TECNICAS REUNIDAS

CONSOLIDATED ANNUAL ACCOUNTS

Auditors' Report, Financial Statements at 31 December 2022 and Management Report for financial year 2022.

Técnicas Reunidas, S.A. and subsidiaries

Independent auditor´s report
on the consolidated Annual Accounts
and consolidated Director´s Report
for the year-ended December 31, 2022

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

Independent auditors' report on the consolidated annual accounts

To the shareholders of Técnicas Reunidas, S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Técnicas Reunidas, S.A. (the Parent Company) and its subsidiaries (the Group) consisting of the balance sheet at 31 December 2022, 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 Group as at 31 December 2022, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

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 Group 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 consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How the matters were addressed in the audit
Liquidity and solvency risk	

As indicated by the Parent company's directors in Note 2.3 of the accompanying notes to the consolidated annual accounts, the Covid-19 crisis continued to affect the Group in 2022, though to a more moderate extent than in the previous years. The war in Ukraine also had a significant impact on both results and operating cash flows. The Group incurred losses amounting to €34 million in 2022 for these reasons.

As mentioned in Note 2.3, the losses posted in 2020 and 2021 caused shareholders' funds to contract by €186 million, although the Parent company's directors consider that the Group has sufficient mechanisms in place to improve the financial situation and avoid an imbalance between share capital and net worth. Besides Royal Decree-Law 20/2022, which stipulates that 2020 and 2021 losses will not be counted until the end of the financial year beginning in 2024, in 2022 the Group received a payment of €340 million from the "Solvency Support Fund for Strategic Enterprises", structured in the form of a participating loan of €175 million and an ordinary loan of €65 million. The purpose of the participating loan is to boost the Parent company's equity for legal purposes, as well as the Group's liquidity position.

In addition, as indicated in Note 20, the Group obtained dispensation from fulfilling the financial ratios in all the financing agreements and bank guarantees containing covenants at 31 December 2022. For 2023, at the date these consolidated annual accounts are issued, the Parent company's directors consider that the Group is in a position to fulfil the covenants included in the clauses of all the financing agreements.

In this context, the Parent company's directors have assessed the Group's capacity to continue developing its activity and fulfil its operating and financial obligations (including the financial ratios included in the financing agreements and the improvement of the Group's equity situation in 2023) based on expectations of fulfilling the feasibility plan approved by Sociedad Estatal de Participaciones Industriales (SEPI) and the treasury plan approved by the Parent company's Board of Directors for 2023, the conclusions being favourable.

During our audit procedures, we increased the level of professional scepticism while testing. We designed audit procedures to enhance the evaluation of the evidence obtained in the course of our work and we analysed various scenarios when assessing the assumptions employed by the Group.

In this respect, we obtained the feasibility plan prepared by management and approved by SEPI, as well as the latest results and liquidity projections drawn up by Group management and adapted to the current situation of the markets in which it operates.

We assessed the reasonableness of the information based on our understanding of the activities, the explanations, evidence and data on the status of projects in progress provided by the Parent company's management, the status of the new portfolio contracts and other aspects envisaged in the plan.

We also carried out our own independent sensitivity analysis to assess other possible scenarios and we verified the consistency of the assumptions used by the Parent company's management with the evidence obtained in other audit areas.

We analysed and considered events after the reporting period that could affect the Group's liquidity and solvency situation.

Finally, we checked that the disclosures included in the accompanying Notes 2.3, 3.1.3 and 20 to the 2022 consolidated annual accounts reflect an appropriate level of transparency in connection with the consequences of the pandemic and the war in Ukraine, and comply with the applicable regulatory framework by explaining the uncertainties and mitigations actions being taken by the Group.

The outcome of the procedures performed enabled us to reasonably achieve the audit objectives for which the procedures were designed.

Key Audit Matters	How our audit addressed the key audit matter
In this regard, the Parent company's directors believe that the Group's liquidity and solvency position will improve substantially in 2023 thanks to the progressive recovery of business, the development of the new portfolio of projects awarded and the cash conversion of completed work not yet billed. Significant departures from the estimates made by the Parent company's directors and management could require additional measures to strengthen the Group's liquidity and solvency position.	
Recognition of revenue from construction contracts The Group's revenue recognition approach is based on the percentage-of-completion method in accordance with IFRS 15. When applying the percentage-of-completion method, the Group makes significant estimates using relevant judgements relating to the total costs necessary to execute the contract and the amount of claims or project scope changes, which are reflected as an increase in contract revenue, if applicable. The Group has implemented processes and controls to adequately recognize and oversee long-term contracts from the bidding stage through execution to completion. These processes include project organisation, documentation, risk management, financial reviews and reporting, as well as controlling the proper application of accounting principles. The disclosures on construction contracts are set out in Notes 2.21, 4.5, 11 and 22 of the accompanying notes to the 2022 consolidated annual accounts. Note 11 also provides details of change orders and claims being negotiated with clients at the year-end. This is treated as a key audit matter given the relevance of the estimates used when recognising this revenue and the quantitative significance of the revenue.	During our audit work, we considered our understanding of the controls applied to the process in which the profit margin on long-term contracts is estimated. Our procedures included testing the design, implementation and operational effectiveness of certain relevant controls mitigating risks associated with the revenue recognition process for this type of construction contracts. For our substantive testing, we first selected a sample based on quantitative and qualitative criteria such as identifying contracts that are relevant due to either the total selling price, the amount of revenue recognised during the year or the risk associated with costs yet to be incurred to complete the contract. We also sampled the remaining projects. For all the projects selected, we obtained the contracts in order to read and understand the most relevant clauses and related implications, as well as the project budgets and oversight reports, carrying out the following procedures in relation to the main aspects: • We analysed margin trends as regards changes in both the selling price and the total budgeted costs. • We evaluated the consistency of the estimates made by the Group in the previous year using actual contract data for the current year. We recalculated the percentage of completion of each stage of the selected works and compared our findings with the Group's calculations.

