70%
UTE TR/ALTAMARCA/HMF C.ALCOBENDAS	34%
UTE TR/SENER PROEYCTO HPP GEPESA	60%
UTE TR/FERROVIAL LA PLANA DEL VENT	57%
UTE TR/LOGPLAN A.T.AENA	55%
UTE TR/PAI URBANIZACION CALAFELL	55%
EDIFICIO PIF AEROPUERTO BARCELONA	55%
UTE INFRA/FULCRUM SRPHCS	51%
UTE INITEC INFRA/FULCRUM CUENCAS AT.ANDAL.	51%
UTE CARGA ITOIZ	50%
UTE INITEC I./GEOCART CATASTRO R.D.	50%
UTE INITEC I./KV CONS.CONDUCCION DE TABERNAS	50%
UTE INITEC P.I./SPIE CAPAG MEDGAZ	50%
UTE INITEC/FOSTER ACONCAGUA II	50%
UTE IPI/ACCIONA 5º TANQUE CARTAGENA	50%
UTE PEIRAO XXI	50%
UTE PRESA ITOIZ	50%
UTE PRESA LOTETA	50%
UTE PROVER	50%
UTE RUZAFA	50%
UTE TR/ANETO RED NORTE OESTE	50%
UTE TR/ASFALTOSY CONS.APARCAM.ALCOBENDAS	50%
UTE TR/GDF AS PONTES	50%
UTE TR/GDF BARRANCO DE TIRAJANA	50%
UTE TR/GDF CTCC BESOS	50%
UTE TR/GDF CTCC PUERTO DE BARCELONA	50%
UTE TR/GUEROLA CENTRAL TERMOSOLAR	50%
UTE TR/KV CON.PL.Y URB.ZALIA	50%
UTE TR/RTA VILLAMARTIN	50%
UTE TR/SEG PORTAS	50%
UTE TR/SERCOAL CENTRO DE DIA	50%
UTE TR/SERCOAL EDIFICIO SERVICIOS MULTIPLES	50%
UTE TR/TRIMTOR DEP.CAÑADA GALLEGO	50%
UTE TR/TRIMTOR EDAR LIBRILLA	50%
UTE VALORIZA TR SS2	50%
UTE PERELLO tr/vialobra	50%
UTE ENSA/TR CAMBIADORES TAISHAN	50%
UTE ROSELL INFRA/COMAYPA	50%
UTE INITEC-INTRAESA Tramo II	50%
UTE INITEC-INTRAESA Tramo I	50%
UTE PARQUE RIBALTA	50%
UTE COMAYPA INITEC TVR-CAS	50%
UTE TR/GEA/SANHER EL CARAMBOLO.	40%
UTE INITEC/FOSTER/MAN ACONCAGUA I	33%
UTE TRISA/AST. PET./ODEBRECHT EBRAMEX SUMI.	33%
UTE TRISA/AST. PET/.MINATRICO SUMINISTROS	33%
UTE IPI/TECHNIGAZ TZI CARTAGENA	30%
UTE TR/IONICS/TCOSA/CHSA DEP.OROPESA	25%
VIETNAM	20%
UTE PERLA VENEZUELA	100%
JAZAN REFINERY AND T	100%
UTE TR/ESPINDESA - AUGUSTUS	100%
UTE TSGI	30%
UTE TR/SGS PISTA 18 R	50%
UTE FORT HILLS	100%
UTE TR-JJC	51%
UTE TR MINATITLAN	100%
UTE TR Talara	100%
JV Sohar	50%
JV Darsait	50%

