TÉCNICAS REUNIDAS, S.A.

Independent Auditor´s Report on annual accounts
for the year ended December 31, 2018
and 2018 Director’s Report

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

Independent auditors' report on the annual accounts

To the shareholders of Técnicas Reunidas, S.A.

Report on the annual accounts

Opinion

We have audited the annual accounts of Técnicas Reunidas, S.A. (the Company) consisting of the balance sheet at 31 December 2018, the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and related notes to the consolidated annual accounts, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Company as at December 31, 2018, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with the financial information applicable identified and described in Note 2, and particularly with accounting principles and standards described in the note.

Basis for opinion

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

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

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

Key Audit Matters

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

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Key Audit Matters	How our audit addressed the key audit matter
Recognition of revenue from construction contracts The revenue recognition criteria applied by the Company are based on the percentage completion method in accordance with applicable law for Constructions contracts in Spain. When applying the percentage of completion method the Company applies significant estimates using relevant judgments regarding the total costs that are necessary to execute the contract, and regarding the amount of any claims or scope changes of the project that may be included as more revenue from the contract. The Company has implemented processes and controls to adequately recognize and oversee long-term contracts from the bidding phase, during execution and until the project is closed. These processes include, among other things: organization of the project, documentation, risk management, financial reviews and reporting, as well as controls over the adequate application of accounting principles. The information regarding construction contracts is set out in Notes 3.15, 10 and 24a) to the annual accounts. Given the relevance of the estimates used when recognizing revenue and their quantitative importance, this has been considered to be a key audit matter within our audit.	During our audit work we have taken into consideration our understanding of the controls over the process of estimating the margin obtained on long-term contracts. Our procedures include, among other things, the performance of tests of the design, implementation and operating effectiveness of certain relevant controls that mitigate the risks associated with the process of recognizing revenue from these types of construction contracts. To perform substantive tests we first selected a sample by applying quantitative and qualitative criteria, such as the identification of those relevant contracts either due to the total selling price of the contract or the amount of the revenue or margins recognized during the year, or the risk associated with the costs yet to be incurred to complete the contract. Additionally, we performed a selection based on statistical criteria for all of the remaining projects. We obtained the contracts relating to the selected projects so that we could read them and understand the most relevant clauses and their implications, as well as the budgets and execution oversight reports for those projects, and we performed the following procedures focusing on their main aspects: • We analysed the evolution of margins compared to changes in both the selling price and total budgeted costs. • We evaluated the coherence of the estimates made by the Company last year by comparing them against the actual data deriving from contracts in progress this year. • We recalculated the percentage of completion of each stage of the selected projects and compared it against the results obtained from the Company's calculations. • We obtained evidence of technical approvals regarding changes to the contract and claims made in negotiations with customers, as well as the status of financial negotiations. • We obtain explanations regarding the reconciliation between the financial information and the follow-up reports for the projects provided by project management.

Key Audit Matters	How our audit addressed the key audit matter
	Finally, we have verified that the information disclosures included in Note 3.15,10 and 24 a) to the accompanying annual accounts regarding the recognition of revenue from contracts based on the percentage of completion method are adequate in terms of those required by applicable accounting legislation. The results of the procedures performed allowed us to reasonably obtain the audit objectives for which these procedures were designed.
Tax inspection action	
Over the past few years the Group underwent an inspection tax group which the Company belongs, regarding corporate income tax for the years 2008 through 2011. After the tax inspection action was completed in 2015 the Company received a proposed settlement totalling 136.2 million euros, plus interest due to discrepancies in transfer pricing. The Company contested the assessment and appealed the decision through administrative processes and provided the necessary financial guarantees. During 2018, The Spanish Central Economic-Administrative Court (TEAC) has partially resolved in favor of the Company reducing the amount of the settlement by 20,972 thousand euros plus interest. The Company maintains the necessary guarantees corresponding to these assessments. The Company has implemented processes and controls to assess the risks and probability that a potential liability must be recognized in the consolidated annual accounts. It considers that there are legal arguments that support its position and therefore no provision has been recognised in this respect. The information relating to the inspection action taken by the tax authorities is set out in Note 23.	During the course of the audit we gained an understanding of the processes and evaluated the estimates used by management. To do so we obtained confirmation letters from attorneys to compare the assessment of the expected outcome, all related information and we identified potential liabilities and compared them against the Company's estimates. To analyse the reasonableness of the Company's estimate, we have involved internal tax specialists and, as part of our substantive work, we held interviews with the Company's attorneys regarding the actions taken by the tax authorities to date. We have analysed the probability of success that the Company's challenge of the conclusions reached by the tax authorities will have, which corroborate the estimate made by the Company and the information regarding this matter set out in the annual accounts is adequate in the terms of applicable accounting legislation. The results of the procedures performed allowed us to reasonably obtain the audit objectives for which these procedures were designed.

Key Audit Matters	How our audit addressed the key audit matter
Given the relevance of the estimates used regarding the probability that the risk will materialize and the amount claimed by the tax authorities in the assessments raised, we have considered this to be a key audit matter.	

Deferred tax asets

The consolidated balance sheet at 31 December 2018 includes a balance of 113,593 thousand euros deferred tax assets that mainly relate to temporary differences due to losses incurred in foreign businesses that will be recoverable within the context of the Spanish tax group led by the Parent Company when the companies engaging in those businesses are liquidated. At the end of the year Company management prepares revenue and profitability projections per project to assess the capacity of recovering deferred tax assets taking into consideration legislative changes and updates in the profitability of the various projects. We identified this matter as a key audit matter since the preparation of these projections requires a high level of judgment, basically with respect to the evolution of the project projections that affect the estimate made regarding the recovery of the deferred tax assets. The information relating to the deferred tax assets is disclosed in Note 23 to the annual accounts.	We have obtained an understanding and analysed the estimation process applied by directors and by management, focusing our procedures on matters such as: • The process of preparing the business plan, which is substantially supported on projects in progress, projects in the portfolio and estimates regarding new project intake based on past information, prepared with the objective of evaluating the recogni tion, measurement and the capacity to recover the deferred tax assets. • The criteria used when calculating the deferred tax assets. • The base information used by management in its analysis regarding the recovery of deferred tax assets, verifying its congruence with the estimates regarding projects used in other áreas of the audit such as revenue recognition or the assessment of the application of the going concern principle. We have involved our internal tax experts when considering the reasonableness of the tax assumptions used based on applicable legislation, to ensure that they are complete and adequate. Finally, we have verified that Note 23 to the accompanying consolidated annual accounts contains the appropriate disclosures in this respect. The results of the procedures performed allowed us to reasonably obtain the audit objectives for which these procedures were designed.

Other information: directors' report

Other information comprises only the directors' report for the 2018 financial year, the formulation of which is the responsibility of the Company's directors and does not form an integral part of the annual accounts.

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

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

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

On the basis of the work performed, as described above, we verify that the information mentioned in the preceding paragraph a) is included in the consolidated directors' report of the Group in which the Company is integrated, that the information in the Annual Corporate Governance Report, mentioned in that paragraph is included in the directors´ report", and that the rest of the information contained in the directors' report is consistent with that of the annual accounts for 2018 and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit and control committee for the annual accounts

The Company´s directors are responsible for the preparation of the accompanying anual accounts, such that they fairly present the equity, financial position and financial performance of the Company, in accordance with the financial reporting framework applicable to the Company in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated anual accounts that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the annual accounts

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Additional report for the Company's audit and control committee

The opinion expressed in this report is consistent with the statements made in our additional report for the Company's audit and control committee dated 28 February 2019.

Contract term

The General Shareholders Meeting held on 27 June 2018 appointed PricewaterhouseCoopers Auditores, S.L. as the Company's co-auditor for one year for the year ended 31 December 2018. On the other hand, the General Shareholders Meeting held on 29 June 2017 appointed Deloitte S.L. as the Company's coauditor for three years starting the year ended 31 December 2017.

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

Services rendered

Services other than audit rendered to the Companyare those described in Note 32 to the accompanying annual accounts.

PricewaterhouseCoopers Auditores, S.L.

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

Deloitte, S.L.

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

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

28 February 2019

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

28 February 2019

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TÉCNICAS REUNIDAS, S.A.

Annual Accounts for the year ended at December 31, 2018
and 2018 Management Report

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TÉCNICAS REUNIDAS, S.A.
BALANCE SHEET AT DECEMBER 31, 2018
(Expressed in thousands of euros)

ASSETS	Note	At December 31 2018	2017
NON-CURRENT ASSETS		**516,887**	**277,771**
Intangible assets	5	**54,721**	**3,979**
Property, plant and equipment	6	**24,901**	**33,256**
Non-current investments in Group companies and associates	8	**227,152**	**153,282**
Non-current financial investments	7	**96,520**	**17,987**
Shares and non-current equity interests		197	890
Loans to third parties		994	1,190
Derivatives	7-11	129	305
Other financial assets		95,200	15,602
Deferred tax assets	23	**113,593**	**69,267**
CURRENT ASSETS		**2,655,374**	**3,111,358**
Non-current assets held for sale		**-**	**52,342**
Inventories	12	**15,001**	**11,945**
Advances to suppliers	13	**173,709**	**142,435**
Trade and other receivables	7-10	**1,507,759**	**1,905,646**
Current investments in Group companies and associates	8	**540,271**	**593,837**
Current financial investments		**55,994**	**74,186**
Financial assets at fair value	7-9	42,038	43,976
Loans to third parties		-	94
Derivatives	7-11	6,336	28,244
Other financial assets		7,620	1,872
Cash and cash equivalents	14	362,640	330,967
TOTAL ASSETS		**3,172,261**	**3,389,129**

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

TÉCNICAS REUNIDAS, S.A.
BALANCE SHEET AT DECEMBER 31, 2018
(Expressed in thousands of euros)

EQUITY AND LIABILITIES	Note	At December 31 2018	2017
EQUITY		**460,499**	**522,134**
Shareholders' equity		**473,590**	**516,264**
Share capital	15	**5,590**	**5,590**
Registered share capital		5,590	5,590
Share premium	15	8,691	8,691
Reserves	16	**556,836**	**423,544**
Legal and statutory reserves		1,137	1,137
Capitalisation reserve		3,056	3,056
Other reserves		552,643	419,351
(Treasury shares)	15	(74,116)	(73,041)
Profit/(Loss) for the year	17	(23,411)	187,333
(Interim dividend)	17	-	(35,852)
Valuation adjustments		**(13,091)**	**5,869**
Hedging transactions	11	(6,274)	16,739
Translation differences	18	(6,817)	(10,870)
NON-CURRENT LIABILITIES		**460,129**	**187,560**
Non-current provisions		**83,892**	**76,060**
Other provisions	19	83,892	76,060
Non-current payables	20	**346,881**	**94,744**
Bank borrowings		340,361	88,136
Derivatives	11	1,242	2,489
Other financial liabilities		5,278	4,119
Non-current payables to Group companies and associates		**780**	**-**
Deferred tax liabilities	23	**28,576**	**16,756**
CURRENT LIABILITIES		**2,251,633**	**2,679,435**
Liabilities associated with non-current assets held for sale		**-**	**21,546**
Current provisions	19	**23,055**	**941**
Current payables	20	**116,306**	**343,194**
Bank borrowings		76,023	288,295
Derivatives		39,727	18,633
Other financial liabilities		556	36,266
Current payables to Group companies and associates	21	**375,675**	**357,597**
Trade and other payables	22	**1,736,597**	**1,956,157**
TOTAL EQUITY AND LIABILITIES		**3,172,261**	**3,389,129**

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

TÉCNICAS REUNIDAS, S.A.

INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in thousands of euros)

		Year ended December 31	
	Note	**2018**	**2017***
Revenue	24	1,913,659	2,742,392
Sales and services rendered		1,913,659	2,742,392
Changes in inventories of finished goods and work in progress		3,055	78
In-house work on assets			
Procurements		(1,159,566)	(1,860,908)
Cost of goods held for resale used		(1,159,566)	(1,860,908)
Other operating income		6,115	7,249
Non-core and other current operating income		5,588	6,491
Income-related grants transferred to profit or loss		527	758
Staff costs	24.c	(303,700)	(294,572)
Wages, salaries and similar expenses		(252,276)	(243,437)
Employee benefit costs		(49,933)	(49,951)
Provisions		(1,491)	(1,184)
Other operating expenses	24.d	(473,677)	(399,769)
Outside services		(445,819)	(401,571)
Taxes other than income tax		(2,593)	(4,735)
Losses on, impairment of and change in allowances for trade receivables		(22,994)	8,740
Other current operating expenses		(2,271)	(2,203)
Depreciation and amortisation charge	5 and 6	(14,410)	(13,458)
Impairment and gains or losses on disposal of non-current assets		(790)	(1,224)
PROFIT/(LOSS) FROM OPERATIONS		**(29,314)**	**179,788**
Finance income		47,417	87,567
Finance costs		(9,764)	(9,509)
Changes in fair value of financial instruments		(1,939)	2,665
Exchange differences		7,217	(32,563)
Impairment and gains or losses on disposal of financial instruments		(47,621)	(7,963)
FINANCIAL PROFIT/(LOSS)	25	**(4,690)**	**40,196**
PROFIT/(LOSS) BEFORE TAX		**(34,004)**	**219,983**
Income tax	23	10,593	(32,651)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**(23,411)**	**187,333**
PROFIT/(LOSS) FOR THE YEAR		**(23,411)**	**187,333**

*Restated (see Note 2)

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

TÉCNICAS REUNIDAS, S.A.
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in thousands of euros)

		Year ended December 31	
	Note	**2018**	**2017**
Profit/(Loss) for the year per income statement		**(23,411)**	**187,333**
Income and expense recognised directly in equity			
Cash flow hedges	11	(29,953)	103,495
Actuarial gains and losses and other adjustments	19	4,053	(5,567)
Tax effect	2	4,428	(25,602)
Total income and expense recognised directly in equity		**(21,472)**	**72,326**
Transfers to profit or loss			
Cash flow hedges	11	3,350	(56,039)
Tax effect	24	(838)	14,010
Total transfers to profit or loss		**2,512**	**(42,029)**
TOTAL RECOGNISED INCOME AND EXPENSE		**(42,371)**	**217,630**

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

TÉCNICAS REUNIDAS, S.A.
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018

B) STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018
(Expressed in thousands of euros)

	Share capital (Note 15)	Share premium (Note 15)	Reserves (Note 16)	Treasury shares (Note 15)	Prior years' losses	Profit/(Loss) for the year (Note 17)	Interim dividend (Note 17)	Valuation adjustments (Notes 18 and 11)	TOTAL
ADJUSTED BALANCE AT BEGINNING OF 2017	**5,590**	**8,691**	**344,199**	**(72,623)**	**-**	**158,741**	**(35,852)**	**(24,428)**	**384,318**
Total recognised income and expense	-	-	-	-	-	187,333	-	30,297	217,630
Transactions with shareholders or owners									
- Dividends paid	-	-	-	-	(39,170)	-	(35,830)	-	(75,000)
- Other transactions with shareholders or owners	-	-	(744)	(418)	-	-	-	-	(1,162)
Other changes in equity									
- Distribution of profit	-	-	83,741	-	39,170	(158,741)	35,830	-	-
- Other changes	-	-	(3,652)	-	-	-	-	-	(3,652)
BALANCE AT END OF 2017	**5,590**	**8,691**	**423,544**	**(73,041)**	**-**	**187,333**	**(35,852)**	**5,869**	**522,134**
ADJUSTED BALANCE AT BEGINNING OF 2018	**5,590**	**8,691**	**423,544**	**(73,041)**	**-**	**187,333**	**(35,852)**	**5,869**	**522,134**
Total recognised income and expense	-	-	-	-	-	(23,411)	-	(18,960)	(42,371)
Transactions with shareholders or owners									
- Dividends paid	-	-	(14,149)	-	(35,851)	-	-	-	(50,000)
- Other transactions with shareholders or owners	-	-	(279)	(1,075)	-	-	-	-	(1,354)
Other changes in equity									
- Distribution of profit	-	-	151,481	-	35,851	(187,333)	35,852	-	35,851
- Other changes	-	-	(3,761)	-	-	-	-	-	(3,761)
BALANCE AT END OF 2018	**5,590**	**8,691**	**556,836**	**(74,116)**	**-**	**(23,411)**	**-**	**(13,091)**	**460,499**