Key Audit Matters	How our audit addressed the key audit matter
	As regards contract modifications and claims being negotiated with clients, we obtained evidence of technical approvals and the status of economic negotiations, as well as third-party expert reports and detailed explanations on the part of the Parent company's management. • We obtained explanations of the reconciliation of the financial information and the project monitoring reports provided by the project managers. • We obtained documentary support for agreements reached to settle and complete projects. Additionally, with respect to arbitration in progress, we obtained documents attesting to the status of each case at the year-end, events after the reporting period and assessments of the probable outcomes prepared by the Parent company's management and legal advisors (Notes 21 and 28 of the notes to the 2022 consolidated annual accounts). Finally, we have verified that the information disclosures included in Notes 2.20, 4.5, 11 and 22 to the accompanying consolidated 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 outcome of the procedures performed enabled us to reasonably achieve the audit objectives for which the procedures were designed.
Tax inspection action	
In recent years, the Group underwent a corporate income tax inspection of the Spanish tax group for financial years 2008 to 2011. When the inspection ended in 2015, the Parent company received a settlement proposal of €138.2 million plus interest due to discrepancies regarding transfer prices. The Parent company contested the tax assessment and appealed the decision at an administrative court, posting the necessary bonds.	We gained an understanding of the processes and assessed the estimates made by the Parent company's management. To this end, we obtained confirmation letters from the lawyers to contrast the assessments of the expected outcome, all the related information and details of potential liabilities, which were compared with the Group's estimates. We involved our internal tax specialists to analyse the reasonableness of the Group's estimates and we obtained and studied the content of the National High Court judgements issued to date.

Key Audit Matters	How our audit addressed the key audit matter
In 2018, the Central Economic-Administrative Court (CEAC) issued a decision partially favouring the Group, reducing the settlement by €20.9 million plus interest and establishing the current amount of the claim at €117.3 million (plus interests). The bonds deposited by the Parent company in connection with these assessments are still in force. As described in Notes 26 and 34 to the accompanying 2022 consolidated annual accounts, following the year-end the National High Court ruled in favour of Técnicas Reunidas in relation to the assessments. The National High Court's judgement recognises that Técnicas Reunidas' application of the exemption provided by Article 50.1 of the Consolidated Text of the Spanish Corporate Income Tax Act for the results of the temporary consortia through which it operates abroad was lawful. At the issuance date of the consolidated annual accounts, the National High Court has notified nine judgements relating to these assessments. The judgements do not affect the Group's consolidated income statement and a cassation appeal may be brought by the government attorney within 30 business days immediately after the judgement. This is regarded as a key audit matter given the relevance to the Group's interests of the favourable judgement issued by the National High Court and of the estimates of the probability of the risk, and of the amount claimed by the tax authorities in the tax assessments raised.	In this context, and in view of the favourable judgement issued by the National High Court, we analysed the probability of success of a potential cassation appeal by the tax authorities, contrasting the reasonableness of the Group's estimates and checking that the information on this matter disclosed in the notes to the consolidated annual accounts meets the requirements of applicable accounting legislation. The outcome of the procedures performed enabled us to reasonably achieve the audit objectives for which the procedures were designed.
Deferred tax assets	
The consolidated balance sheet at 31 December 2022 includes a deferred tax asset balance of €409.4 million relating primarily to temporary differences arising from losses incurred on foreign operations that will be recoverable by the Spanish tax group headed by the Parent company when the regarding companies are liquidated. The above-mentioned amount also includes a tax credit balance of €21.3 million (primarily tax losses), which will be recoverable in non-Spanish jurisdictions.	We gained an understanding and analysed the estimation process undertaken by the Parent company's directors and management, focusing our procedures on aspects such as: • The preparation of the business plan, which is based substantially on projects in progress, portfolio projects and estimates of new projects to be contracted using historical information, prepared in order to assess the recognition and measurement of, and capacity to recover, the deferred tax assets.

Key Audit Matters	How our audit addressed the key audit matter
At the year-end, the Parent company's management prepares projections of portfolio, revenues and returns per project to assess the capacity to recover the deferred tax assets, taking into account new legislation and updated project returns. These projections were prepared based on the information available at the date the accompanying consolidated annual accounts were issued, on applicable legislation (which, among other matters, lays down limits on the use of tax credits) and on the advance pricing agreement referred to in Note 26 to the accompanying consolidated annual accounts. A sensitivity analysis was performed on the critical variables used in the projections, primarily the estimation of future project returns. A 25% decrease in the expected average return would increase the deferred tax asset recovery period by three years. The disclosures on deferred tax assets are set out in Note 26 of the accompanying notes to the 2022 consolidated annual accounts. We identified this as a key audit matter because the preparation of these projections requires a high level of judgement relating basically to changes in project projections that affect the estimation of the recovery of deferred tax assets.	• The method used to calculate the deferred tax assets. • The base information used by the Parent company's management to analyse the recoverability of the deferred tax assets, checking that it matches the project estimates employed in other audit areas such as revenue recognition or the going concern principle assessment. We reviewed the documents and historical analysis of project sales and returns supporting the assumptions made by the Parent company's directors and management in relation to the recovery of deferred tax assets, as well as the Group's sensitivity analysis and its potential impact on recovery periods. We also involved our internal tax specialists in the analysis of the reasonableness of the tax assumptions employed on the basis of applicable legislation to ensure that they are complete and appropriate. Finally, we checked that Note 26 to the accompanying 2022 consolidated annual accounts contains the necessary disclosures on this matter. The outcome of the procedures performed enabled us to reasonably achieve the audit objectives for which the procedures were designed.

Other information: Consolidated directors' report

Other information comprises only the consolidated management report for the 2022 financial year, the formulation of which is the responsibility of the Parent company´s directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility regarding the consolidated management report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the statement of non-financial information and certain information included in the Annual Corporate Governance Report, and the Annual Report on Director´s Remuneration, as referred to in the Auditing Act, has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the consolidated management report and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2022 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit and control committee at the Parent Company for the consolidated annual accounts

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

In preparing the consolidated annual accounts, the Parent Company´s directors are responsible for assessing the Group´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 Group or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated annual accounts.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group´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 Group´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 Group 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent 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 Parent 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 Parent 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

European single electronic format

We have examined the digital files of the European single electronic format (ESEF) of Técnicas Reunidas, S.A. and its subsidiaries for the 2022 financial year that comprise an XHTML file which includes the consolidated annual accounts for the financial year and XBRL files with tagging performed by the entity, which will form part of the annual financial report.

The directors of Técnicas Reunidas, S.A. are responsible for presenting the annual financial report for 2022 financial year in accordance with the formatting and markup requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Director Remuneration Report have been included by reference in the consolidated management report.

Our responsibility is to examine the digital files prepared by the Parent company's directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the consolidated annual accounts included in the aforementioned digital files completely agrees with that of the consolidated annual accounts that we have audited, and whether the format and markup of these accounts and of the aforementioned files has been affected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined completely agree with the audited consolidated annual accounts, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Additional report for the Parent Company's audit and control committee

The opinion expressed in this report is consistent with the statements made in our additional report for the Parent Company's audit and control committee dated 28 February 2022.

