consolidated financial

statements, management report and
audit report 2016

TECNICAS REUNIDAS

TECNICAS REUNIDAS

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

TÉCNICAS REUNIDAS, S.A.
AND SUBSIDIARIES

Consolidated annual accounts for the year ended December 31, 2016
and 2016 Directors' Report

TECNICAS REUNIDAS

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letter from the Chairman

2016

TECNICAS REUNIDAS

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

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

In 2016, roughly € 2,920 million was awarded to Técnicas Reunidas, which together with the high volume of contracts already achieved in 2015 and 2014, has allowed it to difference from their similarities and to successfully overcome market obstacles.

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

The accumulated contracting of the last years, has allowed the growth in the economic results. The sales of the year 2016 grew 14% to 4,793 million euro, which is a new record for the company. The Group´s operating income increase to 192 million euro, 123% higher than in 2015, and the net profit amounted 129 million euro, improving 115% over the year 2015.

At the end of 2016, the net cash position was 448 million euro. Since the beginning of the crisis, the management of the financial position has been gaining importance in the sector. Having an optimal position of cash is other of the facts that reflects the difference between the rivals, and has become one of the priorities of the Group.

At December 31, 2016, Técnicas Reunidas had a workforce of 8,890 employees, an adequate level of resources to satisfactorily execute the outstanding project portfolio.

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

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

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

Oil & Gas

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

In the long term, the outlook for the sector is positive according to the forecasts of the main official bodies. The International Energy Agency and OPEC estimate a sustained growth in demand for both oil and gas for the next 26 years despite the increase in investment for renewable energy. Specifically, the International Energy Agency estimates in its annual World Energy Outlook 2016, a total investment of 66,590 billion dollars in energy infrastructure for the next 24 years, or what would be an average annual investment of 2,660 billion dollars. With regard to the oil and gas sector, the International Energy Agency estimates a total investment of more than 22,800 billion dollars for the period from 2016 to 2040, representing 34% of the estimated global energy investment.

Técnicas Reunidas closely follows all these data and studies deeply the areas which required greater investment and those that offer greater opportunities of growth. Although as already mentioned before, 2016 was marked by a challenging market conditions and strong investment cuts. Which translate that most contractors of the sector saw diminished their hiring, comparing with the year 2015.

In 2016, precedence income of this activity amounted to 4,266 million euro and represent the 89% of global sales.

a) Refining and Petrochemical

- In March, Técnicas Reunidas, was selected by Pemex Transformación Industrial for the second phase of the execution of the project Diesel Ultra Azufre in the refinery General Lázaro Cárdenas in Minatitlán, Mexico. The scope of this phase englobe the engineering, procurement, construction and commissioning of two new refining units: hydro – desulphurization unit related ancillary services and integration of the installations outside the limits of battery for these plants. The agreement started under the modality of “open book”, and it is developed in two phases. The first one, roughly raised 50 million USD, which was awarded to Técnicas Reunidas in 2014, and it included the execution of a basic extend design (FEED), the breakdown estimation of the investment, and the purchase of some long term equipment. The second phase is based on the execution of the turn-key engineering projects, whose estimated value is 800 million USD counting a period of execution of 36 months. This project is part of the development plans and modernization that Pemex Transformación Industrial will carry out, with a total value of 5,500 million USD of investment, as part of the “Proyecto de Calidad de Combustibles” in their refineries to produce and supply diesel, containing a maximum amount of 15 parts per million (ppm), which means a reduction of 97%, to carry out with environmental regulations. Similarly, it is to improve the air quality by reducing the emission of greenhouse gas in 12,000 tons per year. These works will have a positive impact in the places that are allocated the refineries, creating 12,000 direct jobs and 31,000 indirect jobs. This project, gives continuity to the experience of Técnicas Reunidas in Mexico, where it developed years ago other relevant refining project for Pemex. At the end of the year, the client asked for a temporary suspend of the project for several months, due to a financing problem. By this time, the project was in the engineering phase. According to client´s statements, it is expected that the project will be resumed in 2017.

- In December, Saudi Aramco chose Técnicas Reunidas for the turn-key engineering project for the project “Clean Fuels” within the refinery Ras Tanura on the east cost of Saudi Arabia. The scope of this contract includes engineering, procurement and assistance with commissioning of the project, which is divided in two packages. The first one, includes the isomerization units, naphtha hydrotreating, CCR, interconnects, the torch systems, and the related buildings. On the other hand, the second one, refers to installations and the ancillary services. The contract will have a duration of 48 months until the mechanic execution of the plant.

By the execution of this project, Técnicas Reunidas reinforces its presence in the Saudi market and shows how it becomes more and more convinced the confidence acquired by Saudi Aramco, with whom it has been working continuously since 2003, in more than 10 refining projects.

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

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

b) Natural Gas and Upstream

The year 2015 was a year of success in this business, after receiving € 5 billion in awards, at a time of heavy investment in this type of projects in the Middle East. Nevertheless, the year 2016 was a year of execution and progress on existing projects rather than contracting, being in the same line that the investment cut. During 2016, the projects that most contributed to the sales division were the Fadhili and Combined Cycle Integrated Gas (GICC) gas projects, both for Saudi Aramco in Saudi Arabia, the GASCO project for the formed consortium by ADNOC / Total / Shell in the UAE and the gas train project N. 5 (GT5) for KNPC in Kuwait.

In 2016, the company finished the work of the offshore project of La Perla for Repsol and Eni in Venezuela, taking into account its commitment of term and quality. On the other hand, it completed the mechanical termination of the CNRL oil sand project in Alberta, Canada. This project suffered the fire that occurred in Alberta during the month of May, having a relevant impact on it in the last weeks of construction.

Power

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

Currently, the company aims to increase its presence in key markets such as Canada, USA, Mexico and other Latin American countries, where it identifies large investment plans.

In 2016, the company collected the fruits of its effort and managed to sign two relevant contracts expanding its activity in new geographies and gaining credentials with new clients. The revenues of this division amounted to 396 million euro, 23% higher than the year 2015, thanks to the strong contracting achieved in 2014.

Power activity accounted for 8% of the group's total sales and the projects that contributed most to this figure were the Fort Hills cogeneration plant for Suncor, Total and Teck in Canada, along with new projects awarded in 2016:

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

- In August, the English company MGT Teesside Ltd selected Técnicas Reunidas in a consortium with Samsung C & T to carry out the construction of a new 299 MWe power plant with combined heat and power in Teesside, United Kingdom. The scope of the project will include the engineering, procurement, construction, commissioning and commissioning services of a boiler and steam turbine with a gross power of 299 MWe. In the boiler, circulating fluid bed (CFB) technology will be used to generate steam from wood pellets and chips as the main fuel. The scope also includes all the auxiliary systems necessary for the correct functioning of the plant, such as the fuel receiving and handling system and the emission control and reduction systems required to comply with the latest environmental regulations. The total value of the contract amounts to 700 million euro, being the participation of Técnicas Reunidas of approximately 70%. The power generation plant is scheduled to commence its commercial operation in 2020. This is Técnicas Reunidas´ first contract in the UK, thanks to the intense commercial effort it has been making in the last few years in this market, and we hope to offer other opportunities in the medium-term power generation business.

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

Técnicas Reunidas, in addition to encompassing the power generation market through combined cycles, cogeneration plants or coal plants, also has extensive experience in nuclear energy. The Fukushima accident occurred in 2011 highlighted the need to increase investment in order to meet and improve safety requirements. Consequently, the immediate investment decisions were canceled or stopped, but in the long term the prospects for this type of energy remain positive. The International Energy Agency forecasts in its latest annual report (World Energy Outlook 2016) that nuclear energy production will increase by 2.3% on average per year, from a production of 2,535 TWh in 2014 to 4,532 TWh in 2040. This growth is associated with an estimated investment of 1,344 billion dollars in new plants and modernization of existing ones to be distributed over the next 24 years, which would represent 2% of the total estimated investment in the energy sector.

In fiscal year, Técnicas Reunidas, throught Empresarios Agrupados, continued to provide engineering support services to the nuclear power plants operating in Spain, as well as in various nuclear projects outside Spain:

- Support to Almaraz Nuclear Power Plants 1 and 2 and Trillo, making design modifications, post-Fukushima, etc. In accordance with the requirements demanded by the CSN.

- Project Venteo: Project of the containment of CN Almaraz 1 and 2 (Post-Fukushima).

- Project containment filtration Venture project for the Trillo plant.

- Project CAGE (Centro Alternativo de Control de Emergencias) of the CN Trillo (Post Fukushima).

- Miscellaneous work for the Ascçó nuclear power station 1.

- Engineering of “Almacen Temporal Centralizado (ATC)” of high activity radioactive waste to be built in Villar de Cañas (Cuenca), in consortium with Westinghouse, for ENRESA.

- Elaboration of the Project for the “Almacen Temporal Inidividual (ATI)” of the Almaraz Nuclear Power plant.

- Support to ENRESA in the Supervision of the Dismantling works of the C.N. José Cabrera.

- Engineering of the property playing the role of “architect Engineer” for ITER, a large fusion reactor installation, located in Cadarache, France, through the ENGAGE consortium formed by Atkins, Assystem, IOSIS and Empresarios Agrupados.

- Qualification of the Safety Systems Instrumentation of the fusion reactor ITER, in Cadarache, France.

- Review of the conceptual design and analysis of support for safety and other pipes for Tritium treatment, for ITER, in Cadarache, France.

- FEED engineering for the MYRRHA Research reactor project in Belgium, in consortium with AREVA and Ansaldo Nucleare.

- Management of the PMU (Project Management Unit) of the EBRD, (European Bank for Reconstruction and Development), for the decommissioning of unit 1 to 4 (WER-440 V230) of CN Kozloduy CN and the consortium of a storage of radioactive waste in Bulgaria, in consortium with Nuvia.

- Participation in the PMU of the EBRD for the dismantling of unit 1 of CN Bohunice (WER-440 V230) in Slovakia. In consortium with Iberdrola and Indra.

In addition, during the year 2016, Técnicas Reunidas has participated in the following projects:

- Study for the repair and updating of the heat exchangers of the System of Refrigeration of components of the CN Almaraz, units 1 and 2.

Infrastructures

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

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

José Lladó
Chairman

Juan Lladó
Vice Chairman

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INDEPENDENT AUDITOR´S REPORT ON CONSOLIDATED ANNUAL ACCOUNTS

To the shareholders of Técnicas Reunidas, S.A.

Report on the Consolidated Annual Accounts

We have audited the accompanying consolidated annual accounts of Técnicas Reunidas, S.A. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at December 31, 2016, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and related notes for the year then ended.

Directors' Responsibility for the Consolidated Annual Accounts

As indicated in the note 2.1, the 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 directors´ preparation of the consolidated annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated annual accounts taken as a whole.

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

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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, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions of the financial reporting framework applicable in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' Report for 2016 contains the explanations which the 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 consolidated directors' Report is in agreement with that of the consolidated annual accounts for 2016.Our work as auditors is limited to checking the consolidated directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Técnicas Reunidas, S.A. and its subsidiaries´ accounting records.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Goretty Álvarez

28 February 2017

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT DECEMBER 31, 2016

CONSOLIDATED BALANCE SHEET
(Figures in Euro Thousand)

	Note	At 31 December	
		2016	2015
ASSETS			
Non-current assets			
Property, plant and equipment	6	62,870	64,180
Goodwill	7	1,242	1,242
Other intangible assets	7	5,545	64,559
Investments in associates	8	13,128	4,889
Deferred tax assets	30	225,753	186,730
Available-for-sale financial assets	9	1,016	1,010
Derivative financial instruments	10	2,780	6,273
Receivables and other assets	10,14	20,789	16,093
		333,123	**344,976**
Current-Assets			
Assets held for sale	11	59,039	-
Inventories	13	16,992	21,696
Trade and other receivables	12	2,406,307	2,401,537
Receivables and other assets	10,14	16,677	47,476
Derivative financial instruments	10	14,755	25,516
Financial assets at fair value through profit or loss	10,15	64,169	63,198
Cash and cash equivalents	16	688,269	708,840
		3,266,208	**3,268,263**
Total assets		**3,599,331**	**3,613,239**

Notes 1 to 39 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, 2016

CONSOLIDATED BALANCE SHEET
(Figures in Euro Thousand)

	Note	At 31 December 2016	At 31 December 2015
Equity			
Capital and reserves attributable to owners of the parent			
Share capital	17	5,590	5,590
Share premium	17	8,691	8,691
Treasury shares	17	(72,623)	(74,150)
Other reserves	18	1,137	1,137
Capitalization Reserve	18	3,056	-
Hedging reserve	10	(73,427)	(93,203)
Cumulative translation differences	19	(17,630)	(4,165)
Retained earnings	20	618,782	585,713
Interim dividend	20	(35,852)	(35,830)
Equity attributable to owners of the parent		**437,724**	**393,783**
Non-controlling interests	20	**4,102**	**3,737**
Total equity		**441,826**	**397,520**
LIABILITIES			
Non-current liabilities			
Borrowings	10,22	155,212	157,651
Derivative financial instruments	10	4,383	13,426
Deferred tax liabilities	30	21,428	11,500
Other payables	10,21	409	482
Other liabilities	10	42	577
Employee benefit obligations	23	2,248	3,929
Provisions for liabilities and charges	24	34,976	31,217
		218,698	**218,782**
Current liabilities			
Trade and other payables	21	2,570,543	2,611,322
Current tax liabilities	30	67,793	86,510
Borrowings related to assets classified as held for sale	11	24,474	-
Borrowings	10,22	84,923	81,808
Derivative financial instruments	10	147,092	167,225
Other payables	10,21	36,733	46,060
Provisions for liabilities and charges	24	7,249	4,012
		2,938,807	**2,996,937**
Total liabilities		**3,157,505**	**3,215,719**
Total equity and liabilities		**3,599,331**	**3,613,239**

Notes 1 to 39 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, 2016

CONSOLIDATED INCOME STATEMENT
(Figures in Euro Thousand)

	Note	At 31 December	
		2016	2015
Revenue	25	4,792,610	4,187,887
Change in inventories		(3,813)	687
Raw materials and consumables		(3,403,140)	(3,020,558)
Employee benefit expense	27	(576,311)	(543,937)
Depreciation/amortisation and impairment charges	6 & 7	(19,112)	(19,291)
Lease and royalty expenses	28	(60,591)	(53,291)
Other expenses	26	(541,874)	(472,972)
Other income	26	4,167	7,505
Operating profit		**191,936**	**86,030**
Finance income	29	10,255	5,692
Finance costs	29	(6,264)	(4,195)
Share in profit (loss) of associates	8	(2,529)	(5,180)
Profit before tax		**193,398**	**82,347**
Income tax expense	30	(53,197)	(22,151)
Profit for the year		**140,201**	**60,196**
Profit/(loss) from discontinued operations	11	**(11,014)**	**-**
Profit for the year		**129,187**	**60,196**
Attributable to:			
Owners of the parent	20	128,853	59,364
Non-controlling interests	20	334	832
		129,187	**60,196**
Earnings per share for profit from continuing operations attributable to owners of the parent (expressed in euro per share)			
- Basic and diluted	31	2.60	1.11
Earnings per share for profit for the year attributable to owners of the parent (expressed in euro per share)			
- Basic and diluted	31	2.40	1.11

Notes 1 to 39 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, 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Figures in Euro Thousand)

	Note	At 31 December	
		2016	2015
Profit /(loss) for the year		**129,187**	**60,196**
Other comprehensive income			
Items that will not be restated to profit/ (loss)		-	-
Total items that will not be restated		-	-
Items that may later be restated to income			
Cash Flow Hedges	**10**	27,723	(55,684)
Tax effect		(7,947)	11,736
Cash-flow hedges net of tax		19,776	(43,948)
Profit (loss) in change rate due to foreign business operations	**19**	(22,789)	14,142
Total items that may later be restated to income		**(3,013)**	**(29,806)**
Other comprehensive income for the year, net of tax		**(3,013)**	**(29,806)**
Total comprehensive income for the year		**126,174**	**30,390**
Attributable to:			
- Owners of the parent		125,840	29,558
- Minority interests		334	832
Total comprehensive income for the year		**126,174**	**30,390**
Total comprehensive income for the year attributable to the owners of the parent arising from:			
– Continuing operations		136,854	29,558
– Discontinued operations		(11,014)	-
		125,840	**29,558**