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

TÉCNICAS REUNIDAS, S.A.
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31,2018
(Expressed in thousands of euros)

	Notes	Year ended December 31 2018	2017*
Cash flows from operating activities			
1. Profit/(Loss) for the year before tax		**(34,004)**	**219,983**
2. Adjustments for:			
- Depreciation and amortisation charge	**5 and 6**	14,410	13,458
- Change in provisions	**19**	29,946	(16,465)
- Impairment losses	**8**	42,672	10,204
- Gains/Losses on derecognition and disposal of non-current assets		790	1,224
- Finance income	**25**	(47,470)	(87,567)
- Finance costs	**25**	9,764	9,182
- Changes in profit or loss on derivatives and exchange differences		3,350	(56,039)
- Changes in fair value of financial instruments	**9**	1,938	(2,665)
- Other income and expenses		-	9,231
3. Changes in working capital:			
- Inventories and advances	**12 and 13**	(34,330)	35,533
- Trade and other receivables		329,323	(177,988)
- Other accounts receivable		47,910	1,392
- Trade payables		(230,302)	(440,200)
- Other changes		7,629	36,029
4. Other cash flows from operating activities			
- Interest paid		(9,764)	(9,182)
- Dividends received		28,655	69,621
- Interest received		18,816	17,946
- Income tax recovered/paid		9,917	(31,363)
5. Cash flows from operating activities		**189,250**	**(397,666)**
Cash flows from investing activities			
6. Payments relating to investments			
- Acquisition of property, plant and equipment	**5**	(1,071)	(8,663)
- Acquisition of intangible assets	**6**	(2,040)	(953)
- Investments in Group companies and associates		(40,465)	(69,285)
- Other financial assets		(137)	1,906
7. Proceeds from disposals			
- Property, plant and equipment		(12)	-
8. Cash flows from investing activities		**(43,725)**	**(76,995)**
Cash flows from financing activities			
9. Proceeds and payments relating to equity instruments			
- Acquisition and disposal of treasury shares, net		(1,355)	(1,162)
10. Proceeds and payments relating to financial liabilities			
a) Issue			
- Bank borrowings		364,698	548,136
- Payables to Group companies and associates		111,281	392,892
b) Return			
- Bank borrowings		(344,283)	(390,510)
- Payables to Group companies and associates		(194,193)	(134,746)
11. Dividends paid and returns on other equity instruments			
- Dividends paid		(50,000)	(75,000)
12. Cash flows from financing activities		**(113,852)**	**339,610**
Net change in cash and cash equivalents		**31,673**	**(135,051)**
Cash and cash equivalents at beginning of year		330,967	**466,018**
Cash and cash equivalents at end of year		**362,640**	**330,967**

*Restated (see Note 2)

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

TÉCNICAS REUNIDAS, S.A.
NOTES TO ANNUAL ACCOUNTS FOR 2018
(Expressed in thousands of euros)

1. General information

Técnicas Reunidas, S.A. ("the Company") was incorporated on July 6, 1960 as a public limited liability company. It is registered with the Mercantile Registry of Madrid in volume 1,407, sheet 5,692, page 129. The latest adaptation and amendment of its Articles of Association is registered in volume 22,573, section 8, book 0, page 197, sheet M-72319, entry 157.

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

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

Within its engineering services business, the Company operates through various business lines, mainly in the refining, gas and power sectors.

Since June 21, 2006, all shares of Técnicas Reunidas, S.A. have been admitted to trading, are listed on the continuous market and form part of the IBEX 35 index.

As indicated in Note 8, the Company is the parent of a group of companies ("the Group"). The accompanying annual accounts were prepared on an unconsolidated basis. On February 27, 2019, the Board authorised for issue the consolidated statements of Técnicas Reunidas, S.A. and subsidiaries at December 31, 2018, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs). In accordance with the content of these consolidated annual accounts, equity amounts to EUR 358,587 thousand (2017: EUR 463,304 thousand), a figure that includes the profit for 2018 amounting to EUR 14,447 thousand (2017: EUR 58,966 thousand), of which EUR 11,974 thousand are attributable to the Company's shareholders (2017: EUR 39,527 thousand).

2. Basis of presentation

Regulatory financial reporting framework applicable to the Company

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

a. The Spanish Commercial Code and all other Spanish corporate law.

b. The Spanish National Chart of Accounts approved by Royal Decree 1514/2007, which was amended by Royal Decree 602/2016, and its industry adaptations.

c. The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and its supplementary rules.

d. All other applicable Spanish accounting legislation.

Fair presentation

The annual accounts for 2018 were prepared from the Company's accounting records and are presented in accordance with Spanish corporate and commercial law in force and the rules established in the Spanish National Chart of Accounts approved by Royal Decree 1514/2007 and amended by Royal Decree 1159/2010, Royal Decree 602/2016 and Ministry of Economy and Finance Order EHA/3362/2010, of 23 December, approving the rules adapting the Spanish National Chart of Accounts for public infrastructure concession companies (the "Concession company sector plan"). They were authorised for issue by the Company's directors in order express fairly its equity, financial position, results from its operations, changes in equity and cash flows in accordance with the aforementioned current legislation in force.

Key issues in relation to the measurement and estimation of uncertainty

Although the Company incurred a loss of EUR 23,411 thousand in 2018, compared to the profit of EUR 187,333 thousand generated the previous year, it has a significant portfolio of profitable ongoing projects, has positive working capital, has unused credit facilities granted as of the reporting date, and has a business plan that envisages profit in the coming years. Consequently, the directors have prepared these annual accounts in accordance with the going concern principle of accounting.

Comparative information

For information comparison purposes, the Company presents, together with the balance sheet, the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the years ended on December 31, 2018 and 2017. The Company presents comparative information in the explanatory notes to the annual accounts when it is relevant for a better understanding of the current year's consolidated annual accounts.

Given that the concession activities were no longer considered discontinued operations in 2018, the Company restated the income statement and the statement of cash flows for 2017 to be comparable with those of 2018. The effect on the income statement is as follows:

Income statement	**2017**	**Discontinued operations 2017**	**2017 restated**
Non-core and other current operating income	191	6,300	6,491
Outside services	(395,537)	(6,034)	(401,571)
Impairment losses	15,410	(6,670)	8,740
Profit from operations	**186,192**	**(6,405)**	**179,787**
Profit before tax	**226,716**	**(6,732)**	**219,983**
Income tax	(34,334)	1,683	(32,651)
Profit from continuing operations	**192,382**	**(5,049)**	**187,333**
Profit for the year from discontinued operations	(5,049)	5,049	-
Profit for the year	**187,333**	**-**	**187,333**

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

Accounting estimates and judgements

When preparing the annual accounts, the Company must make assumption estimates and assumptions with regard to the future that may affect the accounting policies adopted and the amount of assets, liabilities, income and expenses and the breakdowns related thereto. Estimates and assumptions are evaluated on an ongoing basis and are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, rarely match the corresponding outcomes in real life.

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

Revenue recognition

The Company uses the percentage of completion method to recognise revenue. The percentage of completion is determined based on a financial assessment of the tasks effectively carried out as of the balance sheet date as a percentage of the total estimated costs for each contract. This revenue recognition method is applied only when the outcome of the contract can be reliably estimated and it is likely that the contract will generate profits. If the outcome of the contract cannot be reliably estimated, revenue is recognised to the extent that costs are recovered. When it is likely that the costs of the contract will exceed contract revenue, the loss is immediately recognised as an expense. When applying the percentage of completion method, the Company analyses various factors that may give rise to changes in the estimated costs of the projects with regard to that plant and, based on this analysis, makes significant estimates relating to the total costs necessary to perform the contract. These estimates are reviewed and assessed regularly in order to verify whether or not a loss has been generated and whether it is possible to continue applying the percentage of completion method or whether it is necessary to re-estimate the expected margin on the project.

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

Income tax and deferred tax assets

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

Provisions

Provisions are recognised when it is probable that a present obligation, resulting from past events, will require an outflow of resources and when the amount of the obligation may be reliably estimated. Significant estimates are required to fulfil the applicable accounting requirements. Company management makes estimates, evaluating all relevant information and events, the probability of a contingency occurring and the amount of the liability to be settled in the future.

Accounts receivable

The Company makes estimates relating to the collectability of trade receivables for projects affected by ongoing disputes or litigation in progress as a result of not accepting the work carried out or failure to comply with contractual clauses related to the performance of the assets delivered to customers.

Fair value of unquoted financial instruments

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

Warranty claims

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

Impairment of equity investments in Group companies, jointly controlled entities and associates

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

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

Company management determines the estimated useful lives and the related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The useful lives of its non-current assets are estimated based on the period over which the assets will generate economic benefits. At each reporting date, the Company reviews the useful lives of its assets and if the estimates differ from those previously made, the effect of the change is recognised prospectively as from the year in which the change is made.

Impairment of concession assets

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

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

<u>Grouping of items</u>

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

3. Accounting policies

3.1 Intangible assets

<u>Research and development expenditure</u>

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

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

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

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

<u>Computer software</u>

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

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

<u>Patents, licences, trademarks and other</u>

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

<u>Concession arrangement, regulated asset</u>

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

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

3.2 Property, plant and equipment

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

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

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

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

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

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

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

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

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

3.3 Borrowing costs

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

3.4 Impairment losses on non-financial assets

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

At each year-end, the Company reviews the assets subject to amortisation to verify if there is any event or change in circumstances that indicates that the carrying amount may not be recoverable. An impairment loss is recognised for the excess of the carrying amount of the asset over its recoverable amount, which is understood to be the higher of fair value less costs to sell and value in use. For the purposes of assessing impairment losses, assets are grouped together at the lowest level for which there are largely independent cash flows (cash-generating units). For assets that do not generate independent cash flows, the recoverable amount is determined for the cash-generating units to which the asset belongs. Any non-financial assets that have suffered an impairment loss are reviewed at the end of each reporting period to see if the losses have been reversed.

3.5 Financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

The fair value of listed investments is based on the current purchase price. If the market for a financial asset is inactive (and for unlisted securities), the Company establishes its fair value using valuation techniques that include using recent transactions between willing and duly informed parties, references to other instruments that are substantially the same, methods for discounting estimated future cash flows and option pricing models that make maximum use of observable market data and rely as little as possible on subjective considerations of the Company.

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

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

3.6 Non-current assets and liabilities (disposal groups) classified as held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will mainly be recovered through a sale transaction rather than through continuing use, and if their sale is considered highly probable. They are measured at the lower of their carrying amount and their fair value less costs to sell, except for assets such as deferred tax assets, assets arising from the employee benefits, financial assets and investment property that are recognised at fair value, and contractual rights from insurance contracts, which are specifically exempt from this requirement.
An impairment loss is recognised for any initial or subsequent write-down of the assets (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increase in fair value less costs to sell of an asset (or disposal group), but not in excess of the cumulative impairment loss that had been previously recognised. A gain or loss not previously recognised by the date of the sale of a non-current asset (or disposal group) is recognised at the date of derecognition.

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 recognised.

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

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such line of business or area of operation, or is a subsidiary acquired exclusively with a view to resale. The profit or loss from discontinued operations is presented separately in the income statement.

3.7 Inventories

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

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

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

3.8 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits in banks and other short-term highly liquid investments originally maturing within three months or less that are not subject to significant changes in value. Bank overdrafts are classified as borrowings under current liabilities on the balance sheet. At December 31, 2018 and 2017, the Company had no bank overdrafts.

3.9 Equity

The share capital is represented by ordinary shares.

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

If the Company acquires any treasury shares, the consideration paid, including any directly attributable incremental cost, is deducted from equity until their redemption, re-issue or disposal. When these shares are sold or are later re-issued, any proceeds received, net of any directly attributable incremental cost of the transaction, are included in equity.

3.10 Financial liabilities

Accounts payable:

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

These borrowings are initially recognised at fair value, adjusted by any directly attributable transaction costs, and subsequently recognised at their amortised cost using the effective interest method. This effective interest rate is the discount rate that matches the carrying amount of the instrument to its expected future cash flows until the liability matures.

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

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

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

3.11 Grants received

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

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

3.12 Financial derivatives and hedge accounting

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

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

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

However, if it is no longer probable that this transaction will take place, any cumulative gains or losses recognised under equity are immediately transferred to the income statement.
For derivative financial instruments not designated as hedging instruments or that do not qualify to be designated as such, any changes in fair value at each measurement date are recognised as finance income or costs in the income statement.

3.13 Current and deferred taxes

The income tax expense (income) is the amount accrued in this connection during the year, comprising both the current and deferred tax expense (income).

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

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

Deferred taxes are calculated, in accordance with the balance sheet liability method, based on the temporary differences that arise between the tax bases of the assets and liabilities and their carrying amounts.

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

However, deferred taxes are not recognised if they arise from the initial recognition of an asset or liability in a transaction other than a business combination, which at the time of the transaction affects neither accounting profit (loss) nor taxable profit (tax loss).

Deferred taxes are determined by applying the regulations and tax rates that have been enacted or substantially enacted by the balance sheet date and that are expected to be applied when the related deferred tax asset is realised or the deferred tax liability is settled.

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

3.14 Provisions and contingent liabilities

The Company recognises provisions when it has a present obligation (legal or constructive) as a result of past events, it is more likely than not that an outlay of resources will be needed to settle the obligation and when the amount can be reliably estimated. No provisions are recognised for future operating losses, although they are recognised for estimated losses from engineering contracts.

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

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

3.15 Revenue recognition

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

Service agreements

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

Turnkey engineering contracts

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

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

The Company uses the percentage of completion method to calculate the amount to be recognised in a given accounting period. The percentage of completion is determined based on a financial assessment of the tasks effectively carried out as of the balance sheet date as a percentage of the total estimated tasks and costs for each contract.
The Company recognises an account receivable for the gross amount owed by customers for work performed under all contracts in progress for which the costs incurred plus the recognised profits (less recognised losses) exceed the amount of progress billings. Progress billings outstanding and withholdings are included in trade and other receivables.

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

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

At other times, a single contract may have clearly differentiated parts with different budgets signed with the same customer. In these types of agreements, the customer benefits from each part of the contract, and the Company has different performance obligations. If the income and costs of the different parts can be clearly identified, each part is treated separately.

Given the nature of the business activity, contracts are often modified while in progress due to changes in the scope of the work that needs to be carried out under the terms of the contract. A change may lead to an increase or a decrease in contract revenue. Changes are recognised as increases in the value of the contract when it is likely that the customer will approve the change in scope and the resulting price increase and when the amount of the additional income can be reliably calculated.

Likewise, claims may arise in the performance of the contracts that the contractor seeks to collect from the customer or another party as reimbursement for costs not included in the contract price. The grounds for such claims are related to and supported by the clauses of the contract or situations of force majeure. Income from contracts arising from claims is included as contract revenue when negotiations have reached an advanced stage and, therefore, it is sufficiently certain that the customer will approve the change and it is likely that the Company will receive the additional income. When evaluating the probability of a claim being successful, in addition to the technical analysis of each case, past experience in situations that are similar either because of their nature or the counterparty involved are also analysed, as well as the communications with the customer in relation to the case.

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

Concession arrangements

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

Dividend income

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

Interest income

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

3.16 Foreign currency transactions

Functional and presentation currency

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

Transactions and balances

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

3.17 Employee benefits

a) Termination benefits

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

b) Profit-sharing plans and bonuses

The Company recognises a liability and an expense for bonuses and/or profit sharing when it is contractually required to do so or when past practices have generated a constructive obligation.

3.18 Leases

Finance leases

Leases of property, plant and equipment in which the Company is the lessee and has substantially all the risks and rewards arising from ownership of the assets are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The interest rate implicit in the lease is used to calculate the present value, but if this rate cannot be determined, the interest rate the Company uses for similar transactions is used.