Contract term

The General Shareholders Meeting held on 28 June 2022 appointed PricewaterhouseCoopers Auditores, S.L. and Deloitte, S.L. as the Group's co-auditors for one year, for the year ended 31 December 2022.

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.

Deloitte, 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 2017.

Services rendered

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

PricewaterhouseCoopers Auditores, S.L.	Deloitte, S.L.
Registered with R.O.A.C. No. S0242	Registered with R.O.A.C. No. S0692
Original signed in Spanish by	Original signed in Spanish by
Fernando Pindado Rubio	Antonio Sánchez- Covisa Martín-González
Registered with R.O.A.C. No. 23,102	Registered with R.O.A.C. No. 21,251
28 February 2023	28 February 2023

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**TÉCNICAS REUNIDAS, S.A.
AND SUBSIDIARIES**

**Consolidated financial statements at 31 December 2022
and consolidated directors' report for 2022**

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CONSOLIDATED FINANCIAL STATEMENTS FOR TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2022

CONSOLIDATED BALANCE SHEET
(Amounts in thousands of euros)

	Notes	At 31 December	
		2022	**2021**
ASSETS			
Non-current assets			
Property, plant and equipment	**6**	9,539	23,854
Other intangible assets	**7**	46,980	48,749
Rights of use on leased assets	**8**	51,310	40,486
Investments in associates	**9**	1,529	1,639
Deferred tax assets	**26**	409,407	410,858
Derivative financial instruments	**10**	1,237	7,202
Accounts receivable and other financial assets	**10, 13**	95,428	75,840
		615,430	**608,628**
Current assets			
Inventories	**12**	7,740	8,589
Trade and other receivables	**10, 11**	3,174,557	2,568,029
Accounts receivable and other assets	**10, 13**	21,493	24,962
Derivative financial instruments	**10**	37,460	6,359
Cash and cash equivalents	**14**	959,680	666,879
		4,200,930	**3,274,818**
Total assets		**4,816,360**	**3,883,446**

The accompanying Notes 1 to 34 and Appendices I to IV are an integral part of these consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS FOR TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2022

CONSOLIDATED BALANCE SHEET
(Amounts in thousands of euros)

		At 31 December	
	Notes	**2022**	**2021**
EQUITY			
Share capital and Reserves attributable to the Company's shareholders			
Share capital	**15**	5,590	5,590
Share premium	**15**	8,691	8,691
Treasury shares	**15**	(72,909)	(73,269)
Legal reserve	**16**	1,137	1,137
Capitalisation reserve	**16**	3,056	3,056
Hedging reserve	**10**	(14,186)	(2,622)
Cumulative translation differences	**17**	(71,885)	(96,043)
Retained earnings	**18**	211,280	248,556
Equity attributable to shareholders		**70,774**	**95,096**
Non-controlling interests	**18**	**12,240**	**9,562**
Total equity		**83,014**	**104,658**
LIABILITIES			
Participative loans	**10, 20**	175,000	-
Other non-current liabilities			
Borrowings	**10, 20**	600,209	475,533
Borrowings associated with rights of use of leased assets	**8, 10**	35,122	28,332
Derivative financial instruments	**10**	-	2
Deferred tax liabilities	**26**	62,001	64,412
Other liabilities	**10**	255	281
Employee benefit obligations		2,274	2,124
Provisions for contingencies and charges	**21**	82,054	70,295
		956,915	**640,979**
Current liabilities			
Trade payables	**10, 19**	3,487,476	2,775,067
Current tax liabilities	**26**	27,432	14,557
Borrowings	**10, 20**	201,922	267,352
Borrowings associated with rights of use of leased assets	**8, 10**	17,279	13,089
Derivative financial instruments	**10**	22,277	18,868
Other accounts payable	**10, 19**	18,763	18,167
Provisions for contingencies and charges	**21**	1,282	30,709
		3,776,431	**3,137,809**
Total liabilities		**4,733,346**	**3,778,788**
Total equity and liabilities		**4,816,360**	**3,883,446**

The accompanying Notes 1 to 34 and Appendices I to IV are an integral part of these consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS FOR TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2022

CONSOLIDATED INCOME STATEMENT
(Amounts in thousands of euros)

	Notes	Year ended 31 December	
		2022	**2021**
Revenue	**22**	4,233,370	2,806,038
Changes in inventories		(893)	729
Procurements	**23.1**	(3,351,765)	(2,124,278)
Employee benefit expenses	**24**	(480,934)	(475,730)
Depreciation, amortisation and impairment losses	**6, 7 and 8**	(25,863)	(27,411)
Lease and royalty expenses		(36,428)	(38,273)
Other operating expenses	**23.2**	(343,614)	(318,917)
Other gains or losses	**23.3**	5,718	12,556
Other operating income	**22**	9,150	8,642
Profit/loss from operations		**8,741**	**(156,644)**
Finance income	**25**	13,765	2,644
Finance costs	**25**	(34,833)	(24,730)
Results from exposure to hyperinflation	**25**	(6,097)	-
Share in profit/(loss) of associates	**9**	(110)	(1,072)
Profit/(loss) before tax		**(18,534)**	**(179,802)**
Income tax	**26**	(15,950)	(12,331)
Profit/loss for the year		**(34,484)**	**(192,133)**
Attributable to:			
Company shareholders		(37,134)	(190,443)
Non-controlling interests		2,650	(1,690)
		(34,484)	**(192,133)**
(Loss)/Earnings per share for profit attributable to the equity holders of the Company (expressed in euros per share):			
- Basic and diluted	**27**	(0.69)	(3.55)

The accompanying Notes 1 to 34 and Appendices I to IV are an integral part of these consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS FOR TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Amounts in thousands of euros)

		Year ended 31 December	
	Notes	**2022**	**2021**
Profit/loss for the year		**(34,484)**	**(192,133)**
Items that may be reclassified to profit or loss			
Cash flow hedges	**10**	(14,204)	(11,719)
Tax effect		2,640	3,910
Cash flow hedges, net of tax		(11,564)	(7,809)
Exchange differences on translation of foreign operations	**17**	19,934	21,559
Adjustment from application of IAS 29		4,281	-
Total items that may be reclassified to profit or loss		**12,651**	**13,750**
Other comprehensive profit/loss for the year, net of tax		**12,651**	**13,750**
Total comprehensive profit/loss for the year		**(21,833)**	**(178,383)**
Attributable to:			
Owners of the Parent		(24,511)	(177,009)
- Non-controlling interests		2,678	(1,374)
Total comprehensive profit/loss for the year		**(21,833)**	**(178,383)**

The accompanying Notes 1 to 34 and Appendices I to IV are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Amounts in thousands of euros)