Notes 1 to 39 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, 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Figures in Euro Thousand)

	Attributable to the owners of the parent									Non-controlling interests	Total equity
	Share capital (Note 17)	Share premium (Note 17)	Treasury shares (Note 17)	Other reserves (Note 18)	Capitlization Reserve (Note 18)	Hedging reserve (Note 10)	Cumulative translation differences (Note 19)	Retained earnings (Note 20)	Interim dividend (Note 20)	(Note 20)	
Balance at 1 January 2016	**5,590**	**8,691**	**(74,150)**	**1,137**	**-**	**(93,203)**	**(4,165)**	**585,713**	**(35,830)**	**3,737**	**397,520**
Comprehensive income											
Profit (loss) for the year, 2016	-	-	-	-	-	-	-	128,853	-	334	**129,187**
Other comprehensive income											**-**
Cash flow hedges, net of tax	-	-	-	-	-	19,776	-	-	-	-	**19,776**
Profit (loss) in change rate due to foreign business operations	-	-	-	-			(22,789)		-	-	**(22,789)**
Total other comprehensive income	**-**	**-**	**-**	**-**		**(19,9776)**	**(22,789)**	**(128,553)**	**-**	**334**	**126,174**
Total comprehensive income for the year	**-**	**-**	**-**	**-**		**(19,9776)**	**(22,789)**	**(128,553)**	**-**	**334**	**126,174**
Transactions with owners											
Transactions in treasury shares, net of tax	-	-	1,527	-		-	-	(192)	-	-	**1,335**
Distribution against 2015 profit	-	-	-	-	-	-	-	-	-	-	**-**
Dividend	-	-	-	-		-	-	(75,000)	35,830	-	**(39,170)**
Capitalization Reserve	-	-	-	-	3,056	-	-	(3,056)	-	-	**-**
Interim dividend against 2016 profit	-	-	-	-	-	-	-	-	(35,852)	-	**(35,852)**
Reserves Transfer	-	-	-	-	-	-	9,324	(9,324)	-	-	**-**
Other movements						-		(8,212)		31	**(8,181)**
Total transactions with owners	**-**	**-**	**(1,527)**	**-**	**3,056**		**9,324**	**(95,784)**	**(22)**	**31**	**(81,868)**
Balance at 31 December 2016	**5,590**	**8,691**	**(72,623)**	**1,137**	**3,056**	**(73,427)**	**(17,630)**	**618,782**	**(35,852)**	**4,102**	**441,826**

Notes 1 to 39 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, 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Figures in Euro Thousand)

	Attributable to the owners of the parent										
	Share capital (Note 17)	Share premium (Note 17)	Treasury shares (Note 17)	Other reserves (Note 18)	Capitlization Reserve (Note 18)	Hedging reserve (Note 10)	Cumulative translation differences (Note 19)	Retained earnings (Note 20)	Interim dividend (Note 20)	Non-controlling interests (Note 20)	Total equity
Balance at 1 January 2015	5,590	8,691	(73,371)	1,137	-	(49,225)	(18,307)	614,288	(35,846)	2,905	455,832
Comprehensive income											
Profit (loss) for the year, 2015	-	-	-	-	-	-	-	59,364	-	832	**60,196**
Other comprehensive income											
Cash flow hedges, net of tax	-	-	-	-	-	(43,948)	-	-	-	-	**(43,948)**
Actuarial gains on post-employment benefit obligations	-	-	-	-			14,142		-	-	**14,142**
Total other comprehensive income	-	-	-	-		(43,948)	14,142	-	-	-	(29,806)
Total comprehensive income for the year	-	-	-	-		(43,948)	14,142	59,364	-	832	30,390
Transactions with owners											
Transactions in treasury shares, net of tax	-	-	(779)	-	-	-	-	-	-	-	**(779)**
Distribution against 2014 profit	-	-	-	-	-	-	-	(75,000)	35,846	-	**(39,154)**
Dividend	-	-	-	-		-	-	-	-	-	**-**
Capitalization Reserve	-	-	-	-	-	-	-		-	-	**-**
Interim dividend against 2015 profit	-	-	-	-	-	-	-	-	(35,830)	-	**(35,830)**
Reserves Transfer	-	-	-	-	-	-	-	-	-	-	**-**
Other movements								(12,939)		-	**(12,939)**
Total transactions with owners	-	-	(779)	-	-			(87,339)	16		(88,702)
Balance at 31 December 2015	5,590	8,691	(74,150)	1,137	-	(93,203)	(4,165)	585,713	(35,830)	3,737	397,520

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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED CASH FLOW STATEMENT
(Figures in Euro Thousand)

	Note	At 31 December	
		2016	2015
Cash flows from operating activities			
Profit for the year		129,187	60,195
Adjustments:			
- Taxes	30	53,197	22,151
- Depreciation/amortisation of PPE and intangible assets	6 & 7	17,756	16,951
- Change in provisions, net		5,315	(17,821)
- Share in (profit)/loss of associates	8	2,529	5,180
- Change in fair value of financial instruments	29	(1,076)	(764)
- Interest income	29	(6,568)	(6,242)
- Interest expense	29	6,264	4,195
- Change in gains/losses on derivatives	10	85,755	53,342
- Accumulated impairtment losses		11,414	2,537
- Exchange differences	29	(2,834)	(431)
- Other income / expenses		(3,863)	34
Changes in working capital			
- Inventories		4,704	2,601
- Trade and other receivables		(52,370)	(951,230)
- Other financial assets		30,799	(24,401)
- Trade payables		(50,792)	912,678
- Other accounts payable		(9,935)	(1,716)
- Other changes		(82,328)	(48,541)
-Other operating cash flows:			
- Dividens collected		-	645
- Interest paid		(6,264)	(4,195)
- Interest received		6,568	5,911
- Tax paid		(78,364)	(49,068)
		59,094	**(17,989)**
Cash flows from investing activities			
Purchases of property, plant and equipment	6	(15,028)	(30,059)
Purchases of intangible assets	7	(1,669)	(7,929)
Payments for associates	8	(12,054)	(2,030)
Other non-current assets		(2,909)	-
Proceeds from sale of non-current assets		340	2,216
Net cash used in investing activities		**(31,320)**	**(37,802)**
Cash flows from financing activities			
Proceeds from borrowings		182,105	212,043
Repayment of borrowings		(156,955)	-
Dividends paid	20	(75,022)	(75,000)
Acquisition of treasury shares	17	1,527	(779)
Net cash used in financing activities		**(48,345)**	**136,264**
Net increase/(decrease) in cash and cash equivalents		**(20,571)**	**80,473**
Cash and cash equivalents at beginning of year		**708,840**	**628,367**
Cash and cash equivalents at end of the year		**688,269**	**708,840**

Notes 1 to 39 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 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Figures in Euro Thousand)

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 (Spain).

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

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

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

The Group's consolidated annual accounts for 2015 were approved at the Annual General Meeting held on 29 June 2016.

These consolidated annual accounts were authorised for issue by the Board of Directors on 27 February 2017. 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 2016 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 2016, 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.

The preparation of consolidated financial statements under IFRS- EU requires the use of certain critical accounting estimates. The use of IFRS-EU 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 Euro Thousand, unless explicitly stated otherwise.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2016

2.1.1. Changes in accounting policies and disclosure.

Mandatory standards, amendments and interpretations for all years commencing 1 January 2016:

As a result of their approval, publication and entry into effect on 1 January 2016, the following standards have been applied.

- Annual improvements to IFRS. Cycle 2010 to 2012. The main modifications are:
  - IFRS 3: "Business Combinations."
  - IFRS 8 "Operating Segments."
  - IAS 16 "Property, Plants & Equipment." and IAS 38 "Intangible Assets".
  - IAS 24 "Disclosures about related parties."

- IFRS 11 (Amendment) "Accounting for acquisitions of interests in joint ventures".
- IAS 16 (Amendment) and IAS 38 (Amendment) "Clarification of acceptable methods of amortisation".
- IAS 27 (Amendment) "Equity method in the separate financial statements".
- Annual improvements to IFRS Cycle 2012 to 2014, The main modifications are:

  - IFRS 5 "Non-current assets held for sale and discontinued operations".
  - IFRS 7 "Financial Instruments: Disclosures".
  - IAS 19 "Employee Benefits".
  - IAS 34 "Interim Financial Reporting".

- IAS 1 (Amendment) "Disclosure Initiative"
- IFRS 10 (Amendment) IFRS 12 (Amendment), and IAS 28 (Amendment) "Investment in Associates and Joint Ventures".

Analysis of the Accounting Standards and Interpretations apply from 1 January 2016 has not been identified any significant impact that has to be included in the consolidated annual accounts.

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 2016

At the date of these consolidated annual accounts, the IASB and IFRS Interpretations Committee had published the following standards, amendments and interpretations, application of which is not mandatory yet, and the Group does not apply in advance.

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

Currently, Managment is evaluating the effects of applying the new standars to the different typology of projects and portfolio contracts, as well as, the tender process for the next years in reference to the combination of contracts, and identification of diferent completion obligations, in addition to the possible impacts about the contracts modification, Nevertheless, the new standars, amendments, and interpretations, are not expected to have a significant impact 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 10 (Amendment) and IAS 28 (Amendment), "Sale or transfer of assets between an investor and its associates and joint ventures."
- IFRS 16 " Leases."
- IAS 7 (Amendment) "Initiative Disclosures."
- IAS 12 (Amendment) "Recognition of deferred tax assets for unrealized losses."
- IFRS 15 (Amendment) "Revenue from contracts with customers." - Clarifications
- IFRS 4 "(Amendment) "Appllying IFRS 9 "Financial Instruments" and IFRS 4 "Insurance Contracts."
- Annual Improvements to IFRS. Cycle 2014 to 2016:

- IFRS 1 “First-time Adoption of the International Finantial Reporting Standards.”
- IFRS 12 “Disclosure of interest in other entities.”
- IAS 28 “Investment in Associates and Joint Ventures.”

- IFRIC 22 “Foreign currency transactions and Advance consideration.”

The Group is analyzing the impacts that might have the new standards in the consolidated annual accounts, in case to be adopted by the European Union.

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 consolidation scope.

Group companies hold interests of more 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.

During the year 2016, the following changes occurred in the consolidation perimeter:

The company Técnicas Reunidas Canadá E&C Inc has been incorporated, participated at 85% by Initec Plantas Industriales, S.A., and the other 15% by Técnicas Reunidas, S.A.

The consolidation perimeter changed as follows in 2016:

- During the year 2016, the companies Layar Castilla S.A and its subsidiary Explotaciones Varias S.A., are not longer part of the scope due to the sale of shares of the first one. As a result, of this transaction, there has been a profit of 757 Euro Thousands.

- It has been included in the consolidation perimeter the company Serviheymo S.A. participated by Heymo S.A. at 100%, as well as the companies Técnicas Reunidas Sagemis, S.A., Técnicas Reunidas UK, both owned at 100% by Técnicas Reunidas, S.A.

The consolidation perimeter changed as follows in 2015:

The following companies have been incorporated:

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

The following changes have taken place:

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- During 2015 the parent company of Grupo Técnicas Reunidas, S.A. has expanded its stake to 100% in Heymo Ingeniería, S.A., which is now fully consolidated.

- During 2015 the company DI Ltda Construcción y Ingeniería has ceased to be part of the perimeter by the liquidation of the company.

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

i) 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 2016 and 2015.

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.

The non-controlling interests in results and equity of the subsidiaries show separately in the Consolidated Income Statement, Consolidated Balance sheet, Consolidated Statement of changes in Equity and the Consolidated Statement of the comprehensive income.

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 2016 and 2015.

ii) 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.

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

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2016

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.

Gains and losses arising from upstream and downstream transactions between the Group and its associates are recognized in the Group's annual accounts only to the extent that they correspond to the interests of other investors in the non-investor associates. Unrealized losses are eliminated unless the transaction provides evidence of impairment loss of the asset transferred. The accounting policies of associates have been modified when necessary to ensure consistency with the policies adopted by the Group.

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

In 2016 the participation in Layar Castilla S.A. has been sold.There were no disposals of associate companies in 2015.

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

iii) 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. 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.

iv) 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.

When the Group does not consolidate under the equity method an investment due to a loss of control, joint control or significant influence, any interest held in the company will be valued at its new fair value, with the change in the book value recognized in the income statement. This fair value become the initial book value in order to account afterwards the retain interest as an Associate, joint venture, or finantial assets. In addition, any amount previously recognized in refference to that entity, is accounted as if the Group disposed directly had of the assets and liabilities. This can imply that the amounts previously recognized in other global results will be reclassified to results.

If the interest in the property of a joint venture or in a subsidiarie is reduced, but the joint control or the significant influence remains, just a proportional part previously recognized in other comprehensive income will be reclassified to results, when appropiate.

Exhibit III provides the identifying details of the joint ventures included in the scope of consolidation under the proportionate method of consolidation for the years ended December 31, 2016 and 2015.

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.

The impairment of the book value of the investments is accounted under the Equity method in accordance with the policy detailled in Note 2.8.

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.

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 annual accounts, as described herein.

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

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 entity 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 ranslation differences are recognised as a separate component of other comprehensive income.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2016

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and converted at the closing rate. The translation differences that arise are recognised in the statement of comprehensive income as "Foreign currency translation differences."

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:

Classification / 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	3	-	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 identificable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

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

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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 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows, i,e, cash-generating units, Impairment loss is recognised in the income statement.

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

2.9. Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit and loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management establishes the classification of investments at initial recognition and reviews the classification at each reporting date. The Group did not have any held-to-maturity investments at either year-end 2016 or 2015.

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.

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.

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.

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

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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 companies or counterparty's default, insolvency or bankruptcy.

Impairment of financial assets

Assets at amortized 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. Assets and liabilities classified as held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount is primarily to be recovered through a sale transaction, rather than for their continuing use, and sale is considered highly probable. They are valued at the lower of their carrying amount and their fair value less costs to sale, except for assets such as deferred tax assets, assets from employee benefits, financial assets and real estate investments recorded at fair value and contractual rights from insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent impairment of the asset (or disposal group) to fair value less costs to sale. A gain is recognized for any subsequent increase in fair value less costs to sale an asset (or disposable group), but not above the impairment loss previously recognized. Loss or gain not previously recognized at the date of sale of a non-current asset (or disposal group) is recognized on the date it is derecognized.

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

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

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

2.11. Inventories

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

The costs associated with submitting offers for domestic and foreign contracts are taken to the income statement when incurred if it is not known or unlikely that the contract will be awarded on the date when the costs are incurred. The costs of presenting offers are recognised as inventory when it is likely or known that the contract will be awarded or when it is known that the cost will be reimbursed or included in the income from the contract.

2.12. Trade receivables

Trade receivables are amounts due from customers for goods 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.

2.13. 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 16).

- Operating activities: the proceeds & payments related to 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 that are not related to operating activities.

2.14. 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.

2.15. 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.

2.16. 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.

2.17. 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. Commissions paid for borrowing are recognized as transaction costs for the loan to the extent that it is probable that a part or the entire line will be available. In this case, commissions are deferred until the disposition occurs. To the extent that there is no evidence that it is probable that all or part of the credit line will be available, the commission is capitalized as an advance payment for liquidity services and is amortized over the period of the Credit availability.

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Borrowings are eliminated from the balance sheet when the obligation specified in the contract has been paid, canceled or expired. The difference between the book value of a financial liability that has been canceled or transferred to another party and the consideration paid, including any non-cash or liability transferred asset assumed, is recognized in the income statement as other financial income or expenses.