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

Operating leases

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

3.19 Group companies and associates

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

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

3.20 Joint ventures – Unincorporated temporary joint ventures (UTEs) and consortiums

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

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

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

None of the UTEs use accounting policies that differ from those applied by the Company.
Ownership interest in jointly controlled entities is recognised in accordance with the provisions for equity investments in Group companies, jointly controlled entities and associates (Note 3.5.d).

3.21 Business combinations

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

3.22 Related party transactions

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

3.23 Statement of cash flows

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

- Cash flows: inflows and outflows of cash and cash equivalents (Note 14).

- Cash flows from operating activities: payments and collections from the Company’s ordinary activities and other activities that are not investing or financing activities.

- Cash flows from investing activities: payments and collections that arise from acquisitions and disposals of non-current assets.

- Cash flows from financing activities: payments and collections from the placement and settlement of financial liabilities, equity instruments or dividends.

4. Financial risk management

4.1 Financial risk factors

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

Risk is managed by the Company's Treasury Department, which identifies, assesses and hedges financial risks in accordance with the policies approved by the Board. The Board provides written global risk management policies, and policies for specific areas such as foreign currency risk, interest rate risk, liquidity risk, the use of derivatives and non-derivatives and the investment of liquidity surpluses.

a) Market risk

a.1) Foreign currency risk

The Company operates in the international market and, therefore, is exposed to foreign currency risk on the transactions it performs in foreign currencies, particularly the US dollar (USD), the Kuwaiti dinar (KWD) and the Japanese yen (JPY). There is residual exposure to suppliers operating in other currencies (mainly Turkish lira, Australian dollars, Malaysian ringgit and Peruvian sol). Foreign currency risk arises from future commercial transactions and recognised assets and liabilities.

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

The Company's risk management policy is based on hedging a portion of the most highly probable forecast transactions, for ongoing projects, in each of the main currencies during the months the project is scheduled to be carried out. For each new project contracted with foreign currency risk, the percentage of risk to be hedged in relation to projected sales in each of the main currencies varies by project. These hedges are classified as highly probable forecast transactions for hedge accounting purposes.

The nature of the Company's business operations means that it is very common to contract transactions with customers in US dollars, while the corresponding costs are usually denominated in multiple currencies, albeit mainly USD. If at December 31, 2018 the euro had appreciated / depreciated against the US dollar by a hypothetical 10%, leaving all other variables constant, profit before tax for the year would have been EUR 16,411 thousand higher / lower (2017: EUR 32,614 thousand higher / lower), mainly due to the gains / losses generated on the appreciation / depreciation of positions in US dollars.

If the euro had appreciated / depreciated against the US dollar by a hypothetical 10%, equity would have been EUR 63,817 thousand higher / lower in the year ended December 31, 2018 (2017: EUR 38,812 thousand higher / lower); these amounts were calculated based on the changes in profits outlined in the paragraph above and the estimated changes in value of the hedging derivatives recognised in the equity reserve (all before considering the related tax effect).

a.2) Price risk

The Company is partially exposed to commodity price risk, basically tied to metals and oil, to the extent that they affect the price of the equipment supplied and materials used in the construction projects. As a general rule, all peer contractors operating in the sector effectively pass on these impacts in sales prices.

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

The Company reduces and mitigates price risk through the policies established by the Group's Corporate Management, which basically consist of accelerating or slowing the rate of placements and selecting the currencies and countries of origin. An additional mechanism used to mitigate this risk consists of using contracting models that allow a portion of the price to be allocated to cover possible cost deviations.

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

The Company generally endeavours to self-finance its projects, establishing invoicing and collection milestones with customers that cover the payment deadlines undertaken with suppliers. The Company maintains credit lines to cover any cash flow needs for the projects. The majority of these credit lines are negotiated at variable interest rates tied to EURIBOR. In the current situation where the EURIBOR is negative, the variable interest rates established in the credit lines are considered the best policy to minimise the impact of interest rate risk. In addition, and as part of the policy for controlling interest rate risk and the impact that interest rate fluctuations may have on the income statement, fixed-rate loans and syndicated credit facilities with a portion of at a fixed rate have been arranged to hedge against potential rate increases, if they take place in the short-term tranches of the EURIBOR curve.

The exposure to floating interest rate risk at year-end, without taking into account non-current liabilities held for sale, is as follows:

	2018			**2017**		
	Tied to Euribor	**Other reference rates**	**Total**	**Tied to Euribor**	**Other reference rates**	**Total**
Borrowings (Note 20)	(397,785)	(18,599)	(416,384)	(368,295)	(8,136)	(376,431)
Interest-earning cash and cash equivalents (Note 14)	92,256	267,384	362,640	41,953	289,014	330,967
Net cash position	**(305,529)**	**248,785**	**(53,744)**	**(326,342)**	**280,878**	**(45,464)**

Based on the sensitivity analyses performed on cash and cash equivalents, the impact on profit of a 25 basis point fluctuation in interest rates would imply, at most, an increase / decrease of EUR 948 thousand (2017: EUR 1,069 thousand).

b) Credit risk

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

- Assets under derivative financial instruments (Note 11)

- Various balances included in cash and cash equivalents (Note 14).
- Balances related to trade and other receivables (Notes 10).

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

In relation to trade and other receivables, it is worth mentioning that, due to the nature of the business, there is a high concentration based on the Company's most significant projects. These counterparties are generally state-owned or multinational oil companies, along with major Spanish energy groups.

The main customers represented 86% (2017: 82%) of the total recognised under "Trade receivables" (including trade and other receivables) at December 31, 2018, and are tied to transactions with the aforementioned entities. Therefore, the Company considers credit risk to be very low. In addition to the credit analyses performed before entering into a contract, the global position of trade and other receivables is monitored on an ongoing basis, while the most significant exposures (including exposure to the type of entities mentioned above) are monitored at the individual level.

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

c) Liquidity risk

Prudent management of liquidity risk entails the maintenance of sufficient cash and marketable securities, availability of financing through a sufficient level of committed credit facilities and the capacity to settle market positions. Given the dynamic nature of the core businesses, the Central Treasury Department of the Company and the Group aims to maintain the flexibility in the financing by making the credit lines available.

As a result of the tendency of contracts with customers to include tighter cash flows and the difficulty of passing these payment terms on to suppliers, the Company has had to increase its financing facilities.

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

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

	Thousands of euros	
	2018	**2017**
Bank borrowings (Note 20)	(416,384)	(376,431)
Cash and cash equivalents (Note 14)	362,640	330,967
Net cash position	**(53,744)**	**(45,464)**
Undrawn credit lines (Note 20)	746,649	781,244
Total liquidity reserves	**692,905**	**735,780**

The two syndicated lines of credit signed by the Company and in force as of the date of authorisation for issue of these annual accounts, amounting to a total of EUR 700 million, require, among other obligations, that the consolidated net financial debt/EBITDA ratio is less than or equal to 3. These requirements were met as of the date of authorisation for issue of these annual accounts.

The table below shows an analysis of the Company's financial liabilities that will be settled net, grouped by maturities, in accordance with the remaining periods at the balance sheet date until the contractual maturity date. The amounts shown in the table correspond to the undiscounted cash flows stipulated in the contract. The balances payable within 12 months are equivalent to their carrying amounts, given that the discount effect is not significant.

Thousands of euros	Within one year	From 1 to 2 Years
At December 31, 2018		
Borrowed funds	76,023	340,361
Derivative financial instruments	39,727	1,242
Trade payables	1,736,597	-
Total	**1,852,347**	**341,603**
At December 31, 2017		
Borrowed funds	288,295	88,136
Derivative financial instruments	18,633	2,489
Trade payables	1,956,157	-
Total	**2,263,085**	**90,625**

4.2. Capital risk management

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

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

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

	2018	**2017**
Borrowings (Note 20)	(416,384)	(376,431)
Net cash position	(53,744)	(45,464)
Equity	**460,499**	**522,134**
% Borrowings / Equity	**(90.42%)**	**(72.09%)**

4.3. Estimate of fair value

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

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

The fair value of financial instruments that are not listed on an active market (e.g. OTC derivatives) is determined using valuation techniques. These valuation techniques maximise the use of available observable data inputs and rely as little as possible on entity-specific estimates.
Specific valuation techniques used to value financial instruments include:

Quoted market prices or dealer quotes for similar instruments.

The present value of foreign currency futures is determined using the future exchange rates on the balance sheet date, discounted to their present value. Other techniques, such as discounted cash flow analysis, are used to determine the fair value of the remaining financial instruments.

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

Due to the nature of the Company's portfolio, the application of credit risk mainly affects the portfolio of financial derivatives designated as cash flow hedges, given that they are measured at fair value.

These instruments are unique in that the expected cash flows are not pre-determined; rather, they vary based on the underlying financial variable so the determination of the credit risk to be applied, i.e., the Company's own credit risk or that of the counterparty, is not intuitive, but rather depends on market conditions at any given time and must therefore be quantified using measurement models.
The derivatives arranged by the Company relate to currency futures and commodities futures.
Currency forwards consist of the purchase of one currency against the sale of a different currency in which the exchange rate is fixed on the date of the contract to be delivered or settled in the future, starting on the third business day after the contract date.

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

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

It is assumed that the carrying amount, less any provisions for impairment losses on accounts receivable and payable, is similar to their fair value. The fair value of financial liabilities, for the purposes of presenting financial information, is estimated by discounting future contractual cash flows at the current market interest rate from the cash flows the Company could have for similar financial instruments.

5. Intangible assets

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

	Thousands of euros			
	Concession arrangement, regulated asset	**Patents, licences and trademarks**	**Computer software**	**Total**
Balance at 01/01/2017				
Cost	891	372	13,000	14,263
Accumulated amortisation	(305)	-	(9,405)	(9,710)
Accumulated impairment losses	-	-	-	-
Carrying amount	**586**	**372**	**3,595**	**4,553**
Additions	-	-	951	951
Disposals	-	-	(4)	(4)
Transfers	-	-	-	-
Amortisation charge	(30)	-	(1,491)	(1,521)
Derecognition of amortisation	-	-	4	4
Other changes in cost	3	(2)	(4)	(3)
Other changes in amortisation	-	-	(1)	(1)
Balance at 31/12/2017				
Cost	894	370	13,943	15,207
Accumulated amortisation	(335)	-	(10,893)	(11,228)
Accumulated impairment losses	-	-	-	-
Carrying amount	**559**	**370**	**3,050**	**3,979**
Additions	-	-	2,040	2,040
Disposals	-	-	(4,903)	(4,903)
Transfers	73,467	-	(518)	72,949
Amortisation charge	(2,912)	-	(1,449)	(4,361)
Derecognition of amortisation	-	-	4,117	4,117
Other changes in cost	-	-	3	3
Amortisation and impairment transfers	(21,814)	-	14	(21,800)
Reversal of impairment	2,697	-	-	2,697
Balance at 31/12/2018				
Cost	74,361	370	10,565	85,296
Accumulated amortisation and impairment	(22,364)	-	(8,211)	(30,575)
Carrying amount	**51,997**	**370**	**2,354**	**54,721**

The transfers that took place during the year are due mainly to the reclassification of concession assets classified in the previous year under "Assets classified as held for sale".

Concessions

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

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

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

Concession assets are financed by borrowings amounting to EUR 18,604 thousand (2017: EUR 21,546 thousand).

Operating income from operating these concessions amounted to EUR 6,278 thousand in 2018 (2017: EUR 6,430 thousand).

In 2018 and 2017, no finance costs were capitalised and no impairment losses in addition to those already existing were recognised.

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

At December 31, 2018, the value of the fully amortised intangible assets on the balance sheet amounted to EUR 5,813 thousand (2017: EUR 6,364 thousand) and related mainly to computer software.

6. Property, plant and equipment

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

	Thousands of euros		
	Land and buildings	Plant and other items of property, plant and equipment	Total
Balance at 01/01/2017			
Cost	2,710	102,408	105,118
Accumulated depreciation	(891)	(57,517)	(58,408)
Carrying amount	**1,819**	**44,891**	**46,710**
Additions	-	8,663	8,663
Disposals	(2)	(10,679)	(10,681)
Depreciation charge	(91)	(11,844)	(11,935)
Derecognition of depreciation	-	1,907	1,907
Other changes in cost	-	(2,805)	(2,805)
Other changes in depreciation	-	1,397	1,397
Balance at 31/12/2017			
Cost	2,708	97,587	100,295
Accumulated depreciation	(982)	(66,057)	(67,039)
Carrying amount	**1,726**	**31,530**	**33,256**
Additions	-	1,071	1,071
Disposals	-	(16,292)	(16,292)
Depreciation charge	(93)	(9,956)	(10,049)
Derecognition of depreciation	-	16,285	16,285
Other changes in cost	-	175	175
Other changes in depreciation	-	(159)	(159)
Transfers	-	614	614
Balance at 31/12/2018			
Cost	2,708	83,155	85,863
Accumulated depreciation	(1,075)	(59,887)	(60,962)
Carrying amount	**1,633**	**23,268**	**24,901**

a) Impairment losses

In 2018 and 2017 no impairment losses were recognised or reversed for individual property, plant and equipment.

b) Property, plant and equipment abroad

At December 31, 2018, the carrying amount of the assets located abroad, which relate to plant and other items of property, plant and equipment, amounted to EUR 2,655 thousand (2017: EUR 6,710 thousand) and accumulated depreciation totalled EUR 13,080 thousand (2017: EUR 8,603 thousand).

c) Fully depreciated assets

At December 31, 2018, the cost of the fully depreciated items of property, plant and equipment still in use on the balance sheet amounted to EUR 26,306 thousand (2017: EUR 31,463 thousand).

d) Assets under finance leases

At December 31, 2018, “Plant and other items of property, plant and equipment” did not include any amounts where the Company is the lessee under a finance lease.

	Thousands of euros	
	2018	**2017**
Cost-capitalised finance leases	-	6,805
Accumulated depreciation	-	(6,805)
Carrying amount	**-**	**-**

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

e) Assets under operating leases

“Outside services” in the income statement includes operating lease expenses corresponding to the lease of offices amounting to EUR 18,879 thousand (2017: EUR 19,469 thousand).

f) Insurance

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

7. Analysis of financial instruments

7.1 Analysis by category

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

a) Financial assets:

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

At December 31, 2017	Other	Fair value through profit or loss (Note 9)	Loans and receivables (Notes 7 and 10)	Hedging derivatives (Note 11)	Cash and cash equivalents (Note 14)
					Thousands of euros
Equity instruments	890	-	-	-	-
Derivatives	-	-	-	305	-
Other financial assets	-	-	16,792	-	-
Non-current	**890**	**-**	**16,792**	**305**	**-**
Debt securities	-	43,976	-	-	-
Derivatives	-	-	-	28,244	-
Other financial assets	-	-	2,444,429	-	330,967
Current	**-**	**43,976**	**2,444,429**	**28,244**	**330,967**

b) Financial liabilities:

	2018		2017	
				Thousands of euros
	Accounts payable (Notes 20 and 22)	Hedging derivatives (Note 11)	Accounts payable (Notes 20 and 22)	Hedging derivatives (Note 11)
Bank borrowings (Note 20)	340,361		88,136	-
Derivatives		1,242	-	2,489
Other financial liabilities	6,058		4,119	-
Non-current	**346,119**	**1,242**	**92,255**	**2,489**
Bank borrowings (Note 20)	76,023		288,295	-
Derivatives		39,727	-	18,633
Other financial liabilities	2,086,102		2,320,785	-
Current	**2,162,125**	**39,727**	**2,609,080**	**18,633**

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

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

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

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

	Thousands of euros	
	2018	**2017**
Investments in Group companies, jointly controlled entities and associates (a)	227,152	153,282
Current investments in Group companies, jointly controlled entities & associates (b)	540,271	593,837
	767,423	**747,119**

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

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

In 2018, dividends received totalled EUR 28,655 thousand (2017: EUR 69,621 thousand) and were recognised as finance income in the income statement (Note 28).

In 2018, the additions in investments arose in relation to the following companies:

- TRD DUQM PROJECT LLC
- TR Italy
- Técnicas Reunidas LLC

In 2017, the additions in investments arose in relation to the following companies: Deportes Valdavia, S.L., Valdavia Padel, S.L. and Valdavia Gim, S.L.