	Attributable to equity holders of the Company									
	Share capital (Note 15)	Share premium (Note 15)	Treasury shares (Note 15)	Legal and capitalisation reserves (Note 16)	Hedging reserve (Note 10)	Cumulative translation differences (Note 17)	Retained earnings (Note 18)	Equity attributable to shareholders	Non-controlling interests (Note 18)	Total equity
Balance at 01 January 2022	**5,590**	**8,691**	**(73,269)**	**4,193**	**(2,622)**	**(96,043)**	**248,556**	**95,096**	**9,562**	**104,658**
Adjustment from application of IAS 29	**-**	**-**	**-**	**-**	**-**	**(29)**	**-**	**(29)**	**-**	**(29)**
Adjusted opening balance at 1 January 2022	**5,590**	**8,691**	**(73,269)**	**4,193**	**(2,622)**	**(96,072)**	**248,556**	**95,067**	**9,562**	**104,629**
Comprehensive profit/loss										
Profit/loss for 2022	-	-	-	-	-	-	(37,134)	(37,134)	2,650	(34,484)
Other comprehensive income										
Cash flow hedges, net of tax	-	-	-	-	(11,564)	-	-	(11,564)	-	(11,564)
Adjustment from application of IAS 29	-	-	-	-	-	4,281	-	4,281	-	4,281
Exchange differences on translation of foreign operations	-	-	-	-	-	19,906	-	19,906	28	19,934
Total other comprehensive income	-	-	-	-	(11,564)	24,187	-	12,623	28	12,651
Total comprehensive profit/loss for the year	**-**	**-**	**-**	**-**	**(11,564)**	**24,187**	**(37,134)**	**(24,511)**	**2,678**	**(21,833)**
Transactions with owners in their capacity as such:										
Treasury share transactions (net)	-	-	360	-	-	-	(142)	218	-	218
Total transactions with owners in their capacity as such	**-**	**-**	**360**	**-**	**-**	**-**	**(142)**	**218**	**-**	**218**
Balance at 31 December 2022	**5,590**	**8,691**	**(72,909)**	**4,193**	**(14,186)**	**(71,885)**	**211,280**	**70,774**	**12,240**	**83,014**

The accompanying Notes 1 to 34 and Appendices I to IV are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Amounts in thousands of euros)

	Attributable to equity holders of the Parent									
	Share capital (Note 15)	Share premium (Note 15)	Treasury shares (Note 15)	Legal and capitalisation reserves (Note 16)	Hedging reserve (Note 10)	Cumulative translation differences (Note 17)	Retained earnings (Note 18)	Equity attributable to shareholders	Non-controlling interests (Note 18)	Total equity
Balance at 01 January 2021	**5,590**	**8,691**	**(73,109)**	**4,193**	**5,187**	**(117,286)**	**439,391**	**272,657**	**10,936**	**283,593**
Comprehensive profit/loss										
Profit/loss for 2021	-	-	-	-	-	-	(190,443)	(190,443)	(1,690)	(192,133)
Other comprehensive income										
Cash flow hedges, net of tax	-	-	-	-	(7,809)	-	-	(7,809)	-	(7,809)
Exchange differences on translation of foreign operations	-	-	-	-	-	21,243	-	21,243	316	21,559
Total other comprehensive income	-	-	-	-	(7,809)	21,243	-	13,434	316	13,750
Total comprehensive profit/loss for the year	**-**	**-**	**-**	**-**	**(7,809)**	**21,243**	**(190,443)**	**(177,009)**	**(1,374)**	**(178,383)**
Transactions with owners in their capacity as such:										
Treasury share transactions (net)	-	-	(160)	-	-	-	(392)	(552)	-	(552)
Total transactions with owners in their capacity as such	**-**	**-**	**(160)**	**-**	**-**	**-**	**(392)**	**(552)**	**-**	**(552)**
Balance at 31 December 2021	**5,590**	**8,691**	**(73,269)**	**4,193**	**(2,622)**	**(96,043)**	**248,556**	**95,096**	**9,562**	**104,658**

The accompanying Notes 1 to 34 and Appendices I to IV are an integral part of these consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS FOR TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2022

CONSOLIDATED STATEMENT OF CASH FLOWS
(Amounts in thousands of euros)

	Notes	Year ended 31 December	
		2022	2021
Cash flows from operating activities			
Profit/loss for the year		(34,484)	(192,133)
Adjustments for:			
- Taxes	**26**	15,950	12,331
Depreciation and amortisation of property, plant and equipment, intangible assets and rights of use of leased assets	**6, 7 and 8**	25,863	27,411
- Net change in provisions	**21**	(17,667)	33,836
- Share in profit/(loss) of associates	**9**	110	1,072
- Interest income	**25**	(11,492)	(2,644)
- Interest expense	**25**	34,833	19,588
- Results from exposure to hyperinflation (IAS 29)	**25**	6,097	-
- Gains on sales of Group companies and associates	**23.3**	(5,718)	(12,556)
- Change in gains/(losses) on derivatives	**10**	38,223	13,781
- Exchange differences	**25**	(2,273)	5,142
- Other income and expenses			3,748
Changes in working capital:			
- Inventories		(902)	305
- Trade and other receivables		(595,842)	(217,426)
- Other financial assets		-	-
- Trade payables		738,356	107,796
- Other accounts payable		(91)	1,362
- Settlements of hedging derivatives and other changes		(74,111)	6,126
Other cash flows from operating activities:			
- Interest paid		(28,266)	(19,949)
- Interest received		11,492	2,644
- Taxes paid		(16,088)	(57,603)
Net cash flows from operating activities		**83,990**	**(267,169)**
Cash flows from investing activities			
Acquisition of property, plant and equipment	**6**	(2,653)	(2,379)
Acquisition of intangible assets	**7**	(109)	(596)
Investments in associates	**9**	-	-
Proceeds from sales to Group companies and associates		1,535	15,109
Disposal of non-current assets		34	1,894
Net cash flows used in investing activities		**(1,193)**	**14,028**

Cash flows from financing activities			
Borrowings obtained in the year	**20**	461,959	717,512
Repayment of borrowings	**20**	(232,284)	(710,133)
Payments for rights of use on leased assets	**8**	(20,031)	(18,342)
Acquisition/disposal of treasury shares (net)	**15**	360	(552)
Net cash flows generated from financing activities		**210,004**	**(11,515)**
Net change in cash and cash equivalents		**292,801**	**(264,656)**
Cash and cash equivalents at beginning of year		**666,879**	**931,535**
Cash and cash equivalents at end of year		**959,680**	**666,879**

The accompanying Notes 1 to 34 and Appendices I to IV are an integral part of these consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS FOR TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2022

Notes to the Consolidated Financial Statements
(Amounts in thousands of euros)

1. General information

Técnicas Reunidas, S.A. (the 'Company' or the 'Parent') and its subsidiaries (together, the 'Group') was incorporated on 6 July 1960 as a public limited liability company. It is registered with the Commercial Registry of Madrid in volume 1,407, sheet 5,692, page 129. The latest adaptation of its Articles of Association is registered in volume 40579, section 8, book 0, page 30, sheet M-72319, entry 262.