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.

2.18. 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 either 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.

2.19. Employee benefits

Pension and retirement obligations

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

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

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

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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 accrued 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.

Bonus plans

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

2.20. 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 2.21).

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, which are expected to be required to settle the obligation using a pre-tax rate that reflects the current market valuation of the temporary value of the money and the specific risks of the obligation.

2.21. 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.

<u>Service agreements</u>

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.

<u>Turnkey engineering projects</u>

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

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When the outcome of a contract can be reliably estimated and it is probable that the contract will be profitable, contract revenues are recognized 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 recognized immediately as an expense.

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

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

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

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

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

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

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

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

Service concession arrangements

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

Dividend income

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

Interest income

Interest income is recognised using the effective interest rate method.

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2.22. Derivative financial instruments and hedging activities

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

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

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

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

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

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

Cash flow hedges

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

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

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

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.

2.23. 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

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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.

2.24. 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.

2.25. Environmental disclosures

It is considered environmental activities any operation whose main porpuse is prevent, reduce or repair the damage over the environment.

The expenses that comes from the protection or environmental improvement is allocated in the concolidated income for the year in which they are incurred. No matter when occurred the monetary or financial flows.

The accurals related to the probable responsabilities, from litigation in progress, indemnity payments, or pendant obligations of uncertain amount, no cover by the agreed policies, are recorded when the responsibility appear/born or with obligation which determine the indemnization payment.

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.

2.26. Earnings per Share

i) Basic earnings per share

Basic earnings per share are calculated by dividing:

- The profit attributable to the owners of the company, excluding any cost of the service of equity other than ordinary shares.
- Among the weighted average number of outstanging ordinary shares during the year, adjusted for elements incentives into ordinary shares issued during the year and excluding treasury shares.

ii) Diluted earnings per share

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

- The effect after tax profit of interest and other financial cost associated with potential ordinary shares with diluted effects; and

- The weighted average number of additional ordinary shares, that would have been a outstanding shares assuming the conversion of all potential dilutive ordinary shares.

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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, to a lesser extent, currencies tied to the USD. There is residual exposure to suppliers operating in other currencies (primarily, yens, Australian dollars, Canadian dollars, Turkish lira, Malaysian ringgit, Peruvian sol, Russian ruble and Kuwaiti dinar).Foreign exchange risk arises primarily on future commercial transactions and recognised assets and liabilities.

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

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

The nature of the Group’s business operations means that it is very common to contract transactions with customers in US dollars, while the corresponding costs are habitually denominated in multiple currencies, albeit principally US dollars. If the euro had depreciated / appreciated against the US dollar by a hypothetical 10% in 2016, leaving all other variables constant, consolidated profit before tax for the year would have been € 34,932 K higher / lower (2015: € 42,729 k), main ly due to hypothetical gains / losses generated on the revaluation / devaluation of open positions in US dollars.

Meanwhile, if the euro had depreciated / appreciated against the US dollar by a hypothetical 10% in 2016, equity would have been € 101,377 higher / lower (2015: € 121,410 K 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:

	2016	2015
Bolivian Peso	10,093	78,472
Saudi Riyal	51,528	55,217
Turkish Lira	56,725	97,517
Peruvian SOL	31,234	7,674

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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 15).

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. Most of these lines are negotiated at adjustable rates referenced to the EURIBOR. Given the current environment of negative EURIBOR rates, the variable rates established in the policies are the best strategy for minimising interest rate risk.

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

	2016			2015		
	Referenced to Euribor	Other benchmarks	Total	Referenced to Euribor	Other benchmarks	Total
Borrowings	(224,766)	(15,369)	(240,135)	(174,384)	(65,075)	(239,459)
Interest-earning cash and cash equivalents	138,981	549,288	688,269	186,257	522,583	708,840
Net cash position	**(85,785)**	**533,919**	**448,134**	**11,873**	**457,508**	**469,381**

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 2016 profit of 1,082 K € (2015: 1,173k / €).

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 16).
- Trade and other receivable balances (Note 12).

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.

At 31 December, our key customers (10) represents the 73% of the total "Trade receivables" (within Trade and other receivables) (2015: 55%), 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 2016 is € 153,007 k (2015: € 269,950k), and primarily correspond to amounts past due by less than 6 months.

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

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

c) Liquidity risk

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

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

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:

	2016	2015
Borrowings (Note 22)	(240,135)	(239,459)
Financial assets at fair value through profit or loss - FAFV (Note 15)	64,169	63,198
Cash and cash equivalents (Note 16)	688,269	708,840
Net cash balance and FAFV	512,303	532,579
Undrawn credit lines	619,998	471,085

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In addition, the 23 of December of 2016, the Group signed a syndicated line of credit amounting to 350 millions of euro. This line credit does not appear in “Undrawn credit lines”, since, at the end of the year, did not come into effect, due to the precedent conditions are still pending of compliance.

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

	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2016				
Borrowings (note 22)	84,923	155,212	-	-
Derivative financial instruments (note 10)	147,092	4,383	-	-
Trade and other payables (note 21)	2,607,276	409	-	-
Total	**2,839,291**	**160,004**	**-**	**-**
At 31 December 2015				
Borrowings (note 22)	81,808	136,692	8,805	12,154
Derivative financial instruments (note 10)	167,225	13,426	-	-
Trade and other payables (note 21)	2,657,382	482	-	-
Total	**2,906,415**	**150,600**	**8,805**	**12,154**

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.

	2016	2015
Borrowings (Note 22)	(240,135)	(239,459)
Net cash position	512,303	532,579
Equity	441,826	397,520
% Borrowings / Equity	54.35%	60.24%
% Net Cash position & FAFV/ Equity	115.95%	133.98%

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 2016	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss (Note 15)	64,169	-	-	64,169
Hedging derivatives (Note 10)	-	17,535	-	17,535
Total assets	**64,169**	**17,535**	**-**	**81,704**
Liabilities				
Hedging derivatives (Note 10)	-	151,475	-	151,475
Total liabilities	**-**	**151,475**	**-**	**151,475**

At 31 de diciembre de 2015	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss (Note 15)	63,198	-	-	63,198
Hedging derivatives (Note 10)	-	31,789	-	31,789
Total assets	**63,198**	**31,789**	**-**	**94,987**
Liabilities				
Hedging derivatives (Note 10)	-	180,651	-	180,651
Total liabilities	**-**	**180,651**	**-**	**180,651**

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

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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 2016 or 2015.

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

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

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

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

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

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

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

4. Critical accounting estimates and judgements

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

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 30) to differ by 10% from management's estimates, the income tax liability recognised would increase / decrease by €5,312 / 5,331k (2015: €2, 215 / €2,014k).

As disclosed in Note 30, the Group's effective tax rate is 27.5 % in 2016 (26.9% in 2015).

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 23, including sensitivity analysis.

Accounts receivable

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

Provisions

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

Revenue recognition

The Group uses the percentage-of-completion method to recognise revenue. Use of the percentage-of-completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed. This revenue recognition method is applied only when the outcome of the contract can be reliably estimated and it is likely that the contract will generate profits. If the outcome of the contract

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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, has been determined by evaluating the different external and internal circumstances that could give rise to signs of impairment, such as the market value of the asset, changes in business plans, changes in management or in the environment (legal, fiscal, economic, etc.), interest rate evolution, obsolescence or physical impairment.

In the application of accounting policies, different judgments have not been applied to the estimates detailed above.

5. Segment information

The Group classifies its operating segments as follows:

- Oil and Gas
- Power
- Infrastructure and Industry

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

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

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

The infrastructure and industry segment executes project work in multiple arenas such as airports, industrial facilities, desalination and water treatment plants as well as initiatives for public authorities and other bodies such as management of car parks, public spaces and municipal sports centres.

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

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	Oil and gas		Power		Infrastructure & other		Unallocated		Group	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Segment reporting										
Revenue	4,267,172	3,744,393	395,939	320,809	130,499	122,685	-	-	**4,792,610**	**4,187,887**
Operating profit	270,317	156,676	21,325	14,538	(8,174)	(4,236)	(91,532)	(80,948)	**191,936**	**86,030**
Net finance income (Note 28)	-	-	-	-	-	-	3,991	1,497	**3,991**	**1,497**
Share in profit (loss) of associates	38	(16)	904	526	(3,471)	(5,690)	-	-	**(2,529)**	**(5,180)**
Profit before tax	-	-	-	-	-	-	-	-	**193,398**	**82,347**
Income tax expense	-	-	-	-	-	-	(53,197)	(22,151)	**(53,197)**	**(22,151)**
Profit for continuing operations	-	-	-	-	-	-	-	-	**140,201**	**60,196**
Lost from discontinued operations	-	-	-	-	-	-	-	-	**(11,014)**	**-**
Profit for the year	-	-	-	-	-	-	-	-	**129,187**	**60,196**
Assets and liabilities by operating segment										
Assets	2,901,126	2,937,129	194,927	179,641	199,694	198,629	289,213	282,356	**3,584,960**	**3,597,755**
Associates	3,168	3,878	6,603	5,712	4,600	5,894	-	-	**14,371**	**15,484**
Total assets	**2,904,294**	**2,941,007**	**201,530**	**185,353**	**204,294**	**204,523**	**289,213**	**282,356**	**3,599,331**	**3,613,239**
Liabilities	2,625,816	2,285,774	191,019	129,700	61,610	313,261	252,060	486,984	**3,157,505**	**3,215,719**
Additions to non-current assets (Notes 6 and 7)	21,517	8,613	39	332	956	2,178	5,014	24,809	**27,526**	**35,932**
Other operating segment disclosures	-	-	-	-	-	-	-			
Depreciation of PPE (Note 6)	-	-	-	-	-	-	(14,287)	(13,426)	**(14,287)**	**(13,426)**
Amortisation of intangible assets (Note 7)	-	-	-	-	-	-	3,469	(3,328)	**3,469**	**(3,328)**
Impairment of trade receivables (Note 12)	-	-	-	-	-	-	(638)	(814)	**(638)**	**(814)**

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

Revenue from third-party customers	**2016**	**2015**
Spain	97,003	96,774
Middle East	2,027,019	1,128,132
America	1,131,274	1,311,446
Asia	623,677	479,038
Europe	326,120	443,194
Mediterranean	587,517	729,303
	4,792,610	**4,187,887**

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

The revenue generated by the Group's top five customers accounted for 67% of the 2016 total (2015: 55%). Revenue generation by customers who individually accounted for over 10% of total consolidated revenue in 2016 amounted to 2,289 million €(2015: €1,075 mil lion).

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 PP&E**	
	2016	**2015**	**2016**	**2015**
Spain	315,471	366,267	987	2,374
Middle East	1,660,548	1,222,706	8,386	5,021
Americas	537,610	589,891	1,384	1,674
Asia	412,628	472,990	206	432
Europe	170,257	125,422	2	2
Mediterranean	334,606	693,833	11,547	1,620
Total	**3,431,120**	**3,471,109**	**22,511**	**11,123**
Associates	14,371	15,483	-	-
Unallocated	153,840	126,647	5,015	24,809
	3,599,331	**3,613,239**	**27,526**	**35,932**

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

	2016	2015		2016	2015
Reportable segment assets	3,310,118	3,330,883	Reportable segment liabilities	2,905,446	2,728,735
Unallocated:			Unallocated:		
			Non-current liabilities	152,344	1,940
Non-current assets	207,229	195,283	Impairment provisions	32,419	28,369
Current assets	81,984	87,073	Current liabilities	67,296	456,675
Total assets per the balance sheet	**3,599,331**	**3,613,239**	**Total liabilities per the balance**	**3,157,505**	**3,215,719**

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 2015	**2,897**	**49,430**	**54,656**	**2,537**	**7,382**	**116,902**
Additions	633	7,796	9,127	-	10,938	28,494
Decreases	(340)	(33)	-	-	(1,027)	(1,400)
Other movements	565	41	1,019	-	(475)	1,150
Balance at 31 December 2015	**3,755**	**57,234**	**64,802**	**2,537**	**16,818**	**145,146**
Additions	**2**	**2,072**	**12,529**	**-**	**425**	**15,028**
Decreases	(11)	(1,604)	(880)	-	(134)	(2,629)
Incorporations to perimeter	-	8	134	-	-	142
Other movements	-	(237)	(864)			(1,101)
Balance at 31 December 2016	**3,746**	**57,473**	**75,721**	**2,537**	**17,109**	**156,586**

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Accumulated depreciation	Land and buildings	Plant and machinery	Furniture and equipment	PPE under construction	Other PPE	Total
Balance at 1 January 2015	**864**	**25,250**	**35,770**	**-**	**2,933**	**64,817**
Additions	176	5,106	6,492	-	1,652	13,426
Decreases	(89)	(33)	-	-	(814)	(936)
Impairment expense	-	-	-	2,537	-	2,537
Other movements	-	41	991	-	90	1,122
Balance at 31 December 2015	**951**	**30,364**	**43,253**	**2,537**	**3,861**	**80,966**
Additions	155	5,002	6,012	-	3,118	14,287
Decreases	-	(98)	(532)	-	(518)	(1,148)
Incorporations to perimeter	-	3	37	-	-	40
Other movements	-	(59)	(370)	-	-	(429)
Balance at 31 December 2016	**1,106**	**35,212**	**48,400**	**2,537**	**6,461**	**93,716**
Net carrying amount at 1 January 2015	**2,033**	**24,180**	**18,886**	**2,537**	**4,449**	**52,085**
Net carrying amount at 31 December 2015	**2,804**	**26,870**	**21,549**	**-**	**12,957**	**64,180**
Net carrying amount at 31 December 2016	**2,640**	**22,261**	**27,321**	**-**	**10,648**	**62,870**

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

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

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

	2016	2015
Capitalized finance lease cost	6,805	6,805
Accumulated depreciation	(6,805)	(6,805)
Net carrying amount	**-**	-

Finance lease agreements entered into by the Company mainly relate to the acquisition of computer equipment. These contracts have an average term of 3 years.

The additions of the epigraph “Furniture and equipment” mainly belong to temporaly additions at Algerie.

At 31 December 2016, the Group carried items of property, plant and equipment located outside Spain with an original cost of €50,656k (2015: €42,634k) and acc umulated depreciation of €20,516 k (2015: €14,948k).

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

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7. Goodwill and other intangible assets

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

Cost	Concessions	Software and other intangible assets	Subtotal	Goodwill	Total
Balance at 1 January 2015	**60,062**	**16,362**	**76,424**	**1,242**	**77,666**
Additions	4,521	2,917	7,438	-	**7,438**
Decreases	-	-	-	-	**-**
Other movements	-	391	391	-	**391**
Balance at 31 December 2015	**64,583**	**19,670**	**84,253**	**1,242**	**85,495**
Additions	**-**	**1,669**	**1,669**		**1,669**
Decreases	-	(5)	(5)		(5)
Incorporations to perimeter	9,775	-	9,775		9,775
Transfers	(73,467)	260	73,207		73,207
Balance at 31 December 2016	**891**	**21,594**	**22,485**	**1,242**	**23,727**

Accumulated amortisation and impairment losses	Concessions	Software and other intangible assets	Subtotal	Goodwill	Total
Balance at 1 January 2015	**3,305**	**12,715**	**16,020**	**-**	**16,020**
Additions	1,243	2,085	**3,328**	-	**3,328**
Decreases	-	-	-	-	**-**
Other movements	403	(57)	**346**	-	**346**
Balance at 31 December 2015	**4,951**	**14,743**	**19,694**	**-**	**19,694**
Additions	1,502	1,967	3,469	-	3,469
Decreases	-	-	-	-	-
Incorporations to perimeter	283	-	283	-	283
Transfer	(6,431)	(75)	(6,506)	-	(6,506)
Balance at 31 December 2016	**305**	**16,635**	**16,940**	**-**	**16,940**
Net carrying amount at 1 January 2015	**56,757**	**3,647**	**60,404**	**1,242**	**61,646**
Net carrying amount at 31 December 2015	**59,632**	**4,927**	**64,559**	**1,242**	**65,801**
Net carrying amount at 31 December 2016	**586**	**4,959**	**5,545**	**1,242**	**6,787**

In 2016 research and development expense charged to the income statement amounts to €2,843 k (2015: € 4,432k).