The changes in investments in Group companies, jointly controlled entities and associates at December 31, 2018 and 2017 are as follows:

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

	01/01/2017	**Additions**	**Disposals**	**Transfers**	**31/12/2017**
Investments in Group companies, jointly controlled entities and associates	152,298	68,459	(2)	1,307	222,062
Unpaid capital	(1,191)	-	-	-	(1,191)
Impairment of investments	(63,198)	(3,533)	2	(860)	(67,589)
Total	**87,909**	**64,926**	**-**	**447**	**153,282**

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

In 2017 the additions related mainly to the capital increase of TSGI Muhendislik INSAAT LTD. SIRKETI for EUR 23,448 thousand and the contribution of funds to INITEC Plantas Industriales, S.A.U. amounting to EUR 45,000 thousand.

There were no significant disposals in 2018 or 2017. With regard to impairment, a provision of EUR 40,345 thousand was recognised in relation to the Company’s ownership interest in TSGI Muhendislik INSAAT LTD. SIRKETI.
The detail of the investments in Group companies, jointly controlled entities and associates at December 31, 2018 and 2017 is as follows:

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

Company	Registered office	Business activity	Direct ownership interest	Indirect ownership interest	Carrying amount	Equity			Dividends (Note 25)
						Share capital	Reserves	Profit/(Loss)	
Técnicas Reunidas Internacional, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	120	120	2,944	9	-
Técnicas Reunidas Australia Pty.	AUSTRALIA	ENGINEERING SERVICES	100.00%	-	-	-	924	1,817	1,872
Termotécnica, S.A.	SPAIN	MACHINERY WHOLESALE	40.00%	60.00%	300	781	1,049	21	-
TR Construcción y Montaje S.A.	SPAIN	REAL ESTATE DEVELOPMENT	100.00%	-	150	332	1,206	2	-
Técnicas Reunidas Ecología, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	120	120	1,746	(4)	-
Técnicas Reunidas Metalúrgicas, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	60	120	1,863	(64)	-
Técnicas Reunidas Trade Panamá, S.A.	PANAMA	COMMERCIAL DEVELOPMENT	100.00%	-	46	46	76	(17)	-
Española de Investigación y Desarrollo, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	438	90	11,365	(859)	-
TR Proyectos Internacionales, S.A.	SPAIN	DEVELOPMENT AND CONTRACTING	100.00%	-	(184)	1,503	(831)	48	-
Técnicas Reunidas Venezuela, S.A	VENEZUELA	COMMERCIAL DEVELOPMENT	100.00%	-	9	-	-	-	-
Layar, S.A.	SPAIN	COMPANY MANAGEMENT	100.00%	-	6,483	1,085	5,198	211	-
Initec Plantas Industriales, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	124,613	6,600	96,375	(70,332)	-
Initec Infraestructuras, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	-	1,800	341	(6,217)	-
Técnicas Reunidas Ecuador, S.A.	ECUADOR	ENGINEERING SERVICES	100.00%	-	3	-	-	-	-
Técnicas Reunidas Gulf L.T.D.	SAUDI ARABIA	ENGINEERING SERVICES	100.00%	-	29,592	550	34,545	(5,503)	-
ReciclAguilar, S.A.	SPAIN	ENGINEERING SERVICES	80.00%	-	-	60	(369)	-	-
TR SNG Alliance Ltd.	CYPRUS	ENGINEERING SERVICES	30.00%	-	38	-	-	-	-
Servicios Unidos, S.A.	VENEZUELA	ENGINEERING SERVICES	100.00%	-	74	-	-	-	-
TR Hungary Dufi CCGT Kft	HUNGARY	ENGINEERING SERVICES	85.00%	15.00%	8	10	634	(33)	-
TR Brasil Participaçoes Ltd.	BRAZIL	ENGINEERING SERVICES	50.00%	-	7	-	-	-	-
TR Tec Ltda	BOLIVIA	ENGINEERING SERVICES	12.40%	87.60%	331	2	4,346	(1,678)	-
TR Canada INC	CANADA	ENGINEERING SERVICES	3.96%	96.04%	-	133,937	(169,981)	(66,497)	-
TR Engineers India Private LTD	INDIA	ENGINEERING SERVICES	100.00%	-	10	7	945	612	-
TR Saudi Arabia LLC	SAUDI ARABIA	ENGINEERING SERVICES	50.00%	50.00%	3	479	(556)	-	-
Al Hassan Técnicas Reunidas Project LLC	OMAN	ENGINEERING SERVICES	100.00%	-	19	-	-	-	-
TR Saudia for Services and Contracting Co. Limited	SAUDIA	ENGINEERING SERVICES	97.00%	3.00%	33,011	8,502	(91,579)	27,686	-
Heymo Ingeniería, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	757	903	3,665	3,881	-
TR Servicios S.R.L. de C.V.	MEXICO	ENGINEERING SERVICES	75.00%	25.00%	4	6	153	8	-
Técnicas Reunidas USA L.L.C.	US	ENGINEERING SERVICES	100.00%	-	27	27	(8,261)	9,439	7,706
TR Sagemis Italia S.R.L.	ITALY	ENGINEERING SERVICES	100.00%	-	80	10	3	11	-
TR Canadá E&C INC	CANADA	ENGINEERING SERVICES	15.00%	85.00%	5	36	(208)	2,195	-
TR Perú Ingeniería y Construcción	PERU	ENGINEERING SERVICES	100.00%	-	9	9	2,469	42	-
Deportes Valdavia 2017, S.L.	SPAIN	ENGINEERING SERVICES	100.00%	-	3	3	(2)	-	-
TR México Ingeniería y Construcción	MEXICO	ENGINEERING SERVICES	75.00%	25.00%	4	6	(5,657)	17,182	-
TR Italy	ITALY	ENGINEERING SERVICES	100.00%	-	10	10	-	631	-
TR Duqum Proyect LLC	OMAN	ENGINEERING SERVICES	65.00%	-	360	554	232	7,397	-
Single project companies with positive equity *		ENGINEERING SERVICES			24,906	167,216	6,308	(91,609)	18,633
Single project companies with an equity default *		ENGINEERING SERVICES			18	3,520	(39,314)	3,645	-
Total investments in Group companies					**221,440**				
ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES									
Empresarios Agrupados, A.I.E.	SPAIN	SERVICES TO COMPANIES	34.40%	8.60%	69	162	588	-	-
Empresarios Agrupados Internacional, S.A.	SPAIN	SERVICES TO COMPANIES	34.40%	8.60%	264	1,202	13,393	1,057	444
Ibérica del Espacio	SPAIN	ENGINEERING SERVICES	39.09%	9.78%	1,597	4,459	1,753	(2,218)	-
Master S.A. de Ingeniería y Arquitectura	SPAIN	ENGINEERING SERVICES	40.00%	-	-	152	510	(859)	-
Proyectos Ebramex, S. de R.L. de C.V.	MEXICO	ENGINEERING SERVICES	33.33%	-	-	21,953	(33,532)	431	-
Minatrico, S. de R.L. de C.V.	MEXICO	ENGINEERING SERVICES	33.33%	-	3,829	41,214	(29,257)	(469)	-
Other					(47)				
Total investments in associates and jointly controlled entities					**5,712**				
Total					**227,152**				

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

Investments in Group companies, jointly controlled entities and associates in 2017

Company	Registered office	Business activity	Direct ownership interest	Indirect ownership interest	Carrying amount	Equity			Dividends (Note 25)
						Share capital	Reserves	Profit/(Loss)	
Técnicas Reunidas Internacional, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	120	120	1,837	52	-
Técnicas Reunidas Australia Pty.	AUSTRALIA	ENGINEERING SERVICES	100.00%	-	-	-	1,495	1,452	679
Termotécnica, S.A.	SPAIN	MACHINERY WHOLESALE	40.00%	60.00%	300	781	1,094	9	-
TR Construcción y Montaje S.A.	SPAIN	REAL ESTATE DEVELOPMENT	100.00%	-	150	332	1,187	19	-
Técnicas Reunidas Ecología, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	120	120	1,758	(12)	-
Técnicas Reunidas Metalúrgicas, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	60	120	2,017	(19)	-
Técnicas Reunidas Trade Panamá, S.A.	PANAMA	COMMERCIAL DEVELOPMENT	100.00%	-	46	46	97	(26)	-
Española de Investigación y Desarrollo, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	438	90	11,497	(132)	-
TR Proyectos Internacionales, S.A.	SPAIN	DEVELOPMENT AND CONTRACTING	100.00%	-	-	1,503	(812)	(19)	-
Técnicas Reunidas Venezuela, S.A	VENEZUELA	COMMERCIAL DEVELOPMENT	100.00%	-	9	-	-	-	-
Layar, S.A.	SPAIN	COMPANY MANAGEMENT	100.00%	-	5,483	1,085	4,892	306	-
Initec Plantas Industriales, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	49,613	6,600	71,350	(47,876)	-
Initec Infraestructuras, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	-	1,800	333	8	-
Técnicas Reunidas Ecuador, S.A.	ECUADOR	ENGINEERING SERVICES	100.00%	-	3	-	-	-	-
Técnicas Reunidas Gulf L.T.D.	SAUDI ARABIA	ENGINEERING SERVICES	100.00%	-	30,376	550	42,321	(5,039)	-
ReciclAguilar, S.A.	SPAIN	ENGINEERING SERVICES	80.00%	-	-	60	(369)	-	-
TR SNG Alliance Ltd.	CYPRUS	ENGINEERING SERVICES	30.00%	-	38	-	-	-	-
Servicios Unidos, S.A.	VENEZUELA	ENGINEERING SERVICES	100.00%	-	74	-	-	-	-
TR Hungary Dufi CCGT Kft	HUNGARY	ENGINEERING SERVICES	85.00%	15.00%	8	10	702	(83)	-
TR Brasil Participaçoes Ltd.	BRAZIL	ENGINEERING SERVICES	50.00%	-	7	-	-	-	-
TR Tec Ltda	BOLIVIA	ENGINEERING SERVICES	12.40%	87.60%	517	2	9,389	(5,221)	-
TR Canada INC	CANADA	ENGINEERING SERVICES	3.96%	96.04%	-	133,937	(109,500)	(65,015)	-
TR Engineers India Private LTD	INDIA	ENGINEERING SERVICES	100.00%	-	10	7	926	49	-
TR Saudi Arabia LLC	SAUDI ARABIA	ENGINEERING SERVICES	50.00%	50.00%	-	479	(553)	-	-
Al Hassan Técnicas Reunidas Project LLC	OMAN	ENGINEERING SERVICES	100.00%	-	19	-	-	-	-
TR Saudia for Services and Contracting Co. Limited	SAUDIA	ENGINEERING SERVICES	97.00%	3.00%	33,011	8,502	(25,270)	(63,403)	-
Heymo Ingeniería, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	757	903	2,344	960	-
TR Servicios S.R.L. de C.V.	MEXICO	ENGINEERING SERVICES	75.00%	25.00%	4	6	128	17	-
Técnicas Reunidas USA L.L.C.	US	ENGINEERING SERVICES	100.00%	-	27	27	(80)	(802)	-
TR Sagemis Italia S.R.L.	ITALY	ENGINEERING SERVICES	100.00%	-	60	10	3	(20)	-
TR Canadá E&C INC	CANADA	ENGINEERING SERVICES	15.00%	85.00%	5	36	(26)	(143)	-
TR Perú Ingeniería y Construcción	PERU	ENGINEERING SERVICES	100.00%	-	9	9	2,271	(1,322)	1,515
Deportes Valdavia 2017, S.L.	SPAIN	ENGINEERING SERVICES	100.00%	-	3	3	-	(2)	-
TR México Ingeniería y Construcción	MEXICO	ENGINEERING SERVICES	75.00%	25.00%	4	6	(7,711)	1,492	
Single project companies with positive equity *		ENGINEERING SERVICES			25,211	72,365	(8,944)	53,545	67,255
Single project companies with an equity default *		ENGINEERING SERVICES			-	3,520	(34,223)	(5,036)	-
Total investments in Group companies					**146,485**				
ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES									
Empresarios Agrupados, A.I.E.	SPAIN	SERVICES TO COMPANIES	34.40%	8.60%	69	162	588	-	-
Empresarios Agrupados Internacional, S.A.	SPAIN	SERVICES TO COMPANIES	34.40%	8.60%	264	1,202	12,903	1,779	172
Ibérica del Espacio	SPAIN	ENGINEERING SERVICES	39.09%	9.78%	2,484	4,459	4,000	(2,247)	-
Master S.A. de Ingeniería y Arquitectura	SPAIN	ENGINEERING SERVICES	40.00%	-	265	152	774	(264)	-
Proyectos Ebramex, S. de R.L. de C.V.	MEXICO	ENGINEERING SERVICES	33.33%	-	-	21,953	(31,400)	(1,564)	-
Minatrico, S. de R.L. de C.V.	MEXICO	ENGINEERING SERVICES	33.33%	-	3,790	41,214	(31,439)	1,595	-
Other					(75)				
Total investments in associates and jointly controlled entities					**6,797**				
Total					**153,282**				

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

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

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

	Thousands of euros	
	2018	2017
Loans and receivables	540,271	593,837
Total current	**540,271**	**593,837**

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

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

The detail of loans to Group companies at December 31, 2017 is as follows:

	Tax receivables	Other loans
Initec Plantas Industriales, S.A.U.	67,259	111,861
TR Saudia LTD	-	285,583
TR De Construcao Unip. LDA	-	33,242
TR Canada INC	-	65,470
Eurocontrol	2,094	-
Other Group companies, associates and UTEs	1,130	27,198
Total current	**70,483**	**523,354**

At December 31, 2018, loans to Group companies included EUR 20,523 thousand (2017: EUR 70,483 thousand) related to the balances of income tax payable for each of the subsidiaries that form part of the consolidated tax group (see Note 23).

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

Técnicas Reunidas assessed the recoverability of the loans to Group companies on the basis of the business plans supplied by these subsidiaries, which are based on their current customer portfolios.

The average interest rate on loans to venturers in UTEs and joint ventures is the market rate of Euribor + 1% (2017: Euribor +1%).

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

9. Financial assets at fair value through profit or loss

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

	Thousands of euros	
	2018	**2017**
- Short-term fixed-income investments	27,604	27,310
- Short-term variable-income investments	14,434	16,666
	42,038	**43,976**

All financial assets are designated as held for trading.

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

Financial assets at fair value through profit or loss represent investments in listed equities and short-term fixed-income funds. Their fair value at December 31, 2018 and 2017 was determined by reference to year-end market prices. Returns on fixed-income securities are tied to trends in interest rates in the euro zone.

The changes in these investments in 2018 and 2017 were as follows:

	2018	**2017**
Balance at January 1	**43,976**	**41,311**
Additions	-	-
Disposals	-	-
Gains/(Losses) on changes in fair value (Note 25)	(1,938)	2,665
Balance at December 31	**42,038**	**43,976**

Maximum exposure to credit risk at the reporting date is the fair value of the assets.

10. Loans and receivables

	Thousands of euros	
	2018	**2017**
Trade receivables for sales and services	1,166,059	1,474,536
Receivable from Group companies and associates	280,762	274,977
Sundry accounts receivable	26,687	54,498
Receivable from Group companies	4,942	50,652
Employee receivables	386	803
Current tax assets	12,392	33,384
Other accounts receivable from public authorities	23,838	23,635
Provisions for impairment	(7,307)	(6,840)
	1,507,759	**1,905,646**

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

At December 31, 2018, “Trade receivables” included EUR 895,042 thousand relating to completed work yet to be billed (2017: EUR 1,188,346 thousand), which is calculated in accordance with the criteria established in Note 3.15.