On 21 May 2021, the transfer of the registered office of Técnicas Reunidas, S.A. from Arapiles 14, 28015, Madrid, to Avenida de Burgos 89, Adequa, Edificio 6, Madrid, Spain, was registered at the Commercial Registry of Madrid.

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

As part of its engineering services activity, the Group mainly operates in the following lines of business (Note 5):

- Refining
- Natural gas
- Petrochemical
- Low-carbon technologies
- Others

All the shares of Técnicas Reunidas, S.A. have been admitted to trading since 21 June 2006. They are listed on the Continuous Market of the Spanish Stock Exchange (*Bolsas y Mercados Españoles*)

The Group's consolidated financial statements for 2021 were approved without modifications by the shareholders at the Annual General Meeting on 28 June 2022.

These consolidated financial statements were authorised for issue by the Parent's Board of Directors on 28 February 2023. The Parent's directors will submit these consolidated financial statements at the Annual General Meeting, and it is expected that they will be approved without any changes.

2. Summary of the main accounting policies

The main accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.1. Basis of presentation

The Parent's directors prepared the Group's consolidated financial statements as at 31 December 2022 in accordance with the International Financial Reporting Standards adopted for use in the European Union (the 'EU-IFRS') and approved by the European Commission Regulations and in force at 31 December 2022, with IFRIC interpretations and with the commercial law applicable in Spain to institutions preparing information in accordance with EU-IFRSs. The consolidated financial statements were prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative financial instruments), measured at fair value.

Unless indicated otherwise, the policies explained below were applied consistently to all years in which these consolidated financial statements are presented.

CONSOLIDATED FINANCIAL STATEMENTS FOR TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2022

These consolidated financial statements, which were prepared from the accounting records of de Técnicas Reunidas, S.A. and its subsidiaries, present fairly the Group's consolidated equity and its financial position at 31 December 2022, as well as its consolidated results, changes in consolidated equity and consolidated cash flows for the year ended on that date.

The preparation of these consolidated financial statements in accordance with EU-IFRSs requires the use of certain critical accounting estimates. It also requires Management to make judgements in the application of the Group's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

For information comparison purposes, the Group presents, together with the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the years ended 31 December 2022 and 2021.

The Group presents comparative information in the explanatory notes to the consolidated financial statements when is relevant to an understanding of the current year's consolidated financial statements.

The figures contained in these consolidated financial statements are shown in thousands of euros, unless expressly stated otherwise.

2.1.1. Changes in accounting policies and disclosures

a) Mandatory standards, amendments and interpretations for all annual periods beginning on or after 1 January 2022:

As a result of their approval, publication and entry into force on 1 January 2022, the following standards have been applied:

- IAS 16 (Amendment) 'Property, plant and equipment: Proceeds received before intended use'.
- IAS 37 (Amendment) 'Onerous Contracts — Cost of Fulfilling a Contract':
- IFRS 3 (Amendment) – 'Reference to the conceptual framework'.
- Annual improvements to IFRSs. 2018-2020 Cycle.

The application of these amendments and interpretations did not have a significant effect on these consolidated financial statements.

b) Standards, amendments and interpretations that have not yet entered into force but that may be adopted early.

- IFRS 17 (Amendment) 'Initial application of IFRS 17 and IFRS 9 - Comparative information'.
- IFRS 17 – 'Insurance contracts'. IFRS 17 replacing IFRS 4 'Insurance Agreements'.
- IAS 1 (Amendment) – 'Disclosure of accounting policies'.
- IAS 8 (Amendment) – 'Definition of accounting estimates'.
- IAS 12 (Amendment) 'Deferred tax related to assets and liabilities arising from a single transaction'.

In 2017, the IASB issued IFRS 17 with an effective date of 1 January 2021. Subsequently, in June 2020, the IASB amended IFRS 17 with some clarifications to facilitate the implementation of the standard and changed the effective date of IFRS 17 to 1 January 2023. The European Union adopted amended IFRS 17, with its text and its date of entry into force updated in November 2021.

The Group is in the process of analysing the impacts that the new regulations may have on the consolidated financial statements, although they are not expected to be material.

c) Standards, amendments and interpretations of existing standards that cannot be adopted early or that have not been adopted by the European Union as of the date of this note:

At the date of signing of these consolidated financial statements, the IASB and the IFRS Interpretations Committee had published the following standards, amendments and interpretations, which are indicated below, and that have not yet been adopted by the EU:

- IFRS 10 (Amendment) and IAS 28 (Amendment) – 'Sale or contribution of assets between an investor and its associate or joint venture'.
- IFRS 16 (Amendment) 'Lease liability in a subsequent lease'.
- IAS 1 (Amendment) 'Non-current liabilities with covenants'
- IAS 1 (Amendment) – 'Classification of liabilities as current or non-current':

The Group is currently analysing the impact that the new standards may have on the consolidated financial statements.

2.2. Comparative information

During 2022, the inflation rate in Turkey increased substantially, resulting in the cumulative inflation of the last three years being above 100%, which is the quantitative benchmark established by IAS 29 'Financial Reporting in Hyperinflationary Economies'. As a result, Turkey will be considered as a hyperinflationary economy according to accounting standards from 2022 onwards. Therefore, the Group has applied IAS 29 'Financial Reporting in Hyperinflationary Economies' to its businesses in Turkey, making the necessary accounting adjustments as at 1 January 2022 in accordance with the requirements of the accounting standards.

The effect of applying IAS 29 as at 1 January 2022 led to an increase in consolidated reserves of EUR 29 thousand.

In addition, in 2022, EUR 1,555 thousand of the 2021 figures were reclassified from 'Ordinary income' to 'Other operating income', corresponding to the concession assets, in order to make them comparable with the 2022 figures.

2.3. Effects of COVID-19, the conflict in Ukraine and enforcement of guarantees in Algeria on the Company's activity

2.3.1 COVID-19

The uncertainty caused by the pandemic continues to affect our operations, albeit more moderately than in previous years.