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During 2016, the net book value of the concessions of Complejo Deportivo Alcobendas and the Sports Complex, parking and pubic spaces in San Sebastián de los Reyes - La Viña Comercial Shopping Center were transferred to the heading "Assets held for sale", since its sale is considered highly probable (Note 11).

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

No financial expenses were capitalised in 2016 and 2015.

The concession of Centro Comercial La Viña has become intrgrated to 100% in 2016 (80% in 2015). This effect appears in the epigraph "Incorporations to perimeter".

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 2016 and 31 December 2015 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	Underground car park at Huercal - Overa (Almeria))	30 years	User charges	Subject to successive term extensions
2	Alcobendas underground car park	75 years	User charges	At end of concession term

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

8. Investments in associates

Detail and changes in investments in associates are as follows:

	2016	2015
Opening balance	**4,889**	**14,589**
Additions	12,054	2,030
Derecognitions	(3,644)	(642)
Perimeter change	(529)	(5,908)
Share of profit/loss	(2,529)	(5,180)
Other movements	2,887	-
Closing balance	**13,128**	**4,889**

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The amount of this heading shows the participation of the associates' equity. At 31 December 2016, it mainly corresponds to the equity of the entities Minatrico S. d. R.L. de C.V. and Empresarios Agrupados Internacional, S.A.

The disposal of the year corresponds to the sale of Layar Castilla, S.A. and Explotaciones Varias, S.A.

In addition, the additions correspond to the contributions to the water treatment project.

The presentation date of the financial statements of all the associates agrees to 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
2016						
Empresarios Agrupados Internacional, S.A.	Spain	41,886	31,408	43,871	2,103	43.00%
Ibérica del Espacio, S.A.	Spain	35,901	27,442	10,484	401	50.00%
Empresarios Agrupados, A.I.E.	Spain	5,235	4,485	22,759	-	43.00%
Master S.A. de Ingeniería y Arquitectura	Spain	5,067	4,141	4,350	(131)	40.00%
Ebramex S, de R.L. de C.V	Mexico	249	10,683	768	(792)	33.33%
Minatrico S, de R,L, de C.V.	Mexico	11,196	404	-	906	33.33%
Water treatment project	Spain	32,065	94,816	473	(19,281)	33.00%

Name	Country of incorporation	Assets	Liabilities	Revenues	Profit/(Loss)	% ownership interest
2015						
Empresarios Agrupados Internacional, S.A.	Spain	15,954	3,420	-	1,223	43,00%
Layar Castilla, S.A.	Spain	1,692	1	11	12	25,39%
Ibérica del Espacio, S.A.	Spain	20,131	9,369	7,906	2,178	50,00%
Empresarios Agrupados, A.I.E.	Spain	4,961	4,211	23,761	-	43,00%
Master S.A. de Ingeniería y Arquitectura	Spain	6,212	5,158	3,290	15	40,00%
Ebramex S. de R.L. de C.V.	Mexico	1	(11,144)	-	(592)	33,33%
Minatrico S. de R.L. de C.V.	Mexico	12,681	-	535	535	33,33%
Explotaciones Varias S.A.	Spain	6,244	-	(26)	-	12,69%
Water treatment Project	Spain	35,606	70,709	5,948	(30,522)	33,00%

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9. Available-for-sale financial assets

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

No impairment provisions were recognised on available-for-sale financial assets in 2016 and 2015. There have been no movements.

10. Financial instruments

10.1. a. Financial instruments by category

The table below breaks down financial assets (excluding trade and other receivables and cash and cash equivalents) and financial liabilities (excluding trade accounts payable) at 31 December 2016 and 31 December 2015 by nature and category for measurement purposes:

	At 31 December 2016			
Financial assets:	**Financial assets at fair value through profit or loss (Note 15)**	**Available-for-sale (Note 9)**	**Loans and receivables (Note 14)**	**Hedging derivates (Note 10.1.b)**
Nature/category				
Equity instruments	-	1,016	-	-
Derivatives (Note 10.1.b)	-	-	-	2,780
Other financial assets	-	-	20,789	-
Non-current	**-**	**1,016**	**20,789**	**2,780**
Derivatives (Note 10.1.b)	-	-	-	14,755
Other financial assets	64,169	-	16,677	-
Current	**64,169**	**-**	**16,677**	**14,755**
Total financial assets at 31/12/2016	**64,169**	**1,016**	**37,466**	**17,535**

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	At 31 December 2015			
Financial assets	**Financial assets at fair value through profit or loss (Note 15)**	**Available-for-sale (Note 9)**	**Loans and receivables (Note 14)**	**Hedging derivates (Note 10,1,b)**
Nature/category				
Equity instruments	-	1,010	-	-
Derivatives (Note 10.1.b)	-	-	-	6,273
Other financial assets	-	-	16,093	-
Non-current	**-**	**1,010**	**16,093**	**6,273**
Derivatives (Note 10.1.b)	-	-	-	25,516
Other financial assets	63,198	-	47,476	-
Current	**63,198**	**-**	**47,476**	**25,516**
Total financial assets at 31/12/2015	**63,198**	**1,010**	**63,569**	**31,789**

	31 December 2016		31 December 2015	
Financial liabilities	**Trade and other payables**	**Hedging derivatives**	**Trade and other payables**	**Hedging derivatives**
Nature/category				
Borrowings (Note 22)	155,212	-	157,651	-
Derivates (10.1.b)	-	4,383	-	13,426
Other finantial liabilities	451	-	1,059	-
Non-current	**155,663**	**4,383**	**158,710**	**13,426**
Borrowings (Note 22)	84,923	-	81,808	-
Derivates (10.1.b)	-	147,092	-	167,225
Other financial liabilities	36,733	-	46,060	-
Current	**121,656**	**147,092**	**127,868**	**167,225**
Total financial liabilities	**277,319**	**151,475**	**286,578**	**180,651**

In relation to trade and other receivables balances, a high proportion of these balances refer to operations with private sector clients, a very significant part of these balances are referred to national and international high credit rating companies (national and international) which do not have default history. The global position of Trade and other receivables, is periodically monitored, as well as an individual analysis of the most significant exposures is permormed, the Group considers that credit risk is very limited.

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10.1. b. Derivative financial instruments

The derivative balances at year-end 2016 and 2015 are as follows:

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange forwards – cash flow hedges	17,499	150,171	31,789	180,651
Forward contracts on commodities	36	1,304	-	-
Total	**17,535**	**151,475**	**31,789**	**180,651**
Non-current portion	**2,780**	**4,383**	**6,273**	**13,426**
Current portion	**14,755**	**147,092**	**25,516**	**167,225**

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

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

Set out below is a maturity schedule in notional terms for the contracts outstanding at 31 December 2016 and 2015:

Instrument type	Fair value (Euro Thousand) 2016)	Currency	Maturities notional (Thousand) 2017	2018	2019	Total
Foreign currency forward contracts						
Yen JPY/ Euro	405	Yen	548,000			548,000
US Dollar/ Euro	11,898	US Dollar	58,580			58,580
Kuwait Dinar / Euro	4192	Dinar	11,595		11,920	23,515
Polish Zloti / Euro	104	Zloti	20,415			20,415
US Dollar / Dinar Kuwait	481	Dlar	23,339	139,869		163,208
US Dollar/ Mexican Pesos	115	US Dollar	2,055			2,055
US Dollar/ Yen JPY	303	US Dollar	4,024			4,024
Pound GBP / Euro	1	Pound	500			500
Raw Material	**36**	USD/LB	115,029 TN			
Assets	**17,535**					

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Instrument type	Fair value (Euro Thousand)	Currency	Maturities notional (Thounsand) 2017	2018	2019	Total
Foreign currency forward contracts						
US Dollar/Mexican Pesos	1,679	US Dollar	16,528			16,528
US Dollar/Kuwait Dinar	213	US Dollar	83,887	7,060		90,947
US Dollar/NOK (Norway)	663	US Dollar	12,541			12,541
Yen JPY/EUR	1,196	Yen	1,720,412			1,720,412
Kuwait Dinar/EUR	259	Kuwait Dinar	11,580		340	11,920
Canadian Dollar/ Euro	1364	Canadian Dollar	23,811			23,811
Pound GBP/Euro	10	Pound	748			748
US Dollar/Malaysian Ringgit MYR	25,137	US Dollar	103,400			103,400
US Dollar/ Sol PEN	2,466	US Dollar	25,000			25,000
US Dollar/Canada Dolar	2,215	US Dollar	3,500			3,500
US Dollar/Euro	109,340	US Dollar	1,565,447	105,000		1,670,447
US Dollar/Yen JPY	4,293	US Dollar	36,499			36,499
Polish Zloti/Euro	43	Polish Zloti	29,239			29,239
US Dollar/Pound GBP	1,293	US Dollar	1,269			1,269
Raw Material	1,304	USD/oz tr			35,816,9 TN	
Liabilities	**151,475**					
Balance	**(133,940)**					

Instrument type	Fair value (Euro Thousand) 2015	Currency	Maturities notional (Thousand) 2016	2017	2018	Total National
Foreign currency forward contracts						
Canada Dollar / Euro	3,311	Canadian Dollar	100,826	-	-	100,826
Rubles/Euro	678	Rubles	529,000	-	-	529,000
US Dollar/Euro	21,189	US Dollar	292,020	472,130	55,000	819,150
Kuwait Dollar/Euro	966	Dinar	31,429	-	-	31,429
Polish Zloti/Euro	88	Zloti	18,458	-	-	18,458
US Dollar/Sol PEN	713	US Dollar	30,960	-	-	30,960
US Dollar/Dolar Canada	4,554	US Dollar	102,300	-	-	102,300
US Dollar/Yen JPY	137	US Dollar	6,449	-	-	6,449
Pound GBP/Euro	19	Pound	800	-	-	800
Assets	**31,789**					

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Instrument type	Fair value (Euro Thousand) 2015	Currency	Maturities notional (Thousand) 2016	2017	2018	Total National
Foreign currency forward contracts						
Rubles/Euro	23,622	Rubles	2,869,701	-	-	2,869,701
NOK (Norway)/Euro	328	NOK	25,742	-	-	25,742
Canadian Dollar (CAD)/Euro	63	US Dollar Canada	2,378	-	-	2,378
Pound GBP/Euro	973	Pound	8,300	-	-	8,300
US Dollar/Malaysian Ringgit MYR	40,970	US Dollar	140,835	49,500	-	190,335
US Dollar/Sol PEN	26,201	US Dollar	168,860	25,000	-	193,860
US Dollar/Canada Dólar	1,638	US Dollar	37,740	-	-	37,740
US Dollar/Euro	81,229	US Dollar	852,154	22,669	-	874,823
US Dollar/Yen JPY	5,410	US Dollar	68,059	-	-	68,059
Polish Zloti/Euro	8	Zloti	15,773	-	-	15,773
US Dollar/ NOK (Norway)	209	US Dollar	13,816	-	-	13,816
Liabilities	**180,651**					
balance	**(148,862)**					

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

	2016	2017	2018	2019	Total Fair Value
Total Asset 2016	-	14,755	465	2,315	**17,535**
Total Liabilities 2016	-	147,092	3,028	1,355	**151,475**
Total Asset 2016	25,516	5,620	653	-	**31,789**
Total Liabilities 2016	167,224	13,427	-	-	**180,651**

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

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

The after-tax gains/losses accumulated in equity in connection with foreign currency forward contracts at 31 December 2016 amounted to € 73,427 k (2015: € (93,203k). These gains and losses are recognised in the

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income statement in the year or years in which the hedged transactions affect profit or loss. In 2016, a net loss of €85,755 k (2015 a net loss of €53,342k).

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

	31.12.2015	Income restated to equity *	Liquidations of the year ***	31.12.2016
Hedging derivatives (net liability position)	148,862	58,032	(72,954)	133,940

	31.12.2015	Income restated to equity *	Transfer to profit and loss account **	31.12.2016
Hedging reserve (gross of tax effect)	(120,279)	(58,032)	85,755	(92,556)

* Refers to the part of the profit or loss on the hedged instrument that has been determined to be an effective hedge.
** Amount carried to the income statement for the year, to the extent that the hedged operation impacts results.
*** Value of the hedging derivatives liquidated by the Company during the year.

	31.12.2014	Income restated to equity *	Liquidations of the year ***	31.12.2015
Hedging derivatives (net liability position)	87,079	109,026	(47,243)	148,862

	31.12.2014	Income restated to equity *	Transfer to profit and loss account **	31.12.2015
Hedging reserve (gross of tax effect)	(64,595)	(109,026)	53,342	(120,279)

During fiscal year 2016, there were no ineffectiveness that could be described as foreign currency hedges, which are recognized, when they occur, in the income statement as financial results (2015: there were no ineffectiveness).

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

The assets and liabilities corresponding to the Concessions of Complejo Deportivo Alcobendas and Complejo Deportivo, parking and public spaces in San Sebastian de los Reyes / Centro Comercial La Viña, are being presented as held for sale, in accordance with the Deccision-making by the Managment of the company to sell these assets.

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

The liabilities related with the assests classified as held for sale amounted to €24,474k, which fully correspond to the borrrowings (2015: €24,172k up to the % inte gration at that year).

The Group has completed an analysis of profitability of the assets classified as held for sale, with the purpose to evaluate and identify whether an imparitment indicator exists, a lost of value or a recovery of assets. In this sense, it has been evaluated the different external/internal circumstances which could cause a sign of impairment, such as the market value of the asset, evolution of the business plan, management changes or changes in the environment, evolution of the interest rates, and obsolescenceor impairment.

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

a) Analysis of discontinued operations.

	Euro Thousand	
	2016	**2015**
Income	5,720	4,759
Expenses and Impairment of assets	(20,405)	(8,496)
Losses before taxes	**(14,685)**	**(3,737)**
Income tax	3,671	1,046
Losses from discontinued operations	**(11,014)**	**(2,691)**

*The amounts of the year 2015 include the integrated results of the concession Centro Comercial la Viña (80%). In the year 2016, this concession has been integrated to 100%.

The comparative Consolidated Income Statement of 2015 has not been restated to show the amount of the discontinued operations, due to the amounts that represents itself are not significant.

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The Consolidated Income Statement, Consolidated statement of other comprehensive income, and the Consolidated Cash Flow Statements of 2015, are not being restated with the amount that would suppose the discontinued operations, due to the amounts that represents itself are not significant. As a result, these Consolidated Financial Statements, are not completely comparative with the previous year figures.

12. Trade and other receivables

Set out below is an analysis of this balance sheet heading at year-end 2016 and 2015:

	2016	2015
Trade receivables	2,045,204	2,129,760
Less: provision for impairment of receivables	(13,983)	(13,504)
Trade receivables-net	2,031,221	2,116,256
Other accounts receivable	7,580	11,466
Prepayments	234,238	167,711
Public Authorities	121,680	90,975
Other items	11,588	15,129
Total	**2,406,307**	**2,401,537**

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

Trade receivables includes €1,570,054k (2015: €1,658,666k) relating to completed work pending to be bi lled, measured on the basis of the accounting criteria set forth in Note 2.21.

The claims that the Group expects to collect from the client, or from a third party, as reimbursement of costs not included in the contract price, included in the Trade Receivables amount to 169 million euro at 31 December 2016 (102 million euro at 31 December 2015). Of this amount, 56 and 61 million euro relate to operations in North Africa and the Middle East, respectively. The remaining operations affects to the Americas and Australia. During the first two months of 2017, favorable agreements have been settled with clients that include 69 million euro of the claims recognized as of December 31, 2016, with an amount of 100 million euro remaining in negotiation.