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014

UTEs and consortiums in which the consolidated companies have interests – 2013

Corporatename	Ownershipinterest
TR FRANCIA BRANCH	100%
TR KHABAROVSK BRANCH	100%
TR MOSCU BRANCH	100%
UTE ALQUILACION CHILE	100%
UTE EP SINES	100%
UTE HDT/HDK FASE II	100%
UTE HYDROCRACKER HUNGARY	100%
UTE INITEC/TR JU'AYMAH GPE	100%
UTE INITEC/TR MEJILLONES	100%
UTE INITEC/TR PLANTAS HDT Y HCK	100%
UTE INITEC/TR RKF ARGELIA	100%
UTE INITEC/TR SAIH RAWL	100%
UTE INITEC/TR TFT ARGELIA	100%
UTE TR POWER	100%
UTE TR/ALTAMARCA COMPLEJO LA VIÑA	100%
UTE TR/ALTAMARCA PISCINA CUBIERTA	100%
UTE TR/ESPINDESA	100%
UTE TR/ESPINDESA - PEL SINES	100%
UTE TR/ESPINDESA - TR AKITA	100%
UTE TR/I.P.I. TR JUBAIL	100%
UTE TR/I.P.I. ABUH DABIH –SAS	100%
UTE TR/I.P.I. C.P.BIO BIO	100%
UTE TR/I.P.I. FENOLES KAYAN	100%
UTE TR/I.P.I. OFFSITES ABUH DABIH	100%
UTE TR/INITEC DAMIETTA LNG	100%
UTE TR/INITEC EBRAMEX INGENIERIA	100%
UTE TR/INITEC INFRA CONS.COMP.LA VIÑA	100%
UTE TR/INITEC INFRA CONS.PC.HUERCAL OVERA	100%
UTE TR/INITEC INFRA CONSTRUCCI.PARCELA S	100%
UTE TR/INITEC JV HAWIYAH GPE	100%
UTE TR/INITEC KJT PR. LNG	100%
UTE TR/INITEC MINATRICO INGENIERIA	100%
UTE TR/INITEC P.I. JV TR RABIGH DP	100%
UTE TR/INITEC PROYECTO DGC CHILE	100%
UTE TR/INTERCONTROL VARIANTE PAJARES	80%
UTE TR/IONICS RAMBLA MORALES	100%
UTE TR/IPI ELEFSINAS	100%
UTE TR/IPI KHABAROVSK	100%
UTE TR/IPI REFINERIA SINES GALP	100%
UTE TR/TREC OPER.DESALADORA R.MORALES	50%
UTE TR/TT HORNOS RUSIA	100%
UTE RUP TURQUIA	100%
UTE TR YANBU REFINERY – TRYR	100%
UTE TR ABU DHABI SHAH I	100%
UTE MARGARITA	100%
UTE TANQUE MEJILLONES	100%
TR ABU DHABI SAS BRANCH	100%
UTE INITEC INFRA/BLC/FBA NAT AEROP.REUS	90%
UTE TR/SOLAER I.S.F. MORALZARZAL	90%
UTE TR/TECNORESIDUOS PT VALDEMINGOMEZ	90%
UTE TR/GEA COLECTOR PLUVIALES H.O.	80%
UTE INITEC I./AN + PD S.C. AEROP.DE SANTIAGO	72%
UTE INFRA/INTECSA PTA CARGA LA LOTETA	50%
UTE TR INTEGRATED PROJECT (TRIP)	100%
UTE TR VOLGOGRADO	100%
UTE Optara Total	100%
UTE TSK TR ASHUGANJ NORTH	50%

Corporatename	Ownershipinterest
UTE INITEC INFRA/EVREN EVAL.RECURSOS	70%
UTE INITEC/PYCSA ALBERCA DEL JUCAR	50%
UTE TR/ARDANUY ALGECIRAS	70%
UTE TR/SEG PROY.NT AENA	70%
UTE TR/ALTAMARCA/HMF C.ALCOBENDAS	34%
UTE TR/SENER PROEYCTO HPP GEPESA	60%
UTE TR/FERROVIAL LA PLANA DEL VENT	57%
UTE TR/LOGPLAN A.T.AENA	55%
UTE TR/PAI URBANIZACION CALAFELL	55%
EDIFICIO PIF AEROPUERTO BARCELONA	55%
UTE INFRA/FULCRUM SRPHCS	51%
UTE INITEC INFRA/FULCRUM CUENCAS AT.ANDAL.	51%
UTE CARGA ITOIZ	50%
UTE INITEC I./GEOCART CATASTRO R.D.	50%
UTE INITEC I./KV CONS.CONDUCCION DE TABERNAS	50%
UTE INITEC P.I./SPIE CAPAG MEDGAZ	50%
UTE INITEC/FOSTER ACONCAGUA II	50%
UTE IPI/ACCIONA 5º TANQUE CARTAGENA	50%
UTE PEIRAO XXI	50%
UTE PRESA ITOIZ	50%
UTE PRESA LOTETA	50%
UTE PROVER	50%
UTE RUZAFA	50%
UTE TR/ANETO RED NORTE OESTE	50%
UTE TR/ASFALTOSY CONS.APARCAM.ALCOBENDAS	50%
UTE TR/GDF AS PONTES	50%
UTE TR/GDF BARRANCO DE TIRAJANA	50%
UTE TR/GDF CTCC BESOS	50%
UTE TR/GDF CTCC PUERTO DE BARCELONA	50%
UTE TR/GUEROLA CENTRAL TERMOSOLAR	50%
UTE TR/KV CON.PL.Y URB.ZALIA	50%
UTE TR/RTA VILLAMARTIN	50%
UTE TR/SEG PORTAS	50%
UTE TR/SERCOAL CENTRO DE DIA	50%
UTE TR/SERCOAL EDIFICIO SERVICIOS MULTIPLES	50%
UTE TR/TRIMTOR DEP.CAÑADA GALLEGO	50%
UTE TR/TRIMTOR EDAR LIBRILLA	50%
UTE VALORIZA TR SS2	50%
UTE PERELLO tr/vialobra	50%
UTE ENSA/TR CAMBIADORES TAISHAN	50%
UTE ROSELL INFRA/COMAYPA	50%
UTE INITEC-INTRAESA Tramo II	50%
UTE INITEC-INTRAESA Tramo I	50%
UTE PARQUE RIBALTA	50%
UTE COMAYPA INITEC TVR-CAS	50%
UTE TR/GEA/SANHER EL CARAMBOLO.	40%
UTE INITEC/FOSTER/MAN ACONCAGUA I	33%
UTE TRISA/AST. PET./ODEBRECHT EBRAMEX SUMI.	33%
UTE TRISA/AST. PET/.MINATRICO SUMINISTROS	33%
UTE IPI/TECHNIGAZ TZI CARTAGENA	30%
UTE TR/IONICS/TCOSA/CHSA DEP.OROPESA	25%
VIETNAM	20%
UTE PERLA VENEZUELA	100%
JAZAN REFINERY AND T	100%
UTE TR/ESPINDESA - AUGUSTUS	100%
UTE TSGI	30%