In addition to prioritising health protection for its employees, in 2022 the group continued to perform the set of activities initiated in previous years, aimed at strengthening the implementation of portfolio projects, the consolidating the efficiency plan implemented since 2019, achieving new projects and its liquidity and solvency position.

It should be noted that in projects in the portfolio affected by COVID-19, the Group has concluded price and term negotiations with its clients, with negotiations still ongoing due to the impact of COVID-19 on a smaller percentage of the portfolio.

In addition, the Group extended the maturity of its ICO-COVID facilities, in accordance with Royal Decree Law 34/20, of 17 November, which enables it to preserve its liquidity. It should also be noted that the Group applied for EUR 340 million in aid from the Fund for Supporting the Solvency of Strategic Companies in the second quarter of 2021 to strengthen its solvency and liquidity, in accordance with Royal Decree Law 25/2020, of 3 July, managed by the Spanish State-Owned Industrial Holding Company (SEPI), which was paid out on 24 February 2022. This aid took the form of a participating loan amounting to EUR 175 million and an ordinary loan amounting to EUR 165 million (Note 20).

In addition, the measures taken by China to control the various outbreaks in 2022 have had a noticeable effect on the supply chain, both in terms of logistical constraints and in terms of increased prices for various equipment and raw materials and the availability of labour.

With the information available, the Group assessed the main impacts of the pandemic on these consolidated annual financial statements, the most relevant of which are described below:

Impact on operations

Despite the COVID 19 crisis, the Group has maintained the portfolio awarded in recent years, and none of the EPC (Engineering, Procurement and Construction) projects that make up this portfolio have been cancelled. However, the crisis has substantially affected the Group's operations, especially in the Middle East, slowing down the implementation of projects, especially in the procurement and construction phases, and forcing the rescheduling of all relevant projects, extending their implementation period at the request of customers. These reschedulings have not entailed liquidated damages for the Group on the part of customers, given that, in addition to the implementation period, both the cost associated with the new period and the possible liquidated damages have been renegotiated, with these being subject to the new delivery schedules of the units established in each contract.

At the present date, all projects awarded prior to March 2020 (lockdown date), (with the exception of the contract with Sonatrach at Hassi-Messaoud, the resumption of which is still under negotiation at the date of preparation of these consolidated financial statements), have been succesfully rescheduled and and have reached a close to normal rate of execution, which has led to a gradual recovery in revenues. Geographical diversification, constant communication with our clients and suppliers, and legal and contractual mechanisms to offset the effects of significant changes in contracts allow us to mitigate, but not eliminate, the associated risks.

The cumulative net effect of COVID-19 during the pandemic amounts to a loss of EUR 248 million, an increase of EUR 18 million compared to the previous year. On a percentage-of-completion basis, EUR 237 million was recognised as at 31 December 2022, of which EUR 27 million was recognised on the 2022 income statement. Of the aforementioned cumulative net effect, EUR 148 million relates to direct and indirect costs not recoverable from our customers and EUR 100 million is linked to the Teesside project and its completion by the customer in April 2021.

Impact on liquidity

The Group monitors its liquidity needs on an ongoing basis and ensures that it has the necessary funds to meet its operational requirements, taking into account the following:

(i) Recovery of activity and financial flows during 2022 and, specially, during 2023.
(ii) Progress on projects in accordance with the schedules agreed with customers.
(iii) Gradual recovery of new projects awarded and their impact on cash flow.
(iv) Progress on the ongoing plans to improve efficiency and cash flows.
(v) Conclusion of the various arbitration proceedings and litigation cases in progress.
(vi) Cash conversion of work performed but not yet billed according to a standard scenario (i.e. a scenario not impacted by COVID or force majeure as a result of the war in Ukraine), change orders and claims.
(vii) Compliance with the conditions established in the financing obtained through the Solvency Support Fund for Strategic Companies (FASEE) in the amount of EUR 340 million in February 2022.

Furthermore, to strengthen its liquidity position, in 2021 and the first months of 2022 the Group extended the maturity of its borrowings and obtained new short and long-term financing (see Note 11.d). New working capital management measures have been implemented to mitigate the impact of the slowdown in the payment of work performed but not yet billed.

The Parent's directors, taking into account the forecasts for the gradual rebound of the Group's business, consider that its liquidity position will improve substantially due, among other aspects, to the normal progress on the projects underway, the development of a new portfolio of awarded projects and the conversion into cash of the executed work pending invoicing (see note 11), and due to the launch of the TR-ansforma Plan. This plan, which covers the period 2022-2024, is an evolution of the efficiency plan launched in 2019 and aims to identify opportunities to make the company more efficient. This plan is aligned with TR's strategy and contemplates three types of objectives depending on the time horizon: in the short term, cost improvement in the implementation of projects and mitigation measures; in the medium term, adaptation of implementation to new trends and digital transformation; and in the long term, know-how and talent.

The Parent's directors have made an assessment of the Group's ability to continue to operate and meet its financial obligations, based on expectations of compliance with the viability plan approved by the Spanish State-Owned Industrial Holding Company (SEPI) and the cash plan approved by the Board. The Parent Company's directors consider that the Group's liquidity and solvency position should strengthen in the coming quarters as a result of the gradual recovery of activity. For all these reasons, the Parent's directors have concluded favourably on the application of the going concern principle in the preparation of the consolidated financial statements for 2022.

However, significant deviations in the estimates made by the directors and management could require additional measures to strengthen the Group's liquidity and solvency position

Impact on solvency

The losses incurred in 2020 and 2021 (the years of the pandemic period) resulted in a contraction of equity in an amount of EUR 186 million. However, the Parent's Directors consider that the Group has sufficient mechanisms in place to recover this impairment, improve its financial capacity and avoid an equity imbalance. In this regard, on 24 February 2022 the Group initiated the process to receive EUR 340 million from the 'Fund for Supporting the Solvency of Strategic Companies', in accordance with Royal Decree Law 25/2020, of 3 July, which is managed by the Spanish State-Owned Industrial Holding Company (SEPI). This payment is structured into two tranches: A first tranche consisting of a participating loan of EUR 175 million, and a second tranche, in the form of an ordinary loan, of EUR 165 million. Both loans will have a term of four and a half years (2022 - 2026), with the possibility of early repayment, although the ordinary loan has a 1-year deferral. The objective of the participating loan is to strengthen the Parent's commercial equity and cover the losses from COVID 19 (see Note 20).

In addition, in relation to the Company's commercial assets, it should be considered that in addition to Royal Decree Law 20/2022, it was established that the losses for 2020 and 2021 will not be taken into account until the end of the year beginning in 2024.