With regard to the 102 million euro recognized as income on account for claims at the closing of 2015, at the date of issuance of these consolidated financial statements, an amount of 9 million euro remains in negotiation. The remaining amount, € 93 million, was fully agreed with clients for a net amount higher than recogni zed as income on account in 2015.

The reasons for the claims are rooted in the contractual clauses or events of force majeure. In this case, the claims are basically related to legislative changes affecting either the working conditions or restrictions on the access to materials in the country, as well as delays caused by the subcontractors chosen by the customer.

Depending on the types of projects in portfolio, negotiations with customers regarding claims may go on during the entire life of the project, normally concluding when the project is in the final stages.

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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 2016, trade receivables of €308,160 k (2015: €187,640k) were fully performing.

At 31 December 2016, trade receivables of €153,007 k (2015: €269,950k) 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:

	2016	2015
Up to 3 months	99,697	214,955
3 to 6 months	-	5,255
Over 6 months	53,310	49,740
	153,007	269,950

The Group recognized a loss of EUR 638 k on the impairment loss on its trade accounts receivable during the year ended 31 December 2016 (2015: €814k). Movement s on the provision for impairment of trade receivables are as follows:

	2016	2015
Opening balance	**13,504**	**12,797**
Amounts impaired	638	814
Amounts used	(159)	(107)
Transfers	-	-
Closing balance	**13,983**	**13,504**

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

	2016	2015
Euro	136,007	153,851
US dollars	254,845	227,643
Other currencies	84,298	89,600
Subtotal	475,150	471,094
Completed work pending to be billed	1,570,054	1,658,666
Total	**2,045,204**	**2,129,760**

The total amount of costs incurred and recognized benefits accrued at source for all contracts in progress at the balance sheet date amounted to €10,538,140 thousan d (2015: €10,149,758 thousand) and €858,135 thousan d (2015: €841,720 thousand), respectively.

The amount of the advances received on projects in progress is disclosed in Note 21. As with advances to suppliers, the amounts under this heading increase and decrease cyclically, depending on the stage of each one of the projects on the closing date. The amount withheld by customers totalled €204,679k (2015: €159,733k). The withholdings are refunded at the end of the project.

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13. Inventories

The breakdown of inventory balances is as follows:

	2016	2015
Construction projects in progress (Raw Materials)	37	135
Bid presentation costs	12,943	16,667
Finished product	4,012	4,892
	16,992	**21,696**

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.

14. Receivables and other assets

	2016	2015
Receivables and other assets (non-current)		
Loans to employees	1,482	2,013
Deposits and guarantees	5,633	4,710
Public Authorities	8,836	9,370
Other assest non/current	4,838	0
	20,789	**16,093**
Receivables and other assets (current)		
Loans to venturers in UTEs and joint ventures	14,626	43,895
Interest	1,560	1,479
Investment held to maturity	491	2,102
	16,677	**47,476**

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

The average interest rate on loans to joint venture partners is the market rate of Euribor + 1% (2015: Euribor + 1,5%).

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

The heading titled “Public Authorities” includes the receivable balances for different concessions.

In 2014, the Group decided to withdraw from the operating concessions due to the fact that after the contracts were awarded to Técnicas Reunidas, there were circumstances that significantly affected and altered the agreed legal relationships and ownership arrangements with the respective local authorities.

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

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

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The Group's management believes it will be possible to recover the investment from the local governments, although it maintain a provision in the amount of €4 million to cover the risks associated with this process. The provision is recorded as a "Provision for Infrastructure".

15. Financial assets at fair value through profit or loss

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

	2016	2015
Opening balance	63,198	63,212
Net additions (disposals) (fair value)	971	(14)
Closing balance	**64,169**	**63,198**

Listed securities:		
- Investments in short-term fixed income securities	54,965	54,178
- Investments in listed equity securities	9,204	9,020
	64,169	**63,198**

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.

During the year 2016, the Group does not invest in funds. In addition the amount of the dispossals raised € 105k. Nevertheless, in 2015, the additions and disposals were €7,794k and €8,575k, 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 2016 and 2015 has been determined by reference year-end market prices. Returns on fixed-income securities are tied to trends in eurozone interest rates.

16. Cash and cash equivalents

	2016	2015
Cash at bank and on hand	348,806	452,657
Short-term bank deposits and other cash equivalents	339,463	256,183
	688,269	**708,840**

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: 0.2 % Eur and 0.8 % USD in 2016, and 0.4% Eur and 0.65% USD in 2015, and for average term of 15 days in both years.

Of the total balance of cash and cash equivalents at 31 December 2016, €173,218k (€250,567k in 2015) c ame from the integration of the joint arrangements and joint ventures included in the scope of consolidation, as detailed in Exhibits III and IV, respectively.

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There were no cash or cash equivalents with restricted availability at 2016 and 2015 year-end. For the purposes of the consolidated statement of cash flows, the cash balance includes cash and cash equivalents.

17. Capital

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

At 31 December 2016 and 2015 the total number of authorised ordinary shares was 55,896,000, each having a par value of €0.10 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 2016 and 2015 is set forth below:

	2016		2015	
	Number of treasury shares	Amount	Number of treasury shares	Amount
Opening balance	2,178,374	74,150	2,154,324	73,371
Additions / purchases	6,915,202	206,910	3,890,825	165,837
Decreases / sales	(6,953,483)	(208,437)	(3,866,775)	(165,058)
Closing balance	**2,140,093**	**72,623**	**2,178,374**	**74,150**

At 31 December 2016 treasury shares represented 3.83% of the parent company's share capital (2015: 3.9 %), Treasury shares totalled 2,143,814 (2015: 2,178,374 shares), acquired at an average price of €33.88 per share (€38.81 per share in 2015).

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.

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

	2016	2015
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, L.L.C.	-	5.02%
FMR L.L.C.	3.06%	-
Franklin Templeton Investment Management Ltd.	3.00%	-
Rest of shareholders (including free float)	53.02%	53.89%
Treasury shares	3.83%	4%
TOTAL	**100.00%**	**100.00%**

According to a notice filed with the Spanish securities market regulator in June 2015, Mr, José Lladó Fernández-Urrutia holds a direct and indirect shareholding, through Araltec S.L. and Aragonesas Promoción de Obras y Construcciones S.L., in Técnicas Reunidas, S.A. of 37.20%.

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

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

18. Other reserves

	Euro Thousand	
	2016	**2015**
Legal Reserve	1,137	1,137
Capitalization Reserve	3,056	-
	4,193	**1,137**

Legal Reserve

The Legal Reserve is fully endowed, it is not distributable to shareholders and can only be used to cover, in case of not having other available reserves, the debit balance of the income statement. Under certain conditions, it may also be used to increase share capital.

Capitalization reserve

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

19. Cumulative translation differences

	Euro Thousand
1 January 2015	(18,307)
Translation differences:	
– Group companies and associates	14,142
31 December 2015	(4,165)
Translation differences:	
– Transfers	9,324
– Group companies and associates	(22,789)
31 December 2016	**(17,630)**

A breakdown of cumulative translation differences by company / subgroup at year-end 2016 and 2015 is as follows:

Company or subgroup	**2016**	**2015**
Técnicas Reunidas (UTE and foreign consortiums)	1,933	(4,225)
- Abu Dhabi Branch	1,801	4,936
- Khabarovsk Branch	-	(7,595)
-Australia Branch	(707)	(786)
- Ankara Branch	1,455	928
- Moscu Branch	(1,740)	(1,083)
- Kuwait Branch	699	51
-Other	425	(676)
Técnicas Reunidas RUP Insaat (Turkey)	(26,014)	(14,211)
Técnicas Reunidas TEC (Bolivia)	(3,793)	(3,520)
Técnicas Reunidas Canada (Canada)	(3,397)	7,202
TSGI Mühendislik İnşaat Limited Şirketi	(2,544)	(611)
Técnicas Reunidas Australia Pty Ltd (Australia)	(68)	(175)
Técnicas Reunidas Saudia (Saudi Arabia)	5,653	5,331
Técnicas Reunidas Gulf Ltd, (Saudi Arabia)	6,594	4,762
Técnicas Reunidas Chile Limitada (Chile)	1,345	2,461
Técnicas Reunidas Peru de Talara	1,696	(940)

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Técnicas Reunidas Omán L.L.C. (Oman)	(234)	(258)
Treunidas Mühendislik ve İnsaat A.S.	(360)	(272)
Técnicas Reunidas Mexico	408	(19)
Técnicas Reunidas PIC (Peru)	319	(113)
Other	834	423
Total	**(17,630)**	**(4,165)**

20. Dividend distribution and non-controlling interests

The proposed distribution of 2016 profit to be share with the parent company's shareholders in general meeting and the ratified distribution of 2015 profit is set forth below:

	2016	2015
Basis of appropriation		
Profit (loss) for the year	158,741	154,537
	158,741	**154,537**
Distribution		
Retained earnings	-	3,056
Other reserves	83,741	76,481
Dividends	75,000	75,000
	158,741	**154,537**

The breakdown of dividends is as follows:

- 2016: The €75,000k dividend breaks down as follows:
  - A €35,852 k interim dividend approved by the Board of Directors on 28 December 2016 and paid on 19 January 2017.
  - A dividend of €39,148 k pending to be approved at the Annual General Meeting (AGM) that will ratify the 2016 annual accounts.
- 2015: The €75,000k dividend breaks down as follows:
  - A €35,830k interim dividend approved by the Board of Directors on 18 December 2015 and paid on 12 January 2016.
  - A dividend of €39,154k pending to be approved at the AGM that will ratify the 2015 annual accounts.

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The following are the provisional accounting and cash statements as of the date of payment of the interim dividends for 2016 and 2015 profits, as detailed above:

	2016	2015
Estimated profit for the year	184,000	169,000
Estimated income tax	(50,000)	(42,000)
Maximum possible payout	**134,000**	**127,000**
Proposed payout	(35,852)	(35,846)
Surplus	**98,148**	**91,154**
Cash balance prior to payout	420,000	350,000
Interim dividend	(35,852)	(35,846)
Cash surplus	**384,148**	**314,154**

Accumulated Earnings

These are unrestricted voluntary reserves, at 31 December 2016, amounted to €618, 782 k (€585,713 k in 2015).

Non-controlling interests

Movements in non-controlling interests in 2016 and 2015 are broken down below:

Non-controlling Interest

Balance at 01/01/2015:	**2,905**
Profit for the year	832
Translation differences	-
Balance at 31/12/2015:	**3,737**
Profit for the year	334
Translation differences	31
Balance at 31/12/2016:	**4,102**

21. Trade and other payables

Trade payables

a) Trade payables are analysed below:

	2016	2015
Payable to suppliers	2,260,221	2,217,828
Prepayments received for contract work	266,682	358,229
Other items	43,640	35,265
	2,570,543	**2,611,322**

b) Other payables are set out below:

	2016	2015
Non-current		
Other payables	409	482
	409	**482**
Current		
Dividend pending to be paid	35,939	35,906
Other	794	10,154
	36,733	**46,060**

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

22. Borrowings

	2016	2015
Non-current		
Borrowings	155,212	157,651
	155,212	**157,651**
Current		
Borrowings	84,923	81,808
	84,923	**81,808**
Total Borrowings	**240,135**	**239,459**

The average effective interest rates (all of which are floating, except for the debit in the amount of 150,000, which is fixed at 0.51% all floating) at the balance sheet dates are as follows:

	2016		2015	
	Euro	**US Dollar**	**Euro**	**US Dollar**
Borrowings	0.80%	0.80%	1.25%	1.5%

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:

	2016	2015
Euro	224,766	174,384
US dollars and other currencies	15,369	65,074
	240,135	**239,458**

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The Group has the following undrawn credit lines:

Floating rate:	2016	2015
– Maturing in less than one year	275,703	311,085
– Maturing in more than one year	344,295	160,000
	619,998	**471,085**

23. Employee benefits

This headline shows the employees commitments, primairly in Oman, in the amount of €2,248 k at 31 Dec ember 2016 (€1,988 in 2015).

At 31 December 2016 and 2015 the Group has not pension and retirement obligations related to retirement and long-term remuneration.

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

At 31 December 2016 and 2015 there are no assets linked to the defined benefit commitments with employees.

	2016	2015
Balance sheet commitments:		
Pension and retirement benefits	-	984
Non-current remuneration obligations	-	956
	-	**1,940**
Income statement charges:		
Pension and retirement benefits	-	-
Non-current remuneration obligations	-	148
	-	**148**

Given the not signficant relevance of the amounts recognised by the Group for employee loans, no additional disclosure is required on this subject.

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24. 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 01/01/2015	**3,375**	**22,421**	**11,000**	**36,796**
Reversals / Amounts used	(1,206)	(4,608)	-	(5,814)
Additions	16	219	-	235
Balance at 31/12/2015	**2,185**	**18,032**	**11,000**	**31,217**
Reversals / Amounts used	(1,207)	(1,390)	(237)	(2,834)
Additions	1,506	-	5,087	6,593
Balance at 31/12/2016	**2,484**	**16,642**	**15,850**	**34,976**

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 infraestructures:

For projects that are completed the Group estimates probable costs that will be incurred.

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 2015	**1,602**
Reversals / Amounts used	-
Additions	2,410
Balance at 31 December 2015	**4,012**
Reversals / Amounts used	(450)
Additions	3,688
Balance at 31 December 2016	**7,250**

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The provisions set up by the Group at the end of FY 2016 and 2015 refer to the following segments

Project division	2016	2015
Oil & Gas	-	-
Energy infraestructures and industry	7,250	4,012
Total	**7,250**	**4,012**

25. Revenue

	2016	2015
Construction and engineering contract revenue	4,792,592	4,187,838
Services rendered	18	49
Total revenue	**4,792,610**	**4,187,887**

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

26. Other expenses and income

	2016	2015
Other operating expenses		
Services	393,397	331,023
Independent professional services	37,345	52,218
Repairs and maintenance	8,662	6,989
Banking and similar services	34,538	30,701
Transport expenses	27,927	25,639
Insurance premiums	14,690	14,659
Utilities	12,741	7,557
Other	12,574	4,187
	541,874	**472,972**
Other income		
Grants related to income	1,552	1,945
Other	2,615	5,560
	4,167	**7,505**

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.

The "Services" heading in the table above breaking down expenses related primarly to works performed by the Group.

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27. Employee benefit expenses

	2016	2015
Wages and Salaries	489,869	462,451
Social security contributions	80,733	74,296
Pension cost – pension and retirement benefit plans	2,356	1,741
Other personal costs	5,293	8,119
Non-current remuneration obligations	(1,940)	(2,670)
	576,311	**543,937**

In the caption “Wages and salaries” is included termination benefits amounting to €5,853 k (2015: €1, 855k).

28. 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:

	2016	2015
Less than 1 year	21,081	18,530
Between 1 and 5 years	33,007	17,023
Over 5 years	-	-

Operating lease expense recognised in the income statement amounted to €60,591 k (2015: €53,290 k) and corresponds in its entirely to minimum lease payments

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29. Finance income and finance cost

	2016	2015
Finance income		
Interest on short term bank deposits and others	6,568	6,243
Net gains /(losses) on the fair value of financial instruments at fair value with changes in income and others,	853	(981)
	7,421	**5,262**
Net gains on foreign currency transactions,	2,834	430
Total finance income	**10,255**	**5,692**
Finance expense		
Interest expense on bank loans and others,	(6,264)	(4,195)
Total finance expense	**(6,264)**	**(4,195)**
	3,991	**1,497**

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

30. 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. and Initec Infraestructuras, S.A. in 2005. In 2007, Layar Castilla, S.A. left the tax group and in 2015 EUROCONTROL International Services, S.L. and Euromoody International Services, S.L. and in the year 2016 has been incorporated Heymo, S.A. and Serviheymo, S.A.