1. Financial highlights.

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

In 2014 the Group's net sales amounted to 3,149 million euros, which represents a 11% increase over the previous year, reflecting the contribution of the sharp growth in business in the past two years. Operating profit amounted to 157 million euros, which accounts for 5% of sales. Profit after tax amounted to 134 million euros, which means an increase of 5% over 2013.

2. Research and development activities.

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

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

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

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

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

- The European ZAESS project, involving the upgrade of technology for zinc / air flow batteries developed at laboratory level in order to analyse its technical-financial feasibility, with a budget of 0.67 million K euros.

- Project SDIL (Direct Lixiviation of Zinc Sulphurs), with a budget of 0.84 million K euros for the development of new technology enabling the field of application of Zincex technology already in place at industrial level to be expanded.

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

3. Significant events subsequent to year end.

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

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

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

4. Acquisition of treasury shares.

There was no trading in treasury shares in 2014.

5. Financial risk management and use of financial instruments.

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

6. Other risk factors affecting the business.

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

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

- TÉCNICAS REUNIDAS' future business performance depends on the awarding of new contracts.

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

7. Average number of Group employees by category.

Category	2014	2013
Directors	2	2
Senior managers	23	23
Qualified and technical personnel	7,182	6,620
Semi-skilled workers	987	911
Sales staff	37	37
TOTAL	**8,231**	**7,593**

8. Environment.

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

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

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

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

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

The most significant shareholdings are as follows:

Company		No. of shares	% shareholding
Araltec, S.L.	Direct	17,882,564	31.99%
Aragonesa de Promoción de Obras y Construcciones	Direct	2,848,383	5.10%
Causeway Capital Management LLC	Indirect	2,797,034	5%

10. Restrictions on voting rights.

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

11. Shareholder agreements.

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

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

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

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

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

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

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

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

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

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

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

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

- Where they cease to hold the executive posts with which their appointment as Board directors was associated.
- When they are involved in any legally stipulated conflict of interest or prohibition.
- When seriously reprimanded by the Board of Directors for failing to discharge their obligations as Directors.
- When their remaining on the Board may jeopardise the Company's interests or when the reasons for which they were appointed cease to apply (for example, when a nominee director disposes of his stake in the Company).

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

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

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

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

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

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.

There are no signed agreements of this kind.

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

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

16. Corporate Governance Report

The Annual Corporate Governance Report of Técnicas Reunidas for 2014 forms part of the Directors' Report and since the publication of the annual accounts is available on the website of the National Securities Market Commission and the website of Técnicas Reunidas.

TECNICAS REUNIDAS

Arapiles 13
28015 Madrid (Spain)
Tel. 34 91 592 03 00
Fax 34 91 592 03 97
tr@tecnicasreunidas.es
www.tecnicasreunidas.es