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

	Thousands of euros	
	2018	**2017**
Initec Plantas Industriales, S.A.U.	186,944	174,876
Initec Infraestructuras, S.A.U.	5,420	14,444
TR De Construcao Unip. LDA	20,272	20,272
TR Mühendislik Insaat AS	9,276	5,296
TR UK	3,995	8,787
UTE TSGI	1,040	2,218
Other Group companies, associates and UTEs	53,815	49,085
Total trade and other receivables from Group companies and associates	**280,762**	**274,977**

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

	Thousands of euros	
	2018	**2017**
Beginning balance	**6,840**	**6,840**
Charge for the year	467	-
Amounts used	-	-
Ending balance	**7,307**	**6,840**

At December 31, 2018, accounts receivable and past due amounted to EUR 125,563 thousand (2017: EUR 116,542 thousand), of which 38% relate to amounts past due by less than six months.

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

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

The carrying amounts of trade receivables, excluding the portion corresponding to completed work yet to be billed, are denominated in foreign currencies:

	Thousands of euros	
	2018	**2017**
Euro	343,928	259,277
USD	112,716	52,917
Other currencies	156,073	405,106
Subtotal	**612,717**	**717,300**
Completed work pending certification	895,042	1,188,346
Total	**1,507,759**	**1,905,646**

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

11. Derivative financial instruments

The detail of derivative financial instruments at the end of 2018 and 2017 is as follows:

	Thousands of Euros			
	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Foreign currency forward contracts - cash flow hedges	6,465	36,621	28,549	21,222
Commodity forward contracts	-	4,348	-	-
Total	**6,465**	**40,969**	**28,549**	**21,122**
Less non-current portion				
Foreign currency forward contracts - cash flow hedges	129	1,242	305	1,515
Commodity forward contracts	-	-	-	974
Non-current portion	**129**	**1,242**	**305**	**2,489**
Current portion	**6,336**	**39,727**	**28,244**	**18,633**

The derivative financial instruments arranged by the Company relate mainly to the foreign currency forwards to cover highly probable future cash flows.
The Company assesses the effectiveness of the hedges by conducting prospective and retrospective efficacy tests in which the changes in hedged cash flows are compared with the changes in the cash flows of the assigned derivative.

The detail of the maturities by year of the notional amounts of the contracts in force at December 31, 2018 and 2017 is as follows:

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

	Fair value (Thousands of euros)	Currency	Notional maturities (thousands)			
Type of instrument	2017		2018	2019	2020	Total
USD / JPY	50	USD	2,209	-	-	2,209
USD / EUR	27,099	USD	932,672	-	-	932,672
JPY / EUR	210	JPY	655,350	-	-	655,350
USD / KWD	765	KWD	56,889	-	-	56,889
PLN / EUR	4	PLN	2,135	-	-	2,135
GBP / USD	21	USD	1,060	-	-	1,060
EUR / NOK	3	NOK	17,000	-	-	17,000
USD / CHF	294	CHF	5,700	13,300	-	19,000
KWD / EUR	103	KWD	-	340	-	340
Assets	**28,549**					
Foreign currency forward contracts						
USD / EUR	14,208	USD	197,834	-	-	197,834
USD / JPY	1,200	USD	11,363	-	-	11,363
GBP / EUR	151	GBP	10,000	-	-	10,000
USD / NOK	47	NOK	4,093	-	-	4,093
KWD / EUR	2,595	KWD	950	8,700	-	9,650
GBP / USD	86	USD	1,929	-	-	1,929
KWD / USD	710	USD	56,879	-	-	56,879
JPY / EUR	949	JPY	705,500	-	-	705,500
PLN / EUR	202	PLN	49,151	-	-	49,151
Commodity forward contracts						
Commodity	974					
Liabilities	**21,122**					
Net balances	**7,427**					

The detail of the maturities by year of the fair values of the contracts in force at December 31, 2018 and 2017 is as follows:

	2018	2019	2020	Total fair value
Total assets 2018	-	6,336	129	**6,465**
Total liabilities 2018	-	39,727	1,242	**40,969**
Total assets 2017	28,244	305	-	**28,549**
Total liabilities 2017	18,633	2,489	-	**21,122**

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

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

The statement of recognised income and expense discloses the impact of cash flow hedges on equity and the transfers to the income statement. In 2018 and 2017, no ineffectiveness worthy of mention arose as a result of foreign currency hedges, which is recognised in the income statement.

12. Inventories

This heading includes the following items and amounts:

	Thousands of euros	
	2018	**2017**
Construction projects in progress and finished projects	3,847	3,964
Costs of submitting bids	11,154	7,981
	15,001	**11,945**

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

"Work in progress" includes the amount of costs for submitting bids for those contracts obtained or that are likely to be obtained.

13. Advances to suppliers

This heading includes a breakdown of advances to suppliers.

	Thousands of euros	
	2018	**2017**
Group	160,568	86,642
Non-Group	13,141	55,793
	173,709	**142,435**

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

	Thousands of euros	
	2018	**2017**
Initec Plantas Industriales, S.A.	159,764	84,406
Other	804	2,236
	160,568	**86,642**

14. Cash and cash equivalents

	Thousands of euros	
	2018	**2017**
Cash	176,857	126,360
Cash equivalents	185,783	204,607
	362,640	**330,967**

This heading includes cash (cash on hand and demand deposits) and cash equivalents (short-term, highly liquid investments, easily convertible into cash within a maximum period of three months, the value of which is subject to an insignificant risk of changes in value).

In 2018, the effective interest rate earned on short-term deposits at credit institutions was 0% for deposits in euros (2017: 0%) and 2% for deposits in US dollars (2017: 0.9%) and the average term of these deposits is 14 days (2017: 14 days). In addition, the Company held significant balances during the year in Australian dollars (AUD) with an annual return of 2.5%, in Peruvian soles (PEN) at 3.5%, Turkish liras (TRY) at 18%, Saudi Arabia riyal (SAR) at 2%, Kuwaiti dinars (KWD) at 2%, Polish zloty (PLN) at 1.25% and Malaysian ringgit (MYR) at 2.7%.

Of the total balance of cash and cash equivalents at December 31, 2018, EUR 239,932 thousand (2017: EUR 110,586 thousand) arose from the inclusion of the joint ventures and unincorporated temporary joint ventures in which the Company holds interests.

There were no cash or cash equivalents with restricted availability at December 31, 2018 or at December 31, 2017, however, the cash from the joint arrangements with other partners is allocated in full to the project subject to such joint venture or UTE.

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

15. Share capital and share premium

	Share capital	Share premium	Treasury shares	Total
Balance at January 1, 2017	5,590	8,691	(72,623)	**(58,342)**
Other changes, net	-	-	(418)	**(418)**
Balance at December 31, 2017	5,590	8,691	(73,041)	**(58,760)**
Other changes, net	-	-	(1,075)	**(1,075)**
Balance at December 31, 2018	5,590	8,691	(74,116)	**(59,835)**

a) Share capital

A December 31, 2018 and 2017, the total authorised number of ordinary shares was 55,896,000 shares, with a par value of EUR 0.10 each. All of the shares issued are fully paid and carry the same voting and dividend rights. There are no restrictions on the free transferability of the shares.

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

	2018	**2017**
Shareholder	**% ownership interest**	**% ownership interest**
Aragonesas Promoción de Obras y Construcciones, S.L.U.	5.10%	5.10%
Araltec Corporación, S.L.U.	31.99%	31.99%
Franklin Templeton Investment Management Ltd	3.00%	3.00%
Norges Bank	-	3.02%
Ariel Investments L.L.C.	3.01%	3.01%
Citadel Multi-strategy Equities Master Fund Ltd.	-	1.26%
Other shareholders (including free float)	52.97%	48.74%
Treasury shares	3.93%	3.88%
TOTAL	**100.00%**	**100.00%**

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

b) Share premium

This reserve is unrestricted.

c) Treasury shares

The changes in "Treasury shares" in 2018 and 2017 were as follows:

	2018		2017	
	Number of treasury shares	Thousands of euros	Number of treasury shares	Thousands of euros
At beginning of year	**2,167,274**	**73,041**	**2,140,193**	**72,623**
Increases/purchases	4,088,054	106,432	6,983,681	222,283
Decreases/sales	(4,053,939)	(105,357)	(6,956,500)	(221,865)
At end of year	**2,201,389**	**74,116**	**2,167,274**	**73,041**

At December 31, 2018, treasury shares represented 3.93% of the Company's share capital (2017: 3.88%), and totalled 2,201,389 shares (2017: 2,167,274 shares), with an average acquisition price of EUR 38.41 per share (2017: EUR 33.70 per share).

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

On June 25, 2014, the shareholders at the Parent's Annual General Meeting authorised the acquisition of treasury shares up to the limit established by law, at a minimum price of 75% of their listed value and a maximum price of 120% of their listed value on the transaction date. The authorisation was granted for a period of five years from the date on which the resolution was passed.

The Company entered into a liquidity agreement with Santander Investment Bolsa, Sociedad de Valores, S.A.U., which entered into force on July 11, 2017, adapted to the provisions of CNMV Circular 1/2017, of April 26. The framework of this agreement includes the Spanish stock exchanges and aims to favour transaction liquidity. The agreement has a term of 12 months. The shares allocated to the securities account associated with the agreement amounted to EUR 74,500 and a total of EUR 2,574 thousand were allocated to the cash account associated with the agreement.

16. Reserves

a) Reserves

	Thousands of euros	
	2018	2017
- Legal reserve	1,137	1,137
- Capitalisation reserve	3,056	3,056
- Other reserves	552,643	419,351
	556,836	**423,544**

Legal reserve

The legal reserve, which has reached the stipulated level in accordance with section 274 of the Spanish Corporate Enterprises Act, cannot be distributed to shareholders and can only be used to offset losses, provided that other reserves are not available for this purpose. Under certain conditions, it may also be used to increase share capital.

Capitalisation reserve

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

Other reserves

This reserve is unrestricted.

17. Profit/(Loss) for the year

a) Proposed allocation of profit/(loss)

The proposed allocation of loss for 2018 to be submitted at the Annual General Meeting is as follows:

	2018	2017
Basis of allocation		
Profit/(Loss)	(23,411)	187,333
	(23,411)	**187,333**
Allocation		
Other reserves	(23,411)	137,333
Dividends (b)	-	50,000
	(23,411)	**187,333**

The proposed distribution of profit for 2017 was approved without changes by the shareholders at the Annual General Meeting on June 27, 2018.

b) Dividends

The breakdown of dividends is as follows:

2018: The Board did not approve the distribution of any interim dividends.

2017: the EUR 50,000 thousand in dividends breaks down as follows:

- An interim dividend of EUR 35,852 thousand approved by the Board on December 21, 2017 and paid on January 18, 2018.

- A final dividend of EUR 14,148 thousand approved by the shareholders at the Annual General Meeting on June 27, 2018.

18. Translation differences

	Thousands of euros	
	2018	2017
Cumulative translation differences	(6,817)	(10,870)

The breakdown, by permanent establishment, of the cumulative translation differences at the end of 2018 and 2017 is as follows:

	Thousands of euros	
	2018	2017
Abu Dhabi branch	80	347
Algeria branch	(2,457)	(2,577)
Australia branch	(3,669)	(5,259)
Ankara branch	43	2,088
Moscow branch	(2,213)	(2,199)
Kuwait branch	2,492	(3,451)
Other	(1,093)	181
	(6,817)	**(10,870)**

19. Provisions

	Thousands of euros	
	2018	2017
Provisions for contingencies and charges	83,892	76,060
Non-current	**83,892**	**76,060**
Other provisions	23,055	941
Current	**23,055**	**941**

The changes in 2018 and 2017 were as follows:

	Thousands of euros	
	2018	2017
Beginning balance	77,001	94,326
Charge for the year	34,331	4,428
Transfers	-	(860)
Amounts used/reversed	(4,385)	(20,893)
Ending balance	**106,947**	**77,001**

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

Provisions for contingencies and charges - Non-current

This heading includes mainly provisions arranged to cover the equity deficit of subsidiaries in the amount of EUR 47,897 thousand (2017: EUR 42,949 thousand) (Note 8), as well as other provisions for risks of litigation and other non-current payments to be made.

Provisions for contingencies and charges - Current

This line item relates to provisions arranged to cover other contingencies and current expenses. The amount arising from the Sines lawsuit was transferred to current, as there is an arbitral award in line with the projections of the Company and its advisors. Although the customer has appealed this arbitral award before the Portuguese courts, the Company expects that payment will have to be made in 2019.

20. Non-current and current payables

	Thousands of euros	
	2018	**2017**
Bank borrowings a)	340,361	88,136
Derivatives (Note 11)	1,242	2,489
Other financial liabilities	5,278	4,119
Non-current payables	**346,881**	**94,744**
Bank borrowings a)	76,023	288,295
Derivatives (Note 11)	39,727	18,633
Other financial liabilities	556	36,266
Current payables	**116,306**	**343,194**

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

a) Bank borrowings

The carrying amount approximates their fair value. The borrowings are tied mainly to the Euribor and are reviewed up to every six months. Loans in the amount of EUR 18,604 thousand (2017: EUR 21,546 thousand) were taken out as collateral for concession assets (Note 5), which are recognised under “Intangible assets”.

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

The detail of the maturities by year of the contracts in force at December 31, 2018 and 2017 is as follows:

	2018	2019	2020 and subsequent years	Total
2018	-	76,023	340,361	**416,384**
2017	288,295	88,136	-	**376,431**

The carrying amounts of the bank borrowings are denominated in euros, with an average effective interest rate at the balance sheet date of 0.80% (2017: 0.65%).

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

The Company has the following undrawn credit lines:

Floating rate:	Thousands of euros	
	2018	**2017**
- maturing within one year	575,149	267,000
- maturing in more than one year	171,500	514,000
	746,649	**781,244**

b) Other current financial liabilities

In 2018, the Board did not approve any interim dividend, as detailed in Note 17 (2017: EUR 35,852 thousand).

21. Payable to Group companies and associates

	Thousands of euros	
	2018	**2017**
Group companies	375,675	353,865
Associates	-	3,732
	375,675	**357,597**

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

	Thousands of euros	
	2018	**2017**
Engineering services	216,238	188,290
Short-term loans	159,437	165,575
Group companies	**375,675**	**353,865**
Inclusion of UTEs	-	3,732
Associates	**-**	**3,732**

In 2018, the loans with Group companies carried an average interest rate of Euribor +1% (2017: Euribor +1%).

22. Trade and other payables

	Thousands of euros	
	2018	**2017**
Payable to suppliers	1,021,089	1,490,350
Payable to suppliers - Group companies and associates	253,843	253,178
Supplier retainings	75,579	55,709
Sundry accounts payable	66,014	6,340
Remuneration payable	5,111	3,482
Other accounts payable to public authorities	26,724	29,233
Customer advances	288,237	117,867
	1,736,597	**1,956,157**

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

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

	Thousands of euros	
	2018	**2017**
Initec Plantas Industriales, S.A.	223,818	226,617
Initec Infraestructuras, S.A.	1,038	10,506
Técnicas Reunidas Internacional, S.A.	2,526	2,382
Other	26,461	13,673
	253,843	**253,178**

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

	Thousands of euros	
	2018	**2017**
US dollar	68,023	158,824
Other currencies	165,050	92,330
	233,073	**251,154**

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

As established by the reference law, as well as the resolution of January 29, 2017, the following information is broken down in reference to the average period of payment to suppliers:

	2018	**2017**
	Days	**Days**
Average period of payment to suppliers	71	73
Ratio of transactions paid	67	72
Ratio of transactions pending payment	100	79

	Amount (thousands of euros)	Amount (thousands of euros)
Total payments made	1,615,378	966,144
Total payments pending	207,176	195,100

The Company complies with the legally established periods with some minor delays due to invoices that are not officially compliant under the provisions of the agreement, failure to receive guarantees or meet other obligations of suppliers under the service agreement or order signed. In view of this, there may be a slight delay in payment. It should also be taken into account that the transactions not yet settled include supplier retainings, which do not form part of past-due obligations payable.

The data in the table above was calculated in accordance with that established in the resolution of February 4, 2016 on the basis of all companies in which the Company holds interests. For the purposes of this note, trade payables include the items related to payable to suppliers and sundry accounts payable to suppliers of goods and services included in the scope of the regulation on legal payment periods.