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 Euro Thousand at 31 December 2015 (47,945 Euro Thousand at 31 December 2014).

The income tax breaks down as follows:

	2016	2015
Current tax	91,226	97,749
Deferred tax	(37,306)	(77,973)
Tax contingencies	-	5,870
Previous years adjustments	(723)	(3,495)
Total	53,197	22,151

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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:

	2016	2015
Profit before taxes	**193,398**	**82,347**
Taxes calculated at tax rate applicable to the parent company's profits	48,350	23,058
Tax effects in:		
- Tax exempt	(7,670)	(32,427)
- Losses incurred by permanent establishments	3,538	13,476
- Non-deductible expenses for tax purposes	213	113
- Effect of different tax rates in other countries	4,937	14,640
- Losses for which no tax credit has been recognised	3,398	514
- Fiscal reduction adjustment	-	7,335
- Deduction for technology transfer	(6,655)	(6,704)
- Deductions applied and unrecoverable withholdings	(855)	(1,289)
- Fiscal contingencies	3,877	5,870
- Provious year Income tax adjustment	(723)	(3,495)
- Dividend tax rate difference	5,167	-
- Other	(379)	1,060
Tax expense	**53,197**	**22,151**

The effective tax rate has been 27.1 % (26.8% in 2015).

The deferred tax assets and liabilities is:

	2016	2015
Deferred income tax assets		
- to be recovered after more than 12 months	225,753	186,730
- to be recovered within 12 months	-	-
	225,753	**186,730**
Deferred income tax liabilities		
- to be recovered after more than 12 months	21,428	11,500
- to be recovered within 12 months	-	-
	21,428	**11,500**

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

	Assets	Liabilities
At 1 January 2015	**81,889**	**39,178**
Charged to the income statement	(21,881)	(5,736)
Credited to the income statement	106,131	1,347
Charged directly to equity	12,076	(163)
Other movements	8,515	(23,126)
At 31 December 2015	**186,730**	**11,500**
Charged to the income statement	(12,244)	(863)
Credited to the income statement	59,478	10,791
Charged directly to equity	(8,211)	-
At 31 December 2016	**225,753**	**21,428**

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

Assets	2016	2015
Unused tax losses carried forward	163,994	117,414
Tax credits in advance	-	4,411
Tax credits arising from temporary differences		
- Provisions for liabilities and charges	10,578	6,701
- Pension plans	2,330	2,330
- Standardisation of project assessments and other	19,201	27,034
- Homogenization of tax-accounting criteria	7,808	-
- Hedging reserve	19,011	27,222
- Other items	2,831	1,618
	225,753	**186,730**

Liabilities	2016	2015
-Temporary differences in countries	12,396	1,605
- Standardisation of project assessments and other	9,032	9,895
	21,428	**11,500**

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.

The tax credits for available tax loss carryforwards at 31 December 2016 and 2015 are shown below, broken down by geographical area:

	2016	2015
Spain	144,935	90,154
Middle East	14,535	22,741
America	4,523	4,262
Asia	-	257
Total	**163,994**	**117,414**

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

These tax credits (generated by the losses of subsidiaries entities) are expected to be recovered in less than 10 years since there is a plan in place to liquidate these branch offices even sooner than that.

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

	2016		2015	
	Base	**Tax Quota**	**Base**	**Tax Quota**
Portugal	34,986	8,747	34,986	8,747
Malaysia	-	-	2,741	685
Bolivia	94,404	23,601	94,404	23,601

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

In 2016 and 2015, no deferred taxes have been generated on operations charged or credited directly against equity, additionally to the cash flow hedges detailed in the Consolidated Statement of Comprehesive Income.

At 31 December 2016 and 2015, the Group has no unused deductions.

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

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

On 10 July 2015, the tax assessment was appealed to the tax authorities, and was the appeal. The Company then filed an appeal against the decision with the courts, to the TEAC, on 15 September 2015. This court received the tax assessment on 23 September 2016, on 7 October 2016 the company present a legal claim with the purpose to update pending information, fact that the TEAC admited the 1 February 2017.

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

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

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

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

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The years open for tax audit, in addition on those that are already being audited are:

Tax	Years
Corporate income tax	2012 to 2016
Value added tax	2014 to 2016
Withholding tax	2013 to 2016
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.

31. 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.

	2016	2015
Profit attributable to owners of the ordinary instruments of equity	139,867	-
Profit attributable to owners of the parent	128,853	59,364
Weighted average number of ordinary shares issued	53,755,907	53,717,626
Basic earnings per share	2.60	1.11
Diluted earnings per share	2.40	1.11

32. Dividend per share

In 2016 dividends paid against 2015 profit amounted to €75,000 k (of wich 35,830k was declared in 2015 and paid as an interim dividend), which translates into a dividend per share of €1.39.

In 2015 dividends paid against 2014 profits amounted to €75,000 k (of which €35,846 k was declared in 2014 and paid as an interim dividend), which translates into a dividend per share of €1.39.

The expected value to be distributed by the Shareholders´ Meeting, who approve these consolidated financial statements in 2016 is €75,000 k (of which 35,852 have been declared in 2016 as an interim dividend), which translates into a dividend per share of €1.39. This equivalence per share will be modified on the basis of the treasury shares held on the dividend payment date.

33. Contingencies and guarantees issued

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 24. In the ordinary course of the Group's activities, as is common practice with engineering and construction companies, the Group extended guarantees to third parties totalling €4,325,000 k (2015: €4,270,073 k) in order to duly guarantee contract delivery.

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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 11, borrowings totalling €24,474 k (€24,172 k at year-end 2015) fund the construc tion of concession assets. These loans are secured by the concession assets.

In relation to the taz audits referred to in notes 30, guarantees have been submitted to the Tax Administration for an amount of 136.2 million euro of quota and 28.6 million euro of default interest.

In relation to the most significant dispute concerning the Sines project in Portugal, the arbitration process continued during the current period, through hearings and allegations between the parties on the cross-claims between Técnicas Reunidas and the client, mainly related to the responsibilities, on both sides in relation to several delays. Although the customer claims an amount for loss of production caused with negligence, the plant was received by customer satisfaction, fully paid, and the guarantees of good performance and guarantee were returned by the customer entirely. Therefore, management of the Group and its legal advisors consider that an outcome in which an additional significant liability for Técnicas Reunidas is generated is not probable.

The Group is a party to certain judicial and arbitration disputes, framed in the closing process of the projects, with clients and suppliers. Based on the opinion of the Group's legal advisors, and based on available information, the Company estimates that the outcome of the Group will not significantly affect the Group's equity position.

34. Commitments

Fixed Assets commitments

There are not commited significant investments by purchasing assets at 31 December 2016 or 2015.

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 28).

Purchase commitments (suppliers and subcontractors)

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

Information on weighted average days to pay suppliers, third additional provision of Law 15/2010 of 5 July: «Duty to inform» (According to the new drawing-up given by the new Regulation 13/2014 Mercantile Law).

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

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	2016	2015
	Days	Days
Average period of accounts payable	70	64
Ratio de paid operations	72	64
Ratio of operations not paid	61	62

	Euro Thousand	
Total paid	1,484,737	1,450,271
Total unpaid	324,721	219,390

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

The information shown on the table above was calculated as stipulated in the resolution of 29 January 2016. For the purposes of this note, the concept of trade payables includes the miscellaneous suppliers and creditors for amounts owed to the supplier of goods or services including the scope of the regulation governing payment deadlines.

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

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

35. Related-party transactions

Transactions with related parties in 2016 and 2015 arose in the ordinary course of business. The following transactions were carried out with related parties:

a) Transactions with the Company's core shareholders

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

b) Transactions with Company directors and officers

There were no transactions with the Company’s Directors in 2016 or 2015.

Note 38 includes information related to the compensation paid to Técnicas Reunidas, S.A. board members as company directors.

Senior management pay

In 2016, remuneration paid to the Group’s senior management in respect of fixed and variable compensation totalled €5,883 k (2015 comparative: €4,530 k). N o advances to senior management were paid in 2016 and 2015.

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c) Transactions with associates

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

	2016				2015			
	Trade receivables	Payable to suppliers	Purchases	Sales	Trade receivables	Payable to suppliers	Purchases	Sales
Empresarios Agrupados, A.I.E.	811	6	7,793	2,427	761	-	6,961	2,625
E.A. Internacional, S.A.	2,277	29	65	11,009	6,761	33	36	10,752
Ibérica del Espacio, S.A.	1,410	-	-	340	1,005	-	-	309

36. 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:	**2016**	**2015**
Non-current assets	1,132	1,359
Current assets	120,110	69,079
Total assets	**121,242**	**70,438**
Liabilities:		
Non-current liabilities	3,060	1,298
Current liabilities	101,766	59,946
Total liabilities	**104,826**	**61,244**
Net assets (liabilities)	**16,416**	**9,194**
Revenue	275,319	128,007
Expenses	(266,253)	(122,421)
Profit/(loss) after taxes	**9,066**	**5,586**

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:	**2016**	**2015**
Non-current assets	18,371	59,961
Current assets	1,158,263	1,609,916
	1,176,634	**1,669,877**

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Liabilities:	**2016**	**2015**
Non-current liabilities	8,178	18,801
Current liabilities	1,148,502	1,310,828
	1,156,680	**1,329,629**
Net assets (liabilities)	**19,954**	**340,248**
Revenue	2,490,407	1,956,050
Expenses	(2,438,249)	(1,732,786)
Profit after tax	**52,158**	**223,264**

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

37. 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.

38. 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:

	2016	**2015**
Directors and senior management	13	13
Graduates, diploma holders and administrative staff	8,930	8,735
Skilled workers	55	32
Sales staff	72	40
	9,070	**8,820**

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

	2016	**2015**
Graduates, diploma holders and administrative staff	281	324
Skilled workers	-	36
Sales staff	-	9
	281	**369**

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

			2016			2015
	Men	Women	Total	Men	Women	Total
Directors and senior management	13	2	15	13	2	15
Graduates, diploma holders and administrative staff	5,759	2,993	8,752	6,013	3,115	9,127
Skilled workers	52	2	54	31	2	33
Sales staff	43	26	69	25	15	40
	5,867	**3,023**	**8,890**	**6,082**	**3,133**	**9,215**

Figures above include 820 subcontracted employees (2015: 1,327 employees).

The average number employees at consolidated companies that had a disability of a severity of 33% or higher in 2016 and 2015 amount to 20 and 18 employees respectly, in the category “Graduates, diploma holders and administrative staff”.

b) Audit fees

Fees accrued for audit services rendered to Group companies in 2016 with their auditors and other auditing firms, are detailed below:

	2016	2015
PwC Auditors and other audit services	830	878
Other Works performed by the auditor	166	245
Other PwC entities	594	586
	1,590	**1,709**

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

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

- Mr, José Lladó Fernández-Urrutia is the Chairman of Técnicas Reunidas Internacional, S.A. and jointly director of Técnicas Reunidas Proyectos Internacionales, 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. William Blaine Richardson is a non-executive director who sits on the International Advisory Committee of Abengoa S.A.
- Mrs. Petra Mateos – Aparicio is a non-executive director of Ghesa.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2016

d) 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 2016 and 2015:

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

In addition, the Group has paid €110 k in 2016 and 2015 in concept of insurance of Managers and Directors.

39. Events after the balance sheet date

Between 31 December 2016 and the date of authorising these annual accounts for issue, no significant events have occurred that required to be disclosure.

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2016

Exhibit I

Subsidiaries included in the scope of consolidation – 2016

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	Unaudited
Termotécnica, S.A.	Madrid	99.98%	Técnicas Reunidas, S.A. & 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	Unaudited
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 development	Unaudited
Layar Real Reserva, S.A.	Madrid	100%	Layar. S.A.	Full	Real Estate development	Unaudited
Eurocontrol, S.A.	Madrid	80%	Layar. S.A & Layar Real Reserva, S.A.	Full	Inspection. Quality Control & Technical Advisory	Acisa

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Initec Plantas Industriales, S.A.	Madrid	100%	Técnicas Reunidas, S.A.	Full	Engineering Services	PwC
Initec Infraestructuras, S.A.	Madrid	100%	Técnicas Reunidas, S.A.	Full	Engineering Services	PwC
Técnicas Reunidas Chile Ltda.	Chile	100%	Initec Plantas Industriales, S.A.	Full	Engineering Services	PwC
ReciclAguilar, S.A.	Madrid	80%	Técnicas Reunidas, S.A.	Full	Engineering Services	Unaudited
Técnicas Reunidas Gulf Ltd. – Saudi Arabia	Yedah	100%	Técnicas Reunidas, S.A.	Full	Engineering Services	PwC
TR Engineering L.L.C. – Oman	Muscat	49%	Initec Plantas Industriales, S.A.	Full	Engineering Services	PwC
Técnicas Reunidas Oman L.L.C.	Muscat	70%	Initec Plantas Industriales, S.A.	Full	Engineering Services	PwC
Técnicas Reunidas Hellas, S.A. – Greece	Athens	100%	Técnicas Reunidas, S.A.	Full	Engineering Services	Unaudited
Técnicas Reunidas Netherlands B.V.	Hague	100%	Técnicas Reunidas, S.A.	Full	Engineering Services	Unaudited
Técnicas Reunidas de Construçao Unip, LDA - Portugal	Lisbon	100%	Técnicas Reunidas, S.A.	Full	Engineering Services	PwC
Técnicas Reunidas Australia Pty Ltd	Perth	100%	Técnicas Reunidas, S.A.	Full	Engineering Services	Unaudited
Técnicas Reunidas TEC – Bolivia	Santa Cruz	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	Full	Engineering Services	PwC
Técnicas ReunidasR RUP INSAAT TAAHHÜT Limited Sirketi	Istanbul	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	Full	Engineering Services	PwC
Técnicas Reunidas Dufi CCGT Kft	Budapest	10%	Técnicas Reunidas, S.A. / Initec Plantas Industriales S.A.	Full	Engineering Services	Unaudited

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TR Canada Inc.	Alberta	100%	Técnicas Reunidas, S.A./Initec Plantas Industriales, S.A.	Ful	Engineering Services	PwC
TR Saudi Arabia L.L.C.	Yedah	100%	Técnicas Reunidas, S.A./ Técnicas Reunidas Proyectos Internacionales, S.A.	Full	Engineering Services	Unaudited
Técnicas Reunidas Saudia for Services and Contracting Company Limited	Saudi Arabia	100%	Técnicas Reunidas, S.A./ Técnicas Reunidas Proyectos Internacionales, S.A.	Full	Engineering Services	PwC
TécnicasReunidas Mühendislik ve İnsaat, A.S	Istanbul	100%	Técnicas Reunidas, S.A.	Full	Engineering Services	Unaudited
Técnicas Reunidas engineers India private limited (TREI)	Nueva Delhi	100%	Técnicas Reunidas, S.A.	Full	Consulting in international projects of engineering	LUTHRA-LUTHRA
Tecreun República Dominicana, S.R.L.	Dominican Republic	100%	Técnicas Reunidas, S.A./Initec Plantas Industriales, S.A.	Full	Engineering Services	PwC
TR Perú Ingeniería y Construcción S.A.C.	Peru	100%	Técnicas Reunidas, S.A./Initec Plantas Industriales, S.A.	Full	Engineering Services	Unaudited
TReunidas México Ingeniería y Construcción de R.L. de C.V.	Mexico	100%	Técnicas Reunidas, S.A./Initec Plantas Industriales, S.A.	Full	Engineering Services	Unaudited
Técnicas Reunidas de Talara, S.A.C.	Peru	100%	Técnicas Reunidas, S.A./Initec Plantas Industriales, S.A.	Full	Engineering Services	PwC
Técnicas Reunidas Malaysia SDN	Malaysia	100%	Técnicas Reunidas, S.A./Initec Plantas Industriales, S.A.	Full	Engineering Services	PwC
TR Servicios S.R.L. de C.V.	Mexico	100%	Técnicas Reunidas, S.A./Initec Plantas Industriales, S.A.	Full	Engineering Services	Unaudited
Técnicas Reunidas USA L.L.C.	USA	100%	Técnicas Reunidas, S.A.	Full	Engineering Services	Unaudited
TR Louisiana L.L.C.	USA	100%	Técnicas Reunidas USA L.L.C.	Full.	Engineering Services	Unaudited