Impact on the valuation of assets and liabilities in the consolidated balance sheet

Except for what will be discussed below regarding the projects affected by the restrictions on activity in Russia, there have been no cancellations of EPC projects included in the backlog, or significant increases in the risk of non-payment due to deterioration in the financial position of customers or in the assessment of expected losses due to the quality and solvency of the customer portfolio. Likewise, the Group assessed the recoverability of the assets related to the work performed but not yet billed, and those relating to exchange orders and claims, as well as the recoverability of deferred tax assets based on the estimate of the performance of operations in medium- and long-term, concluding positively in their recoverability. In any case, in this complex environment, and also taking into account the deterioration of the situation in Algeria, the Group has set aside a provision for risks and charges of EUR 81 million to cover risks due to litigation and existing claims (Note 21).

2.3.2. The Conflict in Ukraine

The conflict in Ukraine has had a strong impact on our operations. On the one hand, as a result of the restrictions imposed by the European Union and other international bodies, the revamping project of the Moscow refinery with Gazprom was cancelled for an amount of EUR 234 million, which at the date of cancellation had a degree of progress of 4.75%.

On the other hand, the conflict in Ukraine has significantly affected the stability of the markets, especially in geographical areas close to those affected by the conflict. In this respect, major disruptions have been generated throughout the supply chain of the engineering and construction industry in the energy sector. This has mainly resulted in significant instability of suppliers' offers and lack of availability of resources. The economic valuation of these impacts is EUR 50 million, which have been included by reducing the estimated final profit of the projects recognised by degree of progress.

2.3.3 Enforcement of guarantees in Algeria

On 8 June 2022, the consortium formed by Neptune Energy and Sonatrach enforced the performance bonds for their full amount, which amounts to the equivalent of EUR 80 million. Insofar as the customer had issued the provisional acceptance certificate for the plant on 1 June 2020 in full satisfaction, on 21 June 2022, the Group initiated arbitration before the International Chamber of Commerce to recover the enforced guarantees and assert its claim for other extra costs not met by the customer.

2.4. Basis of consolidation

2.4.1. Scope of consolidation

The scope of consolidation of Técnicas Reunidas consists of: Técnicas Reunidas, S.A., the Parent, its subsidiaries and associates. The Group also has joined interests with other entities for investees in jointly controlled entities and unincorporated temporary joint ventures ('UTEs'). Appendices I, II, III and IV to these notes to the financial statements include additional information with regard to the entities included in the scope of consolidation.

For the purpose of preparing these consolidated financial statements, a group is considered to exist when the Parent has one or more subsidiaries over which this Parent has direct or indirect control.

The Parent and certain subsidiaries also have interests in UTEs and consortiums, and the figures for the relevant assets, liabilities, income and expenses corresponding to the UTEs and consortiums are included on a proportionate basis. Appendix IV includes a detail of the joint ventures and consortiums in which Group companies have a stake, as well as joint ventures wholly owned by two Group companies.

Changes in the scope of consolidation in 2022 consisted of the sale of the shareholdings of Técnicas Reunidas, S.A. and Técnicas Reunidas Proyectos Internacionales, S.L. in Ibérica del Espacio, S.A. and the incorporation of Powertecno Energía Mexicana, S.R.L.C.V., in which Técnicas Reunidas, S.A. holds a 50% interest.

Changes in the scope of consolidation in 2021 consisted of the sale of Técnicas Reunidas, S.A.'s stake in Técnicas Reunidas Australia Pty Ltd and the derecognition due to liquidation of Técnicas Reunidas Hellas, S.A.

There were no business combinations in 2022 or 2021.

a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed or has the right to obtain variable returns from its involvement in the investee and has the ability to use its power over this entity to influence these returns. Subsidiaries are consolidated from the date on which control passes to the Group, and are excluded from consolidation on the date on which control ceases to exist.

The subsidiaries are fully consolidated and all their assets, liabilities, income, expenses and cash flows are included in the consolidated financial statements after transactions and balances between Group companies are eliminated. The accounting policies of the subsidiaries have been modified when necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in profit or loss and equity of the subsidiaries is shown separately in the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity and the consolidated statement of comprehensive income.

Appendix I to these notes provides a breakdown of the details on the subsidiaries included in the scope of consolidation through full consolidation.

- **Changes in the ownership interests in subsidiaries without change of control**

Transactions with non-controlling interests resulting in a loss of control are recognised as equity transactions, i.e., as transactions with owners in their capacity as such. The difference between the fair value of the consideration paid and the relevant portion acquired of the carrying amount of the subsidiary's net assets is recognised under equity. Gains or losses on the disposal of non-controlling interests are recognised under equity.

- **Disposals and liquidations of subsidiaries**

During 2022 all the shares of Ibérica del Espacio, S.L. were sold. The net gain on the sale amounted to EUR 5,718 thousand, which is recognised in the consolidated income statement under 'Other gains or losses' (See Note 23.3).

All the shares of the company Técnicas Reunidas Australia Pty Ltd. were sold in 2021. The net profit on the sale amounted to EUR 12,556 thousand, which is recognised in the consolidated income statement under 'Other gains or losses' (See Note 23.3).

b) Associates

Associates are all entities over which the Group exercises significant influence but not control, which is generally accompanied by an ownership interest of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or reduced to recognise the investor's interest in the results of the investee following the acquisition date. The Group's investment in associates includes goodwill identified on acquisition.

If its ownership interest in an associate is reduced but significant influence is maintained, only the proportionate interest of the amounts previously recognised in other consolidated comprehensive gains or losses is reclassified, where appropriate, to the consolidated income statement.

The Group's share of its associates' post-acquisition gains or losses is recognised in the income statement and its share of post-acquisition changes in other consolidated comprehensive income is recognised in other consolidated comprehensive gains or losses with the relevant adjustment to the carrying amount of the investment. When the Group's share in the losses of an associate is equal to or exceeds its interest in the associate, including any other non-current unsecured receivables, it does not recognise further losses, unless it has assumed legal or implicit commitments or made payments on behalf of the associate.

At each financial reporting date, the Group determines whether there is any objective evidence that the investment in the associate has become impaired. If this is the case, the Group calculates the amount of the impairment loss as the difference between the recoverable amount of the associate and its carrying amount and recognises that amount under 'Share of profit/loss of an associate' in the consolidated income statement.

Profit and loss resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's consolidated financial statements only if they correspond to unrelated investors' interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment loss on the asset transferred. The accounting policies of the associates have been modified when necessary to ensure consistency with the policies adopted by the Group.