23. Income tax and tax matters

On September 30, 1993, the Directorate General of Taxation allowed the following companies to file consolidated tax returns: Técnicas Reunidas, S.A., Técnicas Reunidas Internacional, S.A., Termotécnica, S.A., Técnicas Reunidas Construcciones y Montajes, S.A., Técnicas Reunidas Ecología, S.A.. In 1994 the following companies were subsequently allowed to file consolidated tax returns: Técnicas Siderúrgicas, S.A., Española de Investigación y Desarrollo, S.A. and Técnicas Reunidas Proyectos Internacionales, S.A. In 1998 Técnicas Reunidas Metalúrgicas, S.A. was included in the tax group and Layar, S.A., Layar Castilla, S.A. and Layar Real Reserva, S.A. were included in 1999. In 2003 Eurocontrol, S.A. and ReciclAguilar, S.A. were included in the tax group and Initec Plantas Industriales, S.A. and Initec Infraestructuras, S.A. were included in 2005. In 2007 Layar Castilla, S.A. was excluded from the tax group. Eurocontrol International Services, S.L. and Euromoody International Services, S.L. were included in 2016 Heymo Ingenieria, S.A.U. was also included in 2016 and Deportes Valdavia, S.L, Valdavia Gym, S.L., Valdavia Padel, S.L. were included in 2017.

The reconciliation of net income and expenses for the year to the taxable profit for income tax purposes for 2018 is as follows:

	Thousands of euros 2018 Income statement		
Income and expenses for the year	(23,411)		(23,411)
	Increases	**Decreases**	
Income tax		(10,592)	**(10,592)**
Permanent differences	28,343	(112,118)	**(83,776)**
Temporary differences	106,862	(2,968)	**103,893**
Tax loss			**(13,886)**

The income tax expense is composed of the following:

	Thousands of euros	
	2018	**2017 restated**
Current tax	5,352	28,416
Deferred tax	(15,605)	4,235
Tax assets	(3,809)	-
Other adjustments	3,407	-
	(10,592)	**32,651**

Increases due to permanent differences relate to the following:

	Thousands of euros	
	2018	**2017**
Reversal of tax-deductible provisions (Royal Decree 3/2016)	27,713	5,322
Non-deductible expenses	630	723
Tax credit for double taxation dividends (art. 32)	-	26,728
	28,343	**32,773**

Decreases due to permanent differences relate to the following:

	Thousands of euros	
	2018	**2017**
Profit/(loss) from abroad	80,838	107,710
Exemption for foreign dividends	28,655	-
Reversal of provisions and others	2,625	207
	112,118	**107,917**

Deferred taxes	Thousands of euros	
	2018	**2017**
Deferred tax assets		
- recoverable in over 12 months	105,489	69,267
-recoverable in under 12 months	8,104	-
	113,593	**69,267**
Deferred tax liabilities		
- payable in over 12 months	28,576	16,756
- payable in under 12 months	-	-
	28,576	**16,756**

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

	2018		2017	
	Assets	**Liabilities**	**Assets**	**Liabilities**
At January 1	**69,267**	**16,756**	**63,541**	**7,262**
Reversals/amounts used	(9,376)	(6,815)	(6,473)	(6,138)
Charge for the year	53,702	18,635	12,199	15,632
Reclassifications	-	-	-	-
At December 31	**113,593**	**28,576**	**69,267**	**16,756**

Deferred taxes arose from the following:

Deferred tax assets	**Thousands of euros**	
	2018	**2017**
- Tax losses recognised in permanent establishments	44,628	38,044
- Recognition of portfolio allowances	24,121	11,080
- Provisions for contingencies and charges and other	21,964	15,505
- Depreciation and amortisation charge	632	742
- Concessions	3,896	3,896
- Taxes arising from permanent establishments	4,153	-
- Tax loss carryforwards	12,108	-
- Hedging reserve	2,091	-
	113,593	**69,267**

Deferred tax liabilities	**Thousands of euros**	
	2018	**2017**
Hedging reserve	-	5,691
Taxes arising from permanent establishments	28,576	11,065
	28,576	**16,756**

At December 31, 2018 and 2017, the Company did not have any unused tax credits.

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

On June 15, 2015, the Company received a settlement proposal for an amount of EUR 136.2 million plus interest, and signed the assessment on a contested basis. The Settlement Agreement is based on the discrepancies of the Tax Agency with the criteria on which the Group's transfer pricing strategy is based.

On July 10, 2015, the settlement proposal was unsuccessfully appealed for reconsideration before the Tax Agency. The Company filed an appeal for judicial review against this ruling before the Central Economic Administrative Court on September 15, 2015. The Central Economic Administrative Court examined the case on September 23, 2016 and, on October 7, 2016, the Company filed a written claim for the rectification of the case. The Central Economic Administrative Court granted this claim leave to proceed on February 1, 2017. On July 31, 2017, the submissions were presented.

On September 6, 2018, the Central Economic Administrative Court partially ruled in favour of the Group, reducing the settlement amount by EUR 20,972 thousand plus interest. The Spanish Tax Agency has not filed an appeal against this ruling.

On October 26, 2018, the Group filed an appeal for judicial review against the resulting settlement before the National Appellate Court. The process is currently pending the National Appellate Court's transfer of the case files and communication of the period to file the claim.

Company management and its tax advisers have concluded that it is not likely that the amount of the tax assessments appealed before the National Appellate Court will have to be paid. Management considers that there are technical arguments for the opinions of Técnicas Reunidas to be upheld in their entirety, and that likelihood is higher in the judicial review phase. Técnicas Reunidas' opinion is based on the fact that the agreed assessments signed in 2010 recognised the right of exemption of the unincorporated temporary joint ventures with which the Técnicas Reunidas Group operates abroad and, moreover, defined the intragroup transactions model on which Técnicas Reunidas developed its new transfer pricing model, with the support of its tax advisers. In addition to the technical bases that support this argument, the consideration that the currently inspected model has been prepared taking the points established by the tax authorities included in the previous agreed assessments signed with the Tax Agency in 2010 as a basis is highly relevant.

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

As of the date of authorisation for issue of these annual accounts, the Company has not had to make any payment relating to assessments signed on a contested basis. Guarantees have been issued in an amount of EUR 136.2 million for the tax payable and EUR 45 million for late-payment interest. The Company estimates that these guarantees will be reduced by approximately EUR 25 million as a result of the aforementioned ruling handed down by the Central Economic Administrative Court.

On July 3, 2017, the tax audit began with regard to income tax for 2012 to 2014 and all other taxes for 2014 to 2015.

In 2017, the Company received a notification from the National Appellate Court dismissing our appeals on the assessments related to the taxes for 2004 to 2007. Although Company management filed an application (Recurso de amparo) before the Constitutional Court, it recognised these amounts for accounting purposes. In 2018, the Constitutional Court did not grant the application (Recurso de amparo) submitted leave to proceed. On October 22, 2018, the amount of these assessments was settled.

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

Tax	**Years**
Income tax	2015-2017
Value added tax	2016-2018
Personal income tax withholdings	2016-2018
Taxes other than income tax	Last 4 years

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

24. Revenue and expenses

a) Revenue

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

Market	**Thousands of euros**	
	2018	**2017 restated**
Spain	46,119	53,483
European Union	121,632	329,797
OECD (excluding Spain and the EU)	192,726	128,896
Other	1,553,182	2,230,216
	1,913,659	**2,742,392**

Likewise, revenue by activity category is as follows:

Business activity	**Thousands of euros**	
	2018	**2017 restated**
Oil and Gas	1,567,825	2,260,975
Power	315,243	433,934
Other	30,591	47,483
Total	**1,913,659**	**2,742,392**

In 2018 and 2017, the Company did not recognise any significant penalty or bonus for delays, advances or for any other reason.

b) Foreign currency transactions

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

	Thousands of euros	
	2018	**2017 restated**
Sales	1,565,070	2,352,476
Purchases	836,740	1,474,720
Services received	263,483	68,731

c) Staff costs

	Thousands of euros 2018	2017 restated
Wages and salaries	251,718	241,489
Termination benefits	1,371	1,949
Employee benefit costs	49,120	49,951
Provisions/reversals for employee benefits	1,491	1,184
	303,700	**294,573**

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

	2018	2017
Directors and senior management	12	12
Graduates, diploma holders and administrative staff	3,307	3,357
Skilled workers	22	27
Sales staff	30	25
	3,371	**3,421**

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

			2018			2017
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Directors and senior mangement	10	2	12	10	2	12
Graduates, diploma holders and administrative staff	2,152	1,130	3,282	2,143	1,145	3,288
Skilled workers	21	1	22	25	1	26
Sales staff	19	10	29	18	9	27
	2,202	**1,143**	**3,345**	**2,196**	**1,157**	**3,353**

The above figures include 332 subcontracted professionals (2017: 283 employees).

In 2018 there were 35 employees, included in the category of "Graduates, diploma holders and administrative staff", with a degree of disability of 33% or more (2017: 35).

d) Other operating expenses

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

	Thousands of euros	
	2018	2017 restated
Services	294,137	258,060
Leases and royalties	43,067	54,214
Independent professional services	50,908	36,775
Transport	13,089	14,184
Repairs and upkeep	8,824	5,940
Insurance premiums	6,135	5,787
Banking and similar services	26,311	23,804
Other	3,348	2,808
Outside services	**445,819**	**401,571**
Taxes other than income tax	2,593	4,735
Losses on, impairment of and change in trade allowances	22,994	(8,740)
Other current operating expenses	2,271	2,203
	473,677	**399,769**

25. Financial profit/(loss)

	Thousands of euros	
	2018	2017 restated
Finance income:		
From investments in equity instruments:		
Group companies and associates (Note 8)	28,655	69,621
From marketable securities and other financial instruments		
Group companies and associates	14,791	14,707
Third parties	3,971	3,239
	47,417	**87,567**
Finance costs:		
On debts to Group companies and associates	(2,265)	(1,679)
On debts to third parties	(7,499)	(7,830)
	(9,764)	**(9,509)**
Changes in fair value of financial instruments:		
Financial assets and liabilities held for trading and others (Note 9)	(1,939)	2,665
	(1,939)	**2,665**
Net exchange differences	**7,217**	**(32,563)**
Impairment and gains or losses on disposal of financial instruments		
Impairment and other losses (Notes 8 and 19)	(47,621)	(7,963)
	(47,621)	**(7,963)**
Financial profit/(loss)	**(4,690)**	**40,525**

26. Contingencies

a) Contingent liabilities

The Company has contingent liabilities for bank guarantees and other collateral related to the normal course of business, which are not expected to give rise to any significant liability in addition to those cases for which provisions were made. In the normal course of business activities, which is common practice among companies engaging in engineering and construction activities, the Company has issued guarantees to third parties for a value of EUR 5,196,055 thousand (2017: EUR 4,209,246 thousand) to guarantee adequate fulfilment of the agreements.

In accordance with the general contracting terms and conditions of the Company and the Group companies, they are obliged to issue technical guarantees in relation to the execution of the work that may be arranged in cash or for bank guarantees (the latter being the most representative) and they must be held for a certain period.

As mentioned in Note 20, bank borrowings amount to EUR 18,604 thousand (2017: EUR 21,545 thousand). Those loans (except for EUR 1,200 thousand) are secured with the stated concession assets.

In relation to the tax audits mentioned in Note 29, guarantees have been presented before the Tax Agency in an amount of EUR 136.2 million for the tax payable and EUR 45 million for late-payment interest. The Company estimates that these guarantees will be reduced by approximately EUR 25 million as a result of the aforementioned ruling handed down by the Central Economic Administrative Court mentioned in that note.

The Company is party to certain judicial and arbitration disputes, framed in the closure process of the projects, with customers and suppliers. Based on the opinion of the Company's legal advisers, formulated based on the available information, the Company considers that, except for the disputes for which the provision corresponding to the best estimate made on the potential impact of the ruling has been recognised (see Note 19), their outcome will not significantly influence the Company's financial position.

b) Commitments

Fixed asset purchase commitments

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

Operating lease commitments

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

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

	2018	**2017**
Less than 1 year	14,248	19,961
From 1 to 5 years	24,444	24,908
More than 5 years	-	-

Suppliers and subcontractor purchase commitments

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

27. Unincorporated Temporary joint ventures (UTEs) and consortiums

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

Assets:	**2018**	**2017**
Non-current assets	51,584	34,423
Current assets	764,760	1,165,051
	816,344	**1,199,474**
Liabilities:		
Non-current liabilities	52,747	10,832
Current liabilities	744,429	1,106,978
	797,176	**1,117,810**
Net assets	**19,168**	**81,664**
Income	1,254,099	1,843,208
Expenses	(1,248,353)	(1,768,861)
Profit after tax	**(5,746)**	**74,347**

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

28. Board of Directors and senior management remuneration

a) Board of Directors remuneration

The overall remuneration received by the members of the Company's Board of Directors during the years ended December 31, 2018 and 2017 is presented below:

- Board meetings attendance fees received by all Board members: EUR 1,884 thousand (2017: EUR 1,611 thousand).
- Wages and salaries: EUR 2,750 thousand (2017: EUR 2,750 thousand).
- Insurance premiums and pension plans: EUR 40 thousand (2017: EUR 38 thousand).
- Services provided to the Group: EUR 308 thousand (2017: EUR 306 thousand).
- Loans: EUR 0 thousand (2017: EUR 135 thousand)

Furthermore, the Group paid EUR 137 thousand and EUR 135 thousand in 2018 and 2017, respectively for the civil insurance policy of the Directors.

b) Senior management remuneration

The total remuneration paid in 2018 to the key management personnel amounted to EUR 3,752 thousand (2017: EUR 3,066 thousand).

Advances: In 2018, advances were granted to key management personnel amounting to EUR 335 thousand (2017: EUR 290 thousand).

c) Situations of conflict of interest involving the directors

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

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

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

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

- Petra Mateos-Aparicio is non-executive director of Ghesa.

29. Other related parties transactions

As indicated in Note 1, the Company is the head of a group of companies. The transactions performed with related parties are as follows:

a) Transactions with Company´s core shareholders

The Company did not carry out transactions with any of its main shareholders in 2018 or 2017.

b) Transactions with Company´s Directors and managers and their related parties

No transactions were performed with the Company's directors in 2018 or 2017, except as detailed below:

- Transactions performed with Banco Sabadell in 2018:

The Company director for whom the information is included was not a director until the Annual General Meeting held on June 27, 2018; this information relates to the full year 2018.

Transactions carried out during the year:

Thousands of euros	2018
Finance costs	228
Finance income	12

Balance at 31/12/2018:

Thousands of euros	2018
Credit lines	5,000
Drawn balances	-
Guarantee line	60,000
Used guarantees	46,960
Foreign exchange hedge	15,807

Furthermore, the Company had necessary current accounts opened, in euros and foreign currency, to carry out its operations and, at December 31, 2018, the equivalent amount in current accounts and deposits amounted to EUR 37,910 thousand.

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

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

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

2018	Group companies	Jointly controlled entities and associates
Services received	95,145	4,726
Finance costs	2,201	64
Total expenses	**97,346**	**4,790**
Services rendered	86,824	75,684
Finance income	14,491	6
Dividends received (Note 25)	28,211	443
Total income	**129,526**	**76,133**

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

2017	Group companies	Jointly controlled entities and associates
Services received	314,779	6,151
Finance costs	1,654	-
Total expenses	**316,433**	**6,151**
Services rendered	95,910	7,518
Finance income	14,455	-
Dividends received (Note 25)	69,449	172
Total income	**179,814**	**7,690**

In addition, the Company did not carry out any sale and purchase transactions for non-current assets with Group companies in 2018 or 2017.