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2016

Técnicas Reunidas Houston L.L.C.	USA	100%	Técnicas Reunidas USA L.L.C.	Full	Engineering Services	Unaudited
Heymo Ingeniería. S. A.	Madrid	100%	Técnicas Reunidas, S.A.	Full	Engineering Services	PwC
Técnicas Reunidas Ghana	Ghana	100%	Técnicas Reunidas Netherlands B.V.	Full	Engineering Services	Unaudited
Eurocontrol International Services. S.L.	Madrid	100%	Eurocontrol, S.A.	Full	Engineering Services	Unaudited
Euromoody International Services. S.L.	Madrid	100%	Eurocontrol, S.A.	Full	Engineering Services	Unaudited
Serviheymo.S.A.	Madrid	100%	Heymo,S.A.	Full	Engineering Services	Unaudited
Técnicas Reunidas Canadá E&C Inc	Alberta	100%	Técnicas Reunidas, S.A./Initec Plantas Industriales, S.A.	Full	Engineering Services	Unaudited
Técnicas Reunidas Sagemis	Italy	100%	Técnicas Reunidas, S.A.	Full	Engineering Services	Unaudited
Técnicas Reunidas UK	United Kingdom	100%	Técnicas Reunidas, S.A.	Full	Engineering Services	Unaudited

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Subsidiaries included in the scope of consolidation – 2015

Company name	Registered business address	Ownership interest. %	Shareholding company	Consol. method	Business	Auditor
Técnicas Reunidas Internacional, S.A.	Madrid	100%	Técnicas Reunidas, S.A.	Full	Engineering Services	PwC
Termotécnica, S.A.	Madrid	99.98%	Técnicas Reunidas, S.A. & 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 & 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 & Layar Real Reserva, S.A.	Full	Inspection. Quality Control & Technical Advisory	Acisa
Initec Plantas Industriales, S.A.	Madrid	100%	Técnicas Reunidas, S.A.	Full	Engineering Services	PwC
Initec Infraestructuras, S.A.	Madrid	100%	Técnicas Reunidas, S.A.	Full	Engineering Services	PwC
Técnicas Reunidas Chile Ltda.	Chile	100%	Initec Plantas Industriales, S.A.	Full	Engineering Services	PwC

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2016

ReciclAguilar, S.A.	Madrid	80%	Técnicas Reunidas, S.A.	Full	Engineering Services	Unaudited
Técnicas Reunidas Gulf Ltd. – Saudi Arabia	Yedah	100%	Técnicas Reunidas, S.A.	Full	Engineering Services	PwC
TR Engineering L.L.C. – Oman	Muscat	49%	Initec Plantas Industriales, S.A.	Full	Engineering Services	PwC
Técnicas Reunidas Omán L.L.C.	Muscat	70%	Initec Plantas Industriales, S.A	Full	Engineering Services	PwC
Técnicas Reunidas Hellas, S.A – Greece	Athens	100%	Técnicas Reunidas, SA	Full	Engineering Services	PwC
Técnicas Reunidas Netherlands B.V	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	Perth	100%	Técnicas Reunidas, S.A.	Full	Engineering Services	Unaudited
Técnicas Reunidas TEC – Bolivia	Santa Cruz	100%	Técnicas Reunidas, S.A./Initec Plantas Industriales, S.A.	Full	Engineering Services	PwC
Técnicas ReunidasR RUP INSAAT TAAHHÜT Limited Sirketi	Istambul	100%	Técnicas Reunidas, S.A./Initec Plantas Industriales, S.A.	Full	Engineering Services	PwC
Técnicas Reunidas Dufi CCGT Kft	Budapest	10%	Técnicas Reunidas, S.A./Initec Plantas Industriales, S.A.	Full	Engineering Services	Unaudited
TR Canada Inc	Alberta	100%	Técnicas Reunidas, S.A./Initec Plantas Industriales, S.A.	Full	Engineering Services	PwC
TR Saudi Arabia L.L.C.	Yedah	100%	Técnicas Reunidas, S.A./Técnicas Reunidas Proyectos Internacionales, S.A.	Full	Engineering Services	PwC
Técnicas Reunidas Saudia for Services and Contracting Company Limited	Saudi Arabia	100%	Técnicas Reunidas, S.A./Técnicas Reunidas Proyectos Internacionales, S.A.	Full	Engineering Services	PwC
Treunidas Mühendislik ve İnsaat A.S	Istambul	100%	Técnicas Reunidas, S.A.	Full	Engineering Services	Unaudited

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Técnicas Reunidas engineers India private limited (TREI)	New Delhi	100%	Técnicas Reunidas, S.A.	Full	Consultancy and assistance in international engineering projects	LUTHRA-LUTHRA
Tecreun República Dominicana, S.R.L.	Dominican Republic	100%	Técnicas Reunidas, S.A./Initec Plantas Industriales, S.A.	Full	Engineering Services	PwC
TR Perú Ingeniería y Construcción S.A.C.	Peru	100%	Técnicas Reunidas, S.A./Initec Plantas Industriales, S.A.	Full	Engineering Services	Unaudited
T Reunidas México Ingeniería y Construcción de R.L. de C.V.	Mexico	100%	Técnicas Reunidas, S.A./Initec Plantas Industriales, S.A.	Full	Engineering Services	Unaudited
Técnicas Reunidas de Talara, S.A.C.	Peru	100%	Técnicas Reunidas, S.A./Initec Plantas Industriales, S.A.	Full	Engineering Services	PwC
Técnicas Reunidas Malaysia SDN.	Malaysia	100%	Técnicas Reunidas, S.A./Initec Plantas Industriales, S.A.	Full	Engineering Services	PwC
TR Servicios S.R.L. de C.V.	Mexico	100%	Técnicas Reunidas, S.A./Initec Plantas Industriales, S.A.	Full	Engineering Services	Unaudited
Técnicas Reunidas USA L.L.C.	USA	100%	Técnicas Reunidas, S.A.	Full	Engineering Services	Unaudited
TR Louisiana L.L.C.	USA	100%	Técnicas Reunidas USA L.L.C.	Full	Engineering Services	Unaudited
Técnicas Reunidas Houston L.L.C.	USA	100%	Técnicas Reunidas USA L.L.C.	Full	Engineering Services	Unaudited
Heymo Ingeniería, S. A.	Madrid	100%	Técnicas Reunidas, S. A.	Full	Engineering Services	PwC
Técnicas Reunidas Ghana	Ghana	100%	Técnicas Reunidas Netherlands B.V.	Full	Engineering Services	Unaudited
Eurocontrol International Services, S.L.	Madrid	100%	Eurocontrol, S.A.	Full	Engineering Services	Unaudited
Euromoody International Services, S.L.	Madrid	100%	Eurocontrol, S.A.	Full	Engineering Services	Unaudited
TR do Brazil Participaçoes	Brazil	100%	Técnicas Reunidas, S.A./Initec Plantas Industriales, S.A.	Full	Engineering Services	Unaudited

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2016

Exhibit II

Associates included in the scope of consolidation - 2016

Company name	Registered business address	Ownership interest, %	Shareholding company	Consol. method	Business	Auditor
Empresarios Agrupados, A.I.E.	Madrid	43.00%	Técnicas Reunidas, S.A. & TR Proyectos Internacionales, S.A.	Equity method	Engineering services	PwC
Empresarios Agrupados Internacional, S.A.	Madrid	43.00%	Técnicas Reunidas, S.A. & TR Proyectos Internacionales, S.A.	Equity method	Engineering services	PwC
Ibérica del Espacio, S.A.	Madrid	49.78%	Técnicas Reunidas, S.A. & TR Proyectos Internacionales, S.A.	Equity method	Engineering services	PwC
Proyectos Ebramex, S. de R.L. de C.V.	Mexico D.F.	33.33%	Técnicas Reunidas, S.A.	Equity method	Engineering services	Unaudited
Minatrico, S. de R.L. de C.V.	Mexico D.F.	33.33%	Técnicas Reunidas, S.A.	Equity method	Engineering services	Unaudited
Máster S.A. de Ingeniería y Arquitectura	Barcelona	40.00%	Técnicas Reunidas, S.A.	Equity method	Engineering services	Unaudited

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2016

Associates included in the scope of consolidation - 2015

Company name	Registered business address	Ownership interest, %	Shareholding company	Consol, method	Business	Auditor
Layar Castilla, S.A.	Madrid	25.39%	Técnicas Reunidas, S.A.	Equity method	Real Estate	Unaudited
Empresarios Agrupados, A.I.E.	Madrid	43.00%	Técnicas Reunidas, S.A.	Equity method	Engineering services	PwC
Empresarios Agrupados Internacional, S.A.	Madrid	43.00%	Técnicas Reunidas, S.A. & TR Proyectos Internacionales, S.A.	Equity method	Engineering services	PwC
Ibérica del Espacio, S.A.	Madrid	47.45%	Técnicas Reunidas, S.A. & TR Proyectos Internacionales, S.A.	Equity method	Engineering services	PwC
Proyectos Ebramex, S. de R.L. de C.V.	Mexico D.F.	33.33%	Técnicas Reunidas, S.A.	Equity method	Engineering services	PwC
Minatrico, S. de R.L. de C.V.	Mexico D.F.	33.33%	Técnicas Reunidas, S.A.	Equity method	Engineering services	PwC
Máster S.A. de ingeniería y Arquitectura	Barcelona	40.00%	Técnicas Reunidas, S.A.	Equity method	Engineering services	Unaudited
Heymo Ingeniería, S. A.	Madrid	39.98%	Técnicas Reunidas, S. A.	Equity method	Engineering services	PwC

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2016

Exhibit III

Joint ventures included in the scope of consolidation – 2016

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 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	Istanbul	33.33%	Técnicas Reunidas, S. A.	Proportionate	Engineering services	PwC

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2016

Joint ventures included in the scope of consolidation – 2015

Company name	Registered business address	Ownership interest, %	Venturer	Consol. Method	Business	Auditor
KJT Engeharia Materiais	Madeira	33.33%	Técnicas Reunidas, S. A.	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%	Técnicas Reunidas, S. A.	Proportionate	Engineering services	PwC

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2016

Exhibit IV

UTEs and consortiums in which the consolidated companies have interests – 2016

Corporate name	Activity	Ownership interest	Corporate name	Activity	Ownership interest
TR Abu Dhabi (BRANCH)	Engineering services and project execution	100%	UTE TRISA/AST. P. MINATR.	Engineering services and project execution	33%
TR TURQUÍA BOTAS	Engineering services and project execution	100%	TR AKITA	Engineering services and project execution	100%
TR AUSTRALIA	Engineering services and project execution	100%	UTE TR/ESPINDE. PEL SINES	Engineering services and project execution	100%
TR BRANCH VOLGOGRADO	Engineering services and project execution	100%	UTE IGD	Engineering services and project execution	100%
TR EP UTE OPTARA BELGIUM	Engineering services and project execution	100%	UTE TR ETO	Engineering services and project execution	100%
TReunidas Branch Argelia	Engineering services and project execution	100%	UTE FAHDILI	Engineering services and project execution	100%
UTE EP SINES	Engineering services and project execution	100%	UTE HAIL	Engineering services and project execution	100%
TR SA ODDZIAL W POLSCE	Engineering services and project execution	100%	UTE TR NAPHTHA RT	Engineering services and project execution	100%
BX TR SPOLKA CYWILNA	Engineering services and project execution	50%	UTE Damietta LNG	Engineering services and project execution	100%
TR NORUEGA	Engineering services and project execution	100%	UTE RAMBLA	Engineering services and project execution	80%
EP BANGLADESH	Engineering services and project execution	100%	UTE Villamartin	Engineering services and project execution	50%
EP JORDANIA	Engineering services and project execution	100%	UTE Variante Pajar	Engineering services and project execution	80%
TR KUWAIT BRANCH	Engineering services and project execution	100%	UTE Puerto de Barcelona	Engineering services and project execution	50%
JV KUWAIT CONSORCIO	Engineering services and project execution	50%	UTE Edif.Servs. Múltiples	Engineering services and project execution	50%
TR FINLANDIA	Engineering services and project execution	100%	UTE TR/ASF. Cons.Aparc.Al	Engineering services and project execution	50%
UTE Plantas HDT y HCK	Engineering services and project execution	100%	UTE Proyecto DGC Chile	Engineering services and project execution	100%

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2016

UTE Geocart Catastro RD	Engineering services and project execution	50%	UTE JV Hawiyah GPE	Engineering services and project execution	100%
UTE Ju'aymah GPE	Engineering services and project execution	100%	UTE Centro de día	Engineering services and project execution	50%
UTE INITEC/TR RKF ARGELIA	Engineering services and project execution	100%	UTE TR/INIT. P.I. Rabigh	Engineering services and project execution	100%
UTE TFT ARGELIA	Engineering services and project execution	100%	UTE TR/TREC OPER.DESALAD	Engineering services and project execution	100%
UTE INITEC/TR PISCINA HO	Engineering services and project execution	100%	UTE TR/INITEC INFRA CONST	Engineering services and project execution	100%
UTE TR/IN CONS.COMPL.VIÑA	Engineering services and project execution	100%	UTE INITEC/TR SAIH RAWL	Engineering services and project execution	100%
UTE INITEC/SPIE MEDGAZ	Engineering services and project execution	50%	UTE ENAEX	Engineering services and project execution	100%
UTE TR/Initec Pl. Fenoles	Engineering services and project execution	100%	UTE TR Altamarca C. Viña	Engineering services and project execution	100%
UTE TR/Initec Pl. Bio Bio	Engineering services and project execution	100%	UTE TR/Duro F. CTCC Besós	Engineering services and project execution	50%
UTE TR/IPI Offsites Abudh	Engineering services and project execution	100%	UTE EVREN/INFRA.JUCAR F.1	Engineering services and project execution	70%
UTE INITEC P.I./TR Mejill	Engineering services and project execution	100%	UTE TR/GUEROLA C.TERMOSOL	Engineering services and project execution	50%
UTE TR/IPI Refi. de Sines	Engineering services and project execution	100%	UTE PEIRAO XXI	Engineering services and project execution	50%
UTE P.I./TRSA KHABAROVSK	Engineering services and project execution	100%	UTE TR/GEA 21 COL.PLUVIA	Engineering services and project execution	80%
TR ELEFSINA	Engineering services and project execution	100%	UTE SANHER EL CARAMBOLO	Engineering services and project execution	40%
UTE HDT Fase II	Engineering services and project execution	100%	UTE PERELLÓ	Engineering services and project execution	50%
UTE HYDROCRAKER HUNG,	Engineering services and project execution	100%	UTE ROSELL	Engineering services and project execution	50%
UTE TR/IPI TR POWER	Engineering services and project execution	100%	UTE PALMAS ALTAS SURL	Engineering services and project execution	40%
UTE ALQUILACION CHILE	Engineering services and project execution	100%	UTE COLUMBRETES	Engineering services and project execution	50%
TR ABU DHABI	Engineering services and project execution	100%	UTE TSK TR ASHUGANJ NORTH	Engineering services and project execution	50%
UTE TR JUBAIL	Engineering services and project execution	100%	UTE TR JJC	Engineering services and project execution	51%