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

No investments in associates were sold in 2022 or 2021. Appendix II to these notes to the consolidated financial statements provides a breakdown of the details on the associates accounted for using the equity method.

c) Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Investments in joint arrangements under IFRS 11 are classified as joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Técnicas Reunidas Group has assessed the nature of its joint arrangements and determined that they should be classified as joint operations.

Joint operations mean that a venturer has direct rights over the assets, liabilities, income and expenses of the entity in which it has an interest. Accordingly, joint ventures arise when a venturer has the right to the profit or loss or to the net assets of the entity in which it has an interest and, therefore, its interest in the entity is recognised using the equity method.

The proportional amount of the line items of the joint arrangement's balance sheet and income statement are included in the balance sheet and income statement of the venturer depending on its percentage of ownership interest and the cash flows in the consolidated statements of cash flows.

Appendix III to these notes provides a breakdown of the details on the joint arrangements included in the scope of consolidation.

d) Unincorporated temporary joint ventures (UTEs)

An unincorporated temporary joint venture (UTE) is an arrangement between companies, for a specified or unspecified period of time, to carry out or execute works, services or supplies.

The proportional amount of the line items of the UTE's balance sheet and income statement are included in the balance sheet and income statement of the venturer depending on its percentage of ownership interest and the cash flows in the statement of cash flows.

Appendix IV to these notes provides a breakdown of the details on the UTEs whose financial information is recognised by the companies included in the scope of consolidation.

2.5. Segment information

The information on segments is presented in accordance with the internal information provided to the chief operating decision maker (see Note 5).

The accounting policies applied to prepare the segment information are the same as those described in these consolidated financial statements.

The chief operating decision maker is the Parent's Board of Directors.

2.6. Foreign currency transactions

a) Functional and presentation currency

The items of each of the Group's institutions included in these consolidated financial statements are measured using the currency of the main economic environment in which the institution operates, which mainly affects revenue and expenses ('functional currency'). The consolidated financial statements are presented in euros.

b) 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 resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, unless they are deferred to other consolidated comprehensive income, as in the case of qualifying cash flow hedges.

Foreign exchange gains and losses are recognised under 'Gains or losses on foreign currency transactions' included under 'Financial profit/loss' on the consolidated income statement (see Note 25).

c) Group companies

The profit or loss and balance sheet of all Group companies whose functional currency is different from the presentation currency are translated to the presentation currency as follows:

- Assets and liabilities on each balance sheet presented are translated at the exchange rate prevailing at each balance sheet date;
- Income and expenses in the income statement and statement of comprehensive income are translated at the average exchange rate, except for companies in Turkey and Argentina, where both countries have hyperinflationary economies and where, in accordance with IAS 29, the year-end exchange rate of 2022 has been applied. (see Note 2.28)
- Equity items (except for income statement headings) are translated at the historical exchange rate.

All resulting translation differences are recognised as a separate component of other consolidated comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate. Exchange differences that arise are recognised under 'Exchange differences on translation of foreign operations' in the consolidated statement of comprehensive income.

2.7. Property, plant and equipment

The Group follows the historical cost model, whereby the items of property, plant and equipment are recognised at their initial cost less any accumulated depreciation and accumulated impairment losses, except in the case of land, which is not depreciated and is presented net of impairment losses.

The initial historical cost includes the expenses directly attributable to the acquisition of the items of property, plant and equipment.

Subsequent costs are capitalised only when it is probable that the future economic benefits associated with the items will flow to the Group and the cost of the item can be determined reliably. As a general rule, all repairs and maintenance expenses are recognised in the consolidated income statement in the year in which they are incurred.

The depreciation of the assets is calculated using the straight-line method based on their estimated useful lives and the residual value of the assets. The estimated useful lives of the various asset categories are the following:

Classification/Items	Useful life			
Industrial structures and buildings	25	-	50	Years
Plant and Machinery	5	-	10	Years
Complex and general fixtures	12	-	17	Years
Furniture and office equipment	3	-	10	Years
Computer hardware			4	Years
Vehicles			7	Years
Other items of property, plant and equipment	7	-	10	Years

The residual values and useful lives 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.

Gains and losses on the sale of property, plant and equipment are determined by comparing the income obtained with the carrying amount and are recognised under 'Other operating expenses' or 'Other operating income' in the consolidated income statement. The work carried out by the Group on its assets is stated at production cost and recognised as revenue in the consolidated income statement.

2.8. Intangible assets

a) Computer software

Licences for computer software acquired are capitalised based on the costs incurred to acquire them and bring the specific software to use. These costs are amortised over their estimated useful lives (4 years).

The expenses related to software development or maintenance are recognised when they are incurred. The costs directly related to producing unique and identifiable computer software controlled by the Group that is likely to generate economic benefits exceeding the costs for more than one year, are recognised as intangible assets.

These direct costs include the staff costs for the computer program developers and a suitable portion of general overheads. Software development costs recognised as assets are amortised over the software's estimated useful life (4 years).

b) Concessions

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, which is established as the cost value). 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.

c) Research and development expenditure

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

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- Management’s intent is to complete the intangible asset and use or sell it;
- The intangible asset may be used or sold;
- The manner in which the intangible asset will generate probable future economic benefits can be demonstrated;
- Adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Other development costs are recognised as an expense when incurred. Development costs previously recognised as an expense are not capitalised in subsequent years.

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

2.9. Rights of use on leased assets and associated financial debt

The rights of use on leased assets and the financial debt associated with them represent the right to use the asset in question and the obligation to make payments under the lease, respectively.

Right-of-use assets on leased assets are measured at cost, which includes the following:

- The amount of the initial measurement of the lease liability,
- any lease payments made on or before the commencement date, less any lease incentives received.
- any initial direct costs; and
- restoration costs.

Right of use assets are amortised on a straight-line basis over the useful life of the asset or the lease term, whichever is shorter.

The financial debt associated with the right to use the leased assets includes the net present value of lease payments.

Lease payments are discounted using the tenant's incremental borrowing rate, which is the rate that the individual tenant would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, guarantees and conditions.

The Group is exposed to potential future increases in lease payments based on an index or benchmark, which are not included in the lease liability until they take effect. At that time, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is expensed over the lease term so as to produce a constant periodic interest rate on the remaining balance of the liability for each period.

The term of the lease is considered to be the non-cancellable period. If the Group has a unilateral option to extend or terminate the lease and there is reasonable certainty that this option will be exercised, the corresponding extension or early termination period will also be considered. The maximum period estimated for the renewal of a contract is 3 years, since there is no reasonable certainty that it will be extended beyond that period. In the case of office rentals in companies whose duration is linked to the