30. Environmental disclosures

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

31. Events after the end of the reporting period

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

32. Fees paid to auditors

The fees accrued for services engaged by the Company in 2018 from its auditors and other companies related thereto are detailed as follows:

Fees:

	2018		2017	
	PwC	**Deloitte**	**PwC**	**Deloitte**
Financial audit services	211	323	221	157
Other assurance services provided by the auditor	158	23	210	42
Other services rendered by the auditor	31	-	40	-
Other services rendered by entities of the auditor network	269	48	93	60
	669	**394**	**564**	**259**

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

The unincorporated temporary joint ventures and consortiums included in these annual accounts are as follows:

2018

Name	Business activity	% ownership
TR Abu Dhabi BRANCH	CONSTRUCTION SUPERVISION AND START-UP	100%
TR TURQUÍA BOTAS	CONSTRUCTION SUPERVISION AND START-UP	100%
TR AUSTRALIA	CONSTRUCTION SUPERVISION AND START-UP	100%
TR BRANCH VOLGOGRADO	CONSTRUCTION SUPERVISION AND START-UP	100%
TReunidas Branch Argelia	ENGINEERING AND PROCUREMENT SERVICES	100%
TR SA ODDZIAL W POLSCE	ENGINEERING AND PROCUREMENT SERVICES	100%
TR EP UTE OPTARA BELGIUM	Engineering Services and Project Execution	100%
EP BANGLADESH	Engineering Services and Project Execution	100%
EP JORDANIA	Engineering Services and Project Execution	100%
TR KUWAIT BRANCH	ENGINEERING AND PROCUREMENT SERVICES	100%
TR FINLANDIA	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE Ju'aymah GPE	ENGINEERING AND PROCUREMENT SERVICES	15%
UTE INITEC/TR RKF ARGELIA	ENGINEERING AND PROCUREMENT SERVICES	15%
UTE TFT ARGELIA	ENGINEERING AND PROCUREMENT SERVICES	15%
UTE INITEC/TR PISCINA HO	ENGINEERING AND PROCUREMENT SERVICES	85%
UTE TR/IN CONS.COMPL.VIÑA	ENGINEERING AND PROCUREMENT SERVICES	85%
UTE TR/Initec Pl. Fenoles	ENGINEERING AND PROCUREMENT SERVICES	85%
UTE TR/Initec Pl. Bio Bio	ENGINEERING AND PROCUREMENT SERVICES	15%
UTE TR/IPI Offsites Abudh	ENGINEERING AND PROCUREMENT SERVICES	85%
UTE INITEC P.I./TR Mejill	ENGINEERING AND PROCUREMENT SERVICES	15%
UTE TR/IPI Refi. de Sines	ENGINEERING AND PROCUREMENT SERVICES	85%
UTE P.I./TRSA KHABAROVSK	ENGINEERING AND PROCUREMENT SERVICES	15%
TR ELEFSINA	ENGINEERING AND PROCUREMENT SERVICES	65%
UTE HYDROCRAKER HUNG.	ENGINEERING AND PROCUREMENT SERVICES	15%
UTE TR/IPI TR POWER	ENGINEERING AND PROCUREMENT SERVICES	85%
UTE ALQUILACION CHILE	ENGINEERING AND PROCUREMENT SERVICES	15%
TR ABU DHABI	ENGINEERING AND PROCUREMENT SERVICES	15%
UTE TR JUBAIL	ENGINEERING AND PROCUREMENT SERVICES	85%
UTE TR RUP	ENGINEERING AND PROCUREMENT SERVICES	80%
UTE EP SINES	ENGINEERING AND PROCUREMENT SERVICES	80%
UTE TR YANBU REFINERY	ENGINEERING AND PROCUREMENT SERVICES	80%
UTE TR-IPI ABU DHABI SHAH	ENGINEERING AND PROCUREMENT SERVICES	15%
UTE TR-IPI TANQUE MEJILLO	ENGINEERING AND PROCUREMENT SERVICES	15%
UTE TR DUFI HUNGRIA	ENGINEERING AND PROCUREMENT SERVICES	85%
UTE PERLA	ENGINEERING AND PROCUREMENT SERVICES	15%
UTE VOLGOGRAD	ENGINEERING AND PROCUREMENT SERVICES	15%
UTE INTEGRATED PROJECT	ENGINEERING AND PROCUREMENT SERVICES	65%
UTE TR JRTP JAZAN	ENGINEERING AND PROCUREMENT SERVICES	85%
UTE TR TALARA	ENGINEERING AND PROCUREMENT SERVICES	85%
UTE TR OPTARA	ENGINEERING AND PROCUREMENT SERVICES	85%
UTE STURGEON	ENGINEERING AND PROCUREMENT SERVICES	15%
UTE TR INTEGRATED GAS	ENGINEERING AND PROCUREMENT SERVICES	85%
UTE FORT HILLS	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE TR MINATITLAN	ENGINEERING AND PROCUREMENT SERVICES	75%
UTE IGD	ENGINEERING AND PROCUREMENT SERVICES	15%
UTE TR ETO	ENGINEERING AND PROCUREMENT SERVICES	85%
UTE FAHDILI	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE TR NAPHTHA RT	ENGINEERING AND PROCUREMENT SERVICES	70%

Name	Business activity	% ownership
UTE Damietta LNG	ENGINEERING AND PROCUREMENT SERVICES	85%
UTE RAMBLA	ENGINEERING AND PROCUREMENT SERVICES	40%
UTE Villamartin	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE Puerto de Barcelona	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE Edif.Servs. Múltiples	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE TR/ASF. Cons.Aparc.Al	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE JV Hawiyah GPE	ENGINEERING AND PROCUREMENT SERVICES	15%
UTE Centro de día	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE TR/INIT. P.I. Rabigh	ENGINEERING AND PROCUREMENT SERVICES	85%
UTE TR/TREC OPER.DESALAD	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE TR/INITEC INFRA CONST	ENGINEERING AND PROCUREMENT SERVICES	85%
UTE INITEC/TR SAIH RAWL	ENGINEERING AND PROCUREMENT SERVICES	15%
UTE TR Altamarca C. Viña	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE TR/Duro F. CTCC Besós	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE PEIRAO XXI	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE TR/GEA 21 COL.PLUVIA	ENGINEERING AND PROCUREMENT SERVICES	80%
UTE SANHER EL CARAMBOLO	ENGINEERING AND PROCUREMENT SERVICES	40%
UTE PERELLÓ	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE PALMAS ALTAS SURL	ENGINEERING AND PROCUREMENT SERVICES	40%
UTE TSK TR ASHUGANJ NORTH	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE TR JJC	ENGINEERING AND PROCUREMENT SERVICES	51%
UTE TR/ SGS PISTA 18R	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE TR PHB JORDAN	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE ELORRIO-ELORRIO	ENGINEERING AND PROCUREMENT SERVICES	50%
SAMSUNG-TR JOINT VENTURE	ENGINEERING AND PROCUREMENT SERVICES	29%
TR OMAN BRANCH	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE HPP Gepesa	ENGINEERING AND PROCUREMENT SERVICES	60%
UTE TSGI	ENGINEERING AND PROCUREMENT SERVICES	33%
TR MOSCU BRANCH	ENGINEERING AND PROCUREMENT SERVICES	100%
TECNICAS REUNIDAS FR BR.	ENGINEERING AND PROCUREMENT SERVICES	100%
TR KHABAROVSK BRANCH	ENGINEERING AND PROCUREMENT SERVICES	100%
JV DARSAIT	ENGINEERING AND PROCUREMENT SERVICES	50%
JV SOHAR	ENGINEERING AND PROCUREMENT SERVICES	50%
TR QATAR	ENGINEERING AND PROCUREMENT SERVICES	100%
JV RAILWAY	Engineering Services and Project Execution	34%
JV KUWAIT	ENGINEERING AND PROCUREMENT SERVICES	50%
TRSA INDIA 33059	ENGINEERING AND PROCUREMENT SERVICES	100%
TRSA INDIA 33065	ENGINEERING AND PROCUREMENT SERVICES	100%
TRSA INDIA 33117	ENGINEERING AND PROCUREMENT SERVICES	100%
TR BRANCH AZERBAIJAN	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE TR HARADH GAS COMPES	ENGINEERING AND PROCUREMENT SERVICES	30%
UTE BU HASA	ENGINEERING AND PROCUREMENT SERVICES	15%
UTE TR ADGAS	ENGINEERING AND PROCUREMENT SERVICES	15%
TRD DUQUM PROJECT	ENGINEERING AND PROCUREMENT SERVICES	65%

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TRSA INDIA 33059	ENGINEERING AND PROCUREMENT SERVICES	100%
TRSA INDIA 33065	ENGINEERING AND PROCUREMENT SERVICES	100%

MANAGEMENT REPORT FOR 2018

1. Business performance

2018 was a year of transition for both the sector and the Company. At the sector level, there was a change in customers' propensity to invest, supported by a prolonged period of recovery, followed by a tightening and a subsequent stabilisation of oil prices that made it possible to generate greater budgets and accelerate investment decisions. However, the oil market is still suffering some effects resulting from the sector's crisis of recent years. Thus, the limitations on access to financing or the pursuit of cost-saving optimisation remain present in the industry's dynamics. That being said, the foundations for investment remain strong in the medium and long term based on good economic growth prospects, mainly from emerging economies, sustained demand and greater environmental requirements.

In the specific case of Técnicas Reunidas, 2018 was a year marked by large projects in their final construction phase and the launch of recently awarded projects. With respect to the projects in their final construction phase, they are large-scale and highly important projects carried out for leading customers in the sector located in key markets such as Malaysia, Turkey and Saudi Arabia. In this phase of construction, the priority is the delivery of the plant in accordance with our customers' expectations.

With respect to the launch of projects, due to the described circumstances of the crisis, they have taken more time than expected. Furthermore, Técnicas Reunidas took the strategic decision to keep its fundamental engineering and project management capacities intact, despite the impact that the lower use of these resources could have on the Company's margins.

In 2018, Técnicas Reunidas was awarded a new portfolio, managing to position itself among the main investments offered on a global level. Its diversified range of activities has allowed it to be present in works related to refining, successfully incorporating new customers (BAPCO and JPRC).

The fact that the most mature projects were in the mechanical completion phase and that a large portion of the portfolio was in the engineering phase explains the fall in the profit. Both phases have a lower accounting contribution in terms of sales and, nonetheless, in their final phases, the projects can impact profit/(loss) in accordance with the closing negotiations with customers and subcontractors. Thus, sales in 2018 fell 30% to EUR 1.913 billion. The Company's loss from operations was EUR 29 million. In general, profit/(loss) is conditioned because projects were not commenced in 2017 and because the launch of projects in 2018 was slower than expected, as well as by the high uncertainty regarding the capacity for recovery of overruns incurred in the final phases of some specific projects. Consequently, the loss before tax amounted to EUR 23 million.

At December 31, 2018, the Técnicas Reunidas workforce consisted of 3,345 employees, an adequate level of resources to successfully execute the pending portfolio of projects.

With respect to the share's stock market performance, as the other companies in the sector experienced, 2018 presented two distinct periods. During the first nine months of the year, the value of Técnicas Reunidas increased by around 4%, underpinned by a 20% increase in Brent in the same period. This fact helped to restructure the customers' budgets and encourage investment again at a time when the short-term demand forecasts were growing and aligned with the market's supply level.

But in the last three months of the year, the downward revisions of global economic growth due to political tensions and the risk of overproduction caused growth projections in demand to drop, causing a 40% collapse of Brent. This collapse, along with the fear of deceleration, ended up polluting the market and more particularly the oil sector. Thus, the share price of Técnicas Reunidas ended the year with an accumulated loss of 17%, in line with the variation posted by its local benchmark index, Ibex 35 (-15%). Despite this, the oil services sector saw out the year with positive investor sentiment, learning of large investment plans in key markets for the Company.

With respect to shareholders' remuneration, due to the crisis situation that the sector has been experiencing in recent years, the resulting fall in profits that Técnicas Reunidas has experienced and the Company's objective of preserving its cash flow, the Company decided to reduce the figure to be distributed as dividends in 2018 in comparison with the amount distributed in the previous year. Thus, Técnicas Reunidas distributed a total of EUR 35.8 million as dividends charged to net profit for 2017, representing a unit amount of EUR 0.93032 per share. The Company has not paid an interim dividend in 2019.

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

Oil

2018 was a year full of different events that made it necessary to follow the evolution of the oil and gas sector very closely. It was a year in which the price of crude oil suffered fluctuations marked by socio-political events, by the evolution of production and by growth data on a global level. Some circumstances that were present in previous years, such as the limitations in the access to financing, remain present, but greater dynamism is starting to be shown in the industry as the level of oil prices has recovered over a more prolonged period. However, the threat of overproduction persists, creating a situation of uncertainty in the sector in the short term. In the second half of the year, the strong growth in shale production in the US, the record levels of oil pumping reached in countries such as Saudi Arabia and Russia, and the fact that several OPEC countries are exempt from the production agreements due to their complicated situation (Libya, Iran and Venezuela) warned of a potential imbalance in the supply of oil and generated doubts with respect to the effectiveness of the cut agreed in the last OPEC meeting of December 2018. Moreover, the worsening of the economic prospects in the final part of the year led to a downward revision of the last oil demand forecasts for the short term.

However, looking out over a longer time frame, the perspectives of the main reference bodies envisage sustained growth in demand for the next 20 years with the investments allocated to clean energies playing a key role. Specifically, in its annual World Energy Outlook document for 2018, the International Energy Agency estimates a total investment of USD 60.042 trillion in energy infrastructure for the next 23 years, which would be an average annual investment of USD 2.61 trillion. In relation to the oil and gas sector, the International Energy Agency estimates a total investment of over USD 20.414 trillion for the 2018-2040 period, representing 34% of the estimated investment in global energy.

Técnicas Reunidas studies and analyses in depth the market conditions at any given time, identifying and selecting the opportunities that generate greater value for the continuity of its business. Currently, Técnicas Reunidas envisions some very positive prospects due to the strong investor cycle presented in the sector and the strengthening of its industrial position in recent years.
The opportunities offered by the Company's main division, which groups together oil, power and petrochemistry activities, are founded on: the growth of demand in emerging economies, the optimisation of the profitability of the existing refineries, the adaptation of petroleum products to the environmental regulatory changes, the growing role of natural gas in the energy matrix at global level, the impact that the growing urbanisation of the population and the monitoring of emerging economies have on the demand for petromechmical products.

In 2018, TR successfully bid for four new refinery contracts with BAPCO and JPRC, located in the Middle East. With this contracting, Técnicas Reunidas incorporated new customers and regions in its reference base.

Successful bids in the year:

- In December, Técnicas Reunidas, along with its partners Technip and Samsung in a joint venture created for that purpose, received a contract for USD 4.2 billion from Bahrain Petroleum Company (BAPCO) for the BAPCO Modernisation Programme (BMP). The project is located on the east coast of Bahrain and entails the extension of the Sitra oil refinery's capacity from 267,000 to 360,000 barrels per day, the improvement of energy efficiency, the monetisation of the bottom of the barrel and the improvement of products for the fulfilment of the environmental regulations.

  The project will be executed by means of an engineering, procurement, construction and commissioning (EPCC) turnkey contract and is scheduled to be completed in 2022. It includes the following main units: residue hydrocracking unit, conventional hydrocracker unit, hydrodesulfurization unit, crude distillation unit, vacuum distillation unit, saturated gas plant, sulphur recovery unit, amine recovery unit, gas removal unit, sulphur handling facilities and sulphur solidification unit. The auxiliary units and systems are also part of the scope:

  The award of this BMP project is based on the experience of the partners in this joint venture, acquired over many years in Bahrain and in the region. The scope of the project for Técnicas Reunidas, whose share in the total value of the contract is USD 1.35 billion, will be the detail engineering of some of the most complex units, such as the crude unit, the vacuum unit, the hydrocracker unit, saturated gas plants 1 and 2, and other auxiliary facilities. It will also participate directly in the joint management of the equipment and materials procurement activities and the construction of the whole project.

  BAPCO, owned by the government of Bahrain, participates in the oil industry, which includes refinery, distribution of oil products and natural gas, export of oil and refined products. The Company has a 264,000 barrels per day refinery, storage facilities for over 14 million barrels, a marketing terminal and a marine terminal for its petroleum products.

- Jordan Petroleum Refinery Company (JPRC) awarded Técnicas Reunidas a "FEED" project for the expansion of the Zarqa refinery in Jordan. From a technical viewpoint, advanced technical units will be designed, such as the "slurry hydrocracker". From a strategic viewpoint, Técnicas Reunidas will be in close contact with the customer from the initial phase of the project, from the viability study to basic engineering, as well as advising on the financial structure and the definition of the future strategy for the execution of the project. Técnicas Reunidas' aim is to make this project an EPC (Engineering, Procurement, Construction) contract.