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2016

UTE TR RUP	Engineering services and project execution	100%	UTE TR/ SGS PISTA 18R	Engineering services and project execution	50%
UTE TR YANBU REFINERY	Engineering services and project execution	100%	UTE TR PHB JORDAN	Engineering services and project execution	50%
UTE TR-IPI ABU DHABI SHAH	Engineering services and project execution	100%	UTE ELORRIO-ELORRIO	Engineering services and project execution	100%
UTE TR-IPI MARGARITA	Engineering services and project execution	100%	SAMSUNG-TR JOINT VENTURE	Engineering services and project execution	29%
UTE TR-IPI TANQUE MEJILLO	Engineering services and project execution	100%	TR OMAN BRANCH	Engineering services and project execution	100%
UTE TR DUFI HUNGRIA	Engineering services and project execution	100%	UTE HPP Gepesa	Engineering services and project execution	60%
UTE PERLA	Engineering services and project execution	100%	UTE TSGI	Engineering services and project execution	33%
UTE VOLGOGRAD	Engineering services and project execution	100%	TR MOSCU BRANCH	Engineering services and project execution	100%
UTE INTEGRATED PROJECT	Engineering services and project execution	100%	TÉCNICAS REUNIDAS FR BR,	Engineering services and project execution	100%
UTE TR JRTP JAZAN	Engineering services and project execution	100%	TR KHABAROVSK BRANCH	Engineering services and project execution	100%
UTE TR TALARA	Engineering services and project execution	100%	JV DARSAIT	Engineering services and project execution	50%
UTE TR OPTARA	Engineering services and project execution	100%	CONSORCIO TR/JJC PERÚ	Engineering services and project execution	51%
UTE STURGEON	Engineering services and project execution	100%	CONSORC, MOTA ENGIL TRPIC	Engineering services and project execution	50%
UTE TR INTEGRATED GAS	Engineering services and project execution	100%	JV SOHAR	Engineering services and project execution	50%
UTE FORT HILLS	Engineering services and project execution	100%	TR QATAR	Engineering services and project execution	100%
UTE TR MINATITLAN	Engineering services and project execution	100%	JV RAILWAY	Engineering services and project execution	34%
UTE TRISA/AST. P. EBRAMEX	Engineering services and project execution	33%			
UTE NT Aena	Engineering services and project execution	70%			
TR SA ODDZIAL W POLSCE	Engineering services and project execution	100%			
BX TR SPOLKA CYWILNA	Engineering services and project execution	50%			

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2016

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

Corporate name	Activity	Ownership interest	Corporate name	Activity	Ownership interest
TR FRANCIA BRANCH	Engineering services and project execution	100%	TR KHABAROVSK BRANCH	Engineering and Procurement Services	100%
UTE ALQUILACION CHILE	Engineering and Procurement Services	100%	UTE TR/SEG PROY.NT AENA	Engineering and Procurement Services	70%
UTE EP SINES	Engineering and Procurement Services	100%	UTE TR/ALTAMARCA/HMF C.ALCOBENDAS	Engineering and Procurement Services	34%
UTE HDT/HDK FASE II	Engineering and Procurement Services	100%	UTE TR/SENER PROEYCTO HPP GEPESA	Engineering and Procurement Services	60%
UTE HYDROCRACKER HUNGARY	Engineering and Procurement Services	100%	UTE TR/FERROVIAL LA PLANA DEL VENT	Engineering and Procurement Services	57%
UTE INITEC/TR JU'AYMAH GPE	Engineering and Procurement Services	100%	UTE TR/LOGPLAN A.T.AENA	Engineering and Procurement Services	55%
UTE INITEC/TR MEJILLONES	Engineering and Procurement Services	100%	UTE TR/PAI URBANIZACION CALAFELL	Engineering and Procurement Services	55%
UTE INITEC/TR PLANTAS HDT Y HCK	Engineering and Procurement Services	100%	EDIFICIO PIF AEROPUERTO BARCELONA	Engineering and Procurement Services	55%
UTE INITEC/TR RKF ARGELIA	Engineering and Procurement Services	100%	UTE INFRA/FULCRUM SRPHCS	Engineering and Procurement Services	51%
UTE INITEC/TR SAIH RAWL	Engineering and Procurement Services	100%	UTE INITEC INFRA/FULCRUM CUENCAS AT.ANDAL.	Engineering and Procurement Services	51%
UTE INITEC/TR TFT ARGELIA	Engineering and Procurement Services	100%	UTE CARGA ITOIZ	Engineering and Procurement Services	50%

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2016

UTE TR POWER	Engineering and Procurement Services	100%	UTE INITEC I./GEOCART CATASTRO R.D.	Engineering and Procurement Services	50%
UTE TR/ALTAMARCA COMPLEJO LA VIÑA	Engineering and Procurement Services	100%	UTE INITEC I./KV CONS.CONDUCCION DE TABERNAS	Engineering and Procurement Services	50%
UTE TR/ALTAMARCA PISCINA CUBIERTA	Engineering and Procurement Services	100%	UTE INITEC P.I./SPIE CAPAG MEDGAZ	Engineering and Procurement Services	50%
UTE TR/ESPINDESA	Engineering and Procurement Services	100%	UTE INITEC/FOSTER ACONCAGUA II	Engineering and Procurement Services	50%
UTE TR/ESPINDESA - PEL SINES	Engineering and Procurement Services	100%	UTE IPI/ACCIONA 5º TANQUE CARTAGENA	Engineering and Procurement Services	50%
UTE TR/ESPINDESA - TR AKITA	Engineering and Procurement Services	100%	UTE PEIRAO XXI	Engineering and Procurement Services	50%
UTE TR/I.P.I. TR JUBAIL	Engineering and Procurement Services	100%	UTE PRESA ITOIZ	Engineering and Procurement Services	50%
UTE TR/I.P.I. ABUH DABIH -SAS	Engineering and Procurement Services	100%	UTE PRESA LOTETA	Engineering and Procurement Services	50%
UTE TR/I.P.I. C.P.BIO BIO	Engineering and Procurement Services	100%	UTE PROVER	Engineering and Procurement Services	50%
UTE TR/I.P.I. FENOLES KAYAN	Engineering and Procurement Services	100%	UTE RUZAFA	Engineering and Procurement Services	50%
UTE TR/I.P.I. OFFSITES ABUH DABIH	Engineering and Procurement Services	100%	UTE TR/ANETO RED NORTE OESTE	Engineering and Procurement Services	50%
UTE TR/INITEC DAMIETTA LNG	Engineering and Procurement Services	100%	UTE TR/ASFALTOSY CONS.APARCAM.ALCOBENDAS	Engineering and Procurement Services	50%
UTE TR/INITEC EBRAMEX INGENIERIA	Engineering and Procurement Services	100%	UTE TR/GDF AS PONTES	Engineering and Procurement Services	50%

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2016

UTE TR/INITEC INFRA CONS.COMP.LA VIÑA	Engineering and Procurement Services	100%	UTE TR/GDF BARRANCO DE TIRAJANA	Engineering and Procurement Services	50%
UTE TR/INITEC INFRA CONS.PC.HUERCAL OVERA	Engineering and Procurement Services	100%	UTE TR/GDF CTCC BESOS	Engineering and Procurement Services	50%
UTE TR/INITEC INFRA CONSTRUCCI.PARCELA S	Engineering and Procurement Services	100%	UTE TR/GDF CTCC PUERTO DE BARCELONA	Engineering and Procurement Services	50%
UTE TR/INITEC JV HAWIYAH GPE	Engineering and Procurement Services	100%	UTE TR/GUEROLA CENTRAL TERMOSOLAR	Engineering and Procurement Services	50%
UTE TR/INITEC KJT PR. LNG	Engineering and Procurement Services	100%	UTE TR/KV CON.PL.Y URB.ZALIA	Engineering and Procurement Services	50%
UTE TR/INITEC MINATRICO INGENIERIA	Engineering and Procurement Services	100%	UTE TR/RTA VILLAMARTIN	Engineering and Procurement Services	50%
UTE TR/INITEC P.I. JV TR RABIGH DP	Engineering and Procurement Services	100%	UTE TR/SEG PORTAS	Engineering and Procurement Services	50%
UTE TR/INITEC PROYECTO DGC CHILE	Engineering and Procurement Services	100%	UTE TR/SERCOAL CENTRO DE DIA	Engineering and Procurement Services	50%
UTE TR/INTERCONTROL VARIANTE PAJARES	Engineering and Procurement Services	80%	UTE TR/SERCOAL EDIFICIO SERVICIOS MULTIPLES	Engineering and Procurement Services	50%
UTE TR/IONICS RAMBLA MORALES	Engineering and Procurement Services	100%	UTE TR/TRIMTOR DEP.CAÑADA GALLEGO	Engineering and Procurement Services	50%
UTE TR/IPI ELEFSINAS	Engineering and Procurement Services	100%	UTE TR/TRIMTOR EDAR LIBRILLA	Engineering and Procurement Services	50%
UTE TR/IPI KHABAROVSK	Engineering and Procurement Services	100%	UTE VALORIZA TR SS2	Engineering and Procurement Services	50%
UTE TR/IPI REFINERIA SINES GALP	Engineering and Procurement Services	100%	UTE PERELLO tr/vialobra	Engineering and Procurement Services	50%

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2016

UTE TR/TREC OPER.DESALADORA R.MORALES	Engineering and Procurement Services	50%	UTE ENSA/TR CAMBIADORES TAISHAN	Engineering and Procurement Services	50%
UTE TR/TT HORNOS RUSIA	Engineering and Procurement Services	100%	UTE ROSELL INFRA/COMAYPA	Engineering and Procurement Services	50%
UTE RUP TURQUIA	Engineering and Procurement Services	100%	UTE INITEC-INTRAESA Tramo II	Engineering and Procurement Services	50%
UTE TR YANBU REFINERY - TRYR	Engineering and Procurement Services	100%	UTE INITEC-INTRAESA Tramo I	Engineering and Procurement Services	50%
UTE TR ABU DHABI SHAH I	Engineering and Procurement Services	100%	UTE PARQUE RIBALTA	Engineering and Procurement Services	50%
UTE MARGARITA	Engineering and Procurement Services	100%	UTE COMAYPA INITEC TVR-CAS	Engineering and Procurement Services	50%
UTE TANQUE MEJILLONES	Engineering and Procurement Services	100%	UTE TR/GEA/SANHER EL CARAMBOLO.	Engineering and Procurement Services	40%
TR ABU DHABI SAS BRANCH	Engineering and Procurement Services	100%	UTE INITEC/FOSTER/MAN ACONCAGUA I	Engineering and Procurement Services	33%
UTE INITEC INFRA/BLC/FBA NAT AEROP.REUS	Engineering and Procurement Services	90%	UTE TRISA/AST. PET./ODEBRECHT EBRAMEX SUMI.	Engineering and Procurement Services	33%
UTE TR/SOLAER I.S.F. MORALZARZAL	Engineering and Procurement Services	90%	UTE TRISA/AST. PET/.MINATRICO SUMINISTROS	Engineering and Procurement Services	33%
UTE TR/TECNORESIDUOS PT VALDEMINGOMEZ	Engineering and Procurement Services	90%	UTE IPI/TECHNIGAZ TZI CARTAGENA	Engineering and Procurement Services	30%
UTE TR/GEA COLECTOR PLUVIALES H.O.	Engineering and Procurement Services	80%	UTE TR/IONICS/TCOSA/CHSA DEP.OROPESA	Engineering and Procurement Services	25%
UTE INITEC I./AN + PD S.C. AEROP.DE SANTIAGO	Engineering and Procurement Services	72%	VIETNAM	Engineering services and project execution	20%

CONSOLIDATED ANNUAL ACCOUNTS OF TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2016

UTE INFRA/INTECSA PTA CARGA LA LOTETA	Engineering and Procurement Services	50%	UTE PERLA VENEZUELA	Engineering and Procurement Services	100%
UTE TR INTEGRATED PROJECT (TRIP)	Engineering and Procurement Services	100%	JAZAN REFINERY AND T	Engineering and Procurement Services	100%
UTE TR VOLGOGRADO	Engineering and Procurement Services	100%	UTE TR/ESPINDESA - AUGUSTUS	Engineering and Procurement Services	100%
UTE Optara Total	Engineering and Procurement Services	100%	UTE TSGI	Engineering and Procurement Services	30%
UTE TSK TR ASHUGANJ NORTH	Engineering and Procurement Services	50%	UTE TR/SGS PISTA 18 R	Engineering and Procurement Services	50%
UTE INITEC INFRA/EVREN EVAL.RECURSOS	Engineering and Procurement Services	70%	UTE FORT HILLS	Engineering and Procurement Services	100%
UTE INITEC/PYCSA ALBERCA DEL JUCAR	Engineering and Procurement Services	50%	UTE TR-JJC	Engineering and Procurement Services	51%
UTE TR/ARDANUY ALGECIRAS	Engineering and Procurement Services	70%	UTE TR MINATITLAN	Engineering and Procurement Services	100%
UTE TR Rapid	Engineering and Procurement Services	100%	UTE TR Talara	Engineering and Procurement Services	100%
UTE TR Integrated gas	Engineering and Procurement Services	100%	JV Sohar	Engineering services and project execution	50%
UTE STURGEON	Engineering and Procurement Services	100%	JV Darsait	Engineering services and project execution	50%
TR MOSCU BRANCH	Engineering services and project execution	100%			

1. Financial figures

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

In 2016, the Group's net revenue totalled € 4,793 million, 14% more than last year due to a higher contribution from the contracts obtained in prior years. Operating profits totalled € 192 million, which is 4% of revenues, Profits after-tax totalled €129 million, 115 % higher than in 2015.

2. Research and development activities

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

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

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

During the year, Técnicas Reunidas has participated in the following projects:

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

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

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

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

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

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

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

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

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

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

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

3. Significant subsequent events

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

4. Acquisition of treasury shares

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

5. Management of financial risks and use of financial instruments

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

6. Other Business risk factors

The main risks are:

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

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

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

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

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

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

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

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

7. Average number of employees at the Group by category

Category	2016	2015
Managers and Directors	13	13
Senior managers University graduates and technicians	8,930	8,735
Skilled workers	55	32
Sales personal	72	40
TOTAL	**9,070**	**8,820**

8. Environment

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

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

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

Share Capital is formed by 55,896,000 with a nominal value of 0.10 € per share. There are not different categories of shares, and therefore, they all have the same rights and obligations. There are no restrictions on the transfer of the shares.

Entity/Company		Nº of shares	% Interest
Araltec, S.L.	Direct	17,882,564	31.99%
Aragonesa de Promoción de Obras y Construcciones, S.L.	Direct	2,848,383	5.10%
FMR L.L.C.	Indirect	1,710,707	3.06%
Franklin Templeton Investment Management L.L.C.	Indirect	1,676,830	3.00%

10. Restrictions to voting rights

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

11. Shareholder agreements

There are no agreements of this nature.

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

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

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

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

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

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

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

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

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

- When they cease to hold the executive positions to which their appointment as a Director is associated.

- When they are involved in a legal incompatibility or prohibition.

- When they receive any serious admonishment from the Board of Directors for failing to have upheld their obligations as directors.

- When their remaining on the Board may jeopardise the Company's interests or when the reasons for which they were appointed no longer exist (for example, when a proprietary director disposes of his/her interest in the Company).

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

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

In addition, the Chair also holds the same powers as the Board of Directors (except for those established by Article 25, in reference to the Chair election and the vicepresidents or those that can not be delegated by legal reasons or by internal regulation) and is considered to be the top executive at the Company by virtue of Article 28 of the Bylaws.

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

- The execution of the treasury share policy within the framework of the authorization provided by shareholders at a general meeting.

- The approval of the Company's general policies and strategies, including the treasury share policy and particularly its limits.

- The approval of the Company's most relevant operating decisions concerning investments and shareholdings in other companies, financial transactions, contracting and personnel remuneration.

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

No agreements of this kind exist.

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

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

16. Weighted average accounts payable

The weighted average day of accounts payable is the following:

	2016	2015
	Days	Days
Average period accounts payable	70	64
Ratio of paid operations	72	64
Ratio of operations not paid	61	62

	Euro Thousand	
Total paid	1,484,737	1,450,271
Total unpaid	324,721	219,390

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

17. Corporate Governance Report

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

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