- Técnicas Reunidas commenced the execution of "FEED" services for a refinery in South-East Asia. This project represents a new step for growth in this key region, where the Company has several investments. Técnicas Reunidas will participate in the EPC contract tender for this project.

With respect to the other projects comprising the portfolio, they are in the execution phase progressing at their normal speed. At year-end, the projects that contributed most to the division's turnover were the Al Zour refinery processing units project for KNPC in Kuwait, the Talara refinery modernisation project for Petroperu in Peru, the RAPID refinery complex for Petronas in Malaysia and the clean fuel project of the Tas Tanura refinery for Saudi Aramco in Saudi Arabia.

2018 was not an intensive year in terms of project delivery. The Lake Charles petrochemistry projects for SASOL in Louisiana, USA, and the expansion project of the Heroya Industrial Park for Yara in Porsgrunn, Norway, were the main works completed and delivered by the division, meeting the deadline and the expected specifications. However, in 2019, the delivery of large projects such as those of Petronas in Indonesia, those of Jazan for Aramco and the Star Refinery for Socar in Turkey are scheduled.

Power

The power generation division has not followed the same trend as the oil and gas division, despite the fact that, initially, the economic crisis affected it to a greater extent. As a sector with fewer entry barriers from a technological point of view, where there is greater local competition and where customers encounter more restricted access to financing, it is understandable that volatility is higher at procurement level in this division. Nevertheless, several years ago, Técnicas Reunidas identified that the growth strategy of this division was outside its domestic market and focused its marketing efforts on international positioning.

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

The Company currently pursues opportunities in key markets, such as Latin America, Europe and the Middle East, areas where large investment plans are expected, which will begin to appear in the Company's more traditional markets in 2019. The commercial efforts made during the years of the crisis are producing results.

Revenue from this division reached EUR 315 million. The projects that contributed most to this figure were the biomass plant for MGT Teeside in England, the Tierra Mojada combined cycle plant for Fisterra Energy in Mexico and the Turow coal plant for Polska Grupa Eneretyczna in Poland.
In 2018, the Company carried out works at the Kilpilahti electrical power plant for Neste/Veolia/Borealis in Finland, where it successfully met all the required specifications.
In addition, Técnicas Reunidas also has extensive experience in power generation with nuclear plants. In its last annual report (World Energy Outlook 2018), the International Energy Agency predicted that nuclear energy production would increase by an average of 1.5% per year, from production of 2,637 TWh in 2017 to 3,726 TWH in 2040. This growth is associated with an estimated investment of USD 1.2 trillion in new plants and in modernising those already in operation over the next 23 years, which would represent 2% of the estimated total investment in the energy sector. The beginning of a more standardised stage of investment in this type of energy generation can be slowly observed.

In 2018, Técnicas Reunidas, through its investee Empresarios Agrupados, continued to provide engineering support services to the operation of nuclear power plants in operation in Spain, as well as several nuclear projects abroad:

- Support for the Almaraz 1 and 2 and Trillo nuclear power plants, making design changes, providing radiological protection services, operational support services, management of procurements, providing support services for refuelling outages, post-Fukushima accident analysis, etc., in accordance with the requirements of the Spanish Nuclear Safety Council.
- Filtered containment venting project at Almaraz 1 and 2 nuclear power plants.
- Filtered containment venting project at the Trillo nuclear power plant.
- Various support services for operations at the Cofrentes nuclear power plant.
- Various work for the Ascó and Vandellós 2 nuclear power plants.
- Engineering of the Centralised Temporary Storage facility for high-level radioactive waste that will be built in Villar de Cañas, Cuenca, in consortium with Westinghouse, for ENRESA.
- Development of the project for the Individual Temporary Storage facility of the Almaraz nuclear power plant.
- Preparation of the radiological calculations for the Individual Temporary Storage facility of the Cofrentes nuclear power plant.
- Support to ENRESA in supervising the work for decommissioning the José Cabrera nuclear power plant.
- Engineering to improve the electrical systems of the Krsko nuclear power plant in Slovenia.

- Engineering services for the decommissioning of the Ispra Research Reactor (Italy) of the EC, leading a consortium with Tractebel and a local contractor.
- Monitoring the conditions of the buildings on the nuclear island of the Khemelnisky nuclear power plant, in the Ukraine.
- Engineering of the property carrying out the role of Architect Engineer for the ITER, a large fusion reactor facility located in Cadarache, France, through the ENGAGE consortium, formed by Atkins, Assystem, EGIS and Empresarios Agrupados.
- Qualification of the instrumentation of the safety systems of the ITER fusion reactor in Cadarache, France.
- Review of the conceptual design and support analysis of the safety pipelines and others for treatment of tritium for the ITER in Cadarache, France.
- Thermo-hydraulic design of the TCWS refrigeration system of the ITER.
- Agreement simulating the permeability of tritium for the ITER.
- Engineering services for EURATOM, for the DONES facility under the EUROfusion agreement, for the fusion materials research facility in Granada (Spain).
- Assistance with the property for the MYRRHA research reactor project in Belgium.
- Engineering services for designing the target of the European Spallation Source (ESS), in Lund (Sweden).
- Engineering and architecture services for CERN in Geneva (Switzerland).
- Management of the PMU (Project Management Unit) of the EBRD (European Bank for Reconstruction and Development) for the decommissioning of units 1 to 4 (VVER-440 V230) of the Kozloduy nuclear power plant and the construction of a radioactive waste storage facility in Bulgaria, in consortium with Nuvia.
- Basic design of a solid radioactive waste treatment building and licensing of a low- and medium-level radioactive waste storage facility in the Chernobyl Exclusion Zone in the Ukraine.
- Support for the regulatory body reviewing the request for permission to use the planned site for the nuclear power plant in Jordan.
- Civil engineering services were provided for the Hinkley Point C nuclear power plant of EDF in Great Britain, through EGIS.
- Services were provided to analyse the pipelines of the Mohovce 3 nuclear power plant in Slovakia for UVJ.
- Engineering services for the design of the turbine systems for Rosatom's following VVER power plants: Akkuyu nuclear power plant in Turkey, Paks II nuclear power plant in Hungary and El Dabaa nuclear power plants in Egypt, for GE Power.
- Engineering services for the design of the turbine systems of Hitachi's ABWR power plant in Wylfa, in the United Kingdom, for GE Power.
- Engineering of human factors for the ABWR power plant in Wylfa (United Kingdom) for Hitachi.

In 2018, Técnicas Reunidas also participated in the following nuclear power project through its Heat Transfer Division:

- A mechanical engineering study was carried out on the heat exchanger of the containment spray system of Unit 1 of the Almaraz nuclear power plant to guarantee its integrity and the changing of the three sealing gaskets during the refuelling outage.

2. Research and development activities

Técnicas Reunidas maintains a firm ongoing commitment to R&D, via the generation of knowledge, development of new technologies, and strengthening and diversifying existing technologies towards new areas and applications.
Técnicas Reunidas' strategic lines of research are focused on raw materials (recovery of metals and non-metals) and the environment (recycling of industrial and agricultural waste and water treatment). Research and technological development projects, specifically focused on the Company's technological needs, are conducted at the José Lladó Technology Centre, one of the most advanced in Spain, featuring more than 70 graduate and PhD staff from different disciplines. In addition, the

centre provides technological and technical assistance services, collaborates with the transfer of research findings between various public research centres, technology centres and Técnicas Reunidas, and promotes and participates in the development of cooperative research between companies.
The Technology Centre is a place that nurtures R&D, acting as a driving force for the transfer and dissemination of technology, where the customer is at the centre of activity and innovation provides the lever for competitiveness. The Technological Centre facilitates and allows the Company's dynamic participation in innovation and R&D activities.

The Technology Centre, with more than 5000 m^2 of state-of-the-art facilities and equipment, allows activities to be conducted at all levels, from the laboratory to the pilot plant, as well as carrying out demonstration plants for the developed technologies. It also has the capability to carry out basic or advanced engineering design for the selected option, completing the whole R&D value chain, from idea to industrial implementation of the developed technology.

R&D expense in 2018 exceeded EUR 4 million to maintain the R&D investment policy.

In 2018, Técnicas Reunidas participated in the following projects both nationally and at European level, individually or integrated into strategic consortiums:

- The European project **BUTANEXT**, as part of the H2020 programme sponsored by the European Commission and with a budget of EUR 0.92 million, for which TR is developing an innovative lignocellulosic biomass pre-treatment process for the production of bio-butanol.
- The domestic project **3R2020**, as part of the CIEN programme sponsored by the CDTI, in which TR participates in the development of hydro-metallurgical processes to recover common metals in industrial and urban flows with a high metal content. The budget is EUR 1.5 million.
- The domestic project **ESTEFI**, as part of the CIEN programme sponsored by the CDTI, in which TR participates in the development of an energy storage technology based on nickel-zinc batteries for application in intermodal transport networks, with a budget of EUR 1.96 million.
- The **LIGNOPRIZED** project, as part of the CIEN programme sponsored by the CDTI, in which TR participates with a EUR 3.3 million budget to develop processes to monetize lignin from different sources (Kraft and Klason) to obtain high added-value products and applications.
- The European project **INTMET**, as part of H2020 programme sponsored the European Commission, in which TR participates with a budget of EUR 0.71 million to develop processes to obtain Zn, Ag, Pb and high added-value metals from low grade or polymetallic concentrates.
- The domestic project **MONACITE**, as part of the PID programme sponsored by the CDTI, with a budget of EUR 1.53 million to develop hydro-metallurgical processes to obtain rare earths from monazite.
- The domestic project **PUREPHOS**, as part of the PID programme sponsored by the CDTI, with a budget of EUR 0.999 million to develop new phosphoric acid purification technologies using raw materials of non-traditional minerals.
- The domestic project **VIMAC**, as part of the PID programme sponsored by the CDTI, with a budget of EUR 0.946 million to develop technologies for the comprehensive evaluation of complex minerals and to recover the maximum value of metals present therein.

Técnicas Reunidas' intention in all of these R&D projects is to increase the number of technologies that it owns.

As a result of the investment in R&D, Técnicas Reunidas also has a portfolio of technologies that have already been developed and implemented industrially, such as **ZINCEX™** for the recovery of zinc and **ECOLEAD™** for the recovery of lead and silver. In recent years, the Company has also developed the following technologies:

- Calcine leaching technology known as **LIP4CAT™** and sulphur leaching technology known as **DATMOS™**. These two new technologies will allow new raw materials to be processed and the solvent extraction technology **ZINCEX™** to be applied, thus increasing the potential business volume.
- Waste treatment technology for the incineration of urban waste to recovered zinc and other metals, known as **HALOMET™**.
- Technology for the production of technical grade phosphoric acid from wastewater sewage sludge, known as **PHOS4LIFE™**.
- Technology for the production of Levulinic acid, from the treatment of biomass waste from different sources, known as **WALEVA™**.

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

3. Financial aggregates

In 2018, net sales totalled EUR 1,913 million, down 30% on the previous year, due to the fact that the more mature projects were at the mechanical completion phase while most of the portfolio projects were at the engineering phase. Both phases have a lower accounting contribution in terms of sales. The loss from operations amounted to EUR 29 million, as a result of the delay in beginning certain projects and the cost overruns of specific projects in their final stages with a high degree of uncertainty as to its ability to recover these costs. The loss after tax amounted to EUR 23 million.

4. Capital structure

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

The significant shareholdings are as follows:

Company		Stakeholding
Araltec, Corporación, S.L.U.	Direct	31.99%
Aragonesa de Promoción de Obras y Construcciones, S.L.U.	Direct	5.10%
Franklin Templeton Investment Management LLC	Direct	3.00%
Ariel Investment, LLC	Direct	3.01%

5. Restrictions on voting rights
In accordance with article 16 of the Articles of Association, at least 50 shares must be held in order to attend the General Meetings.

6. Shareholder agreements
There are no agreements of this type.

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

The Annual Corporate Governance Report describes in detail these rules regarding the Board. The most relevant aspects are:

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

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

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

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

4. Directors will hold their position for a period of four (4) years, without prejudice to the possibility that they may be removed before this time by the General Meeting. At the end of their term of office, they may be re-elected one or more times for equal terms.

5. In the case of independent directors, they will be removed when they have held their position for an uninterrupted period of 12 years, from the time that the Company's shares were admitted to listing on the Securities Market.

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

- When they cease to hold the executive position with which their appointment as Board members is associated.
- When they become subject to any incompatibility or prohibition provided for by law.
- When they have been seriously reprimanded by the Board for having breached any of their obligations as directors.
- When their remaining on the Board could put the Company’s interests at risk or when the reasons for which they were appointed no longer exist (e.g. when a proprietary director disposes of their ownership interest in the Company).

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

The Board has the customary management and representation powers as attributed by the Spanish Corporate Enterprises Act and is the maximum decision-taking body at the Company, except with respect to those matters reserved for shareholders at a General Meeting.
The Chairman also holds the same powers as the Board (except for those established in section 25 relating to the election of the Chairman and the Deputy Chairmen, or those that cannot be delegated in accordance with the law or internal corporate regulations) and is considered to be the top executive at the Company by virtue of article 28 of the Articles of Association.
With regard to the powers relating to the possibility of issuing or buying back shares, article 5 of the Board Regulations stipulates that the Board is responsible for:

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

9. Significant agreements entered into by the Company that may come into effect, be amended or terminated in the event of a change in control in the Company as a result of a takeover bid.
No agreements of this type exist.

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

There are agreements with three senior executives who, in the event of unfair dismissal, are entitled to termination benefits as decided by the courts and in the event of a dismissal for objective purposes, redundancy or any other reason deriving from a decision taken by the Company, the termination benefits would total EUR 6,323 thousand.

11. Average period of payment to suppliers

The average period of payment is as follows:

	2018	2017
	Days	Days
Average period of payment to suppliers	71	73
Ratio of transactions paid	67	72
Ratio of transactions pending payment	100	79

Total payments made	1,615,378	966,144
Total payments pending	207,176	195,100

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

12. Significant subsequent events

In January 2019, Técnicas Reunidas after the end of the year, announced several awards in the Power Generation and Petrochemical divisions, with an aggregate value close to USD 1 billion:

- As part of a consortium with a confidential partner, Técnicas Reunidas was awarded the operation of a combined cycle power plant for a confidential customer located in the Middle East. The scope of Técnicas Reunidas' work in this project totals more than USD 350 million. The notice for the partial commencement of the work was received in 2019 and the order for the definitive launch of the project is expected to be received in the first half of 2019. The project will be carried out over 53 months.
- In addition, Técnicas Reunidas' Energy and Water Division was selected in November 2018 for another combined cycle power plant, the value of which amounts to more than USD 550 million. The customer is confidential. The plant, with a capacity of more than 1,000 MW, will use the most advanced gas turbine power generation technology. The financial closure of the project is expected to be mid-2019. The duration of these types of projects is usually 36 months.
- With regard to petrochemistry, last November Compañía Nacional de Petróleo de Abu Dabi (ADNOC) and Cepsa, its partner in the project, awarded Técnicas Reunidas the basic extended engineering of a linear alkylbenzene (LAB) plant on a global scale located in the

Ruwais Derivatives Park. This project will be the first of the units that will be developed within the ADNOC Downstream investment programme in Ruwais, with a total announced investment of USD 45 billion. LAB is a raw material used in the manufacturing of biodegradable household and industrial detergents, and the production of household cleaning products and detergents, among other products. The basic extended engineering contract (Front End Engineering Design, FEED) that Técnicas Reunidas will enter into helps to provide an advanced definition of the scope of the project, its budget and its timetable, as well as the identification of potential risks. The duration of the project will be 12 months. This award backs the Técnicas Reunidas' strategy of offering added value services in technologies where Técnicas Reunidas has both the know-how and experience. Técnicas Reunidas has carried out projects using this same LAB technology in Spain, China and the Middle East.

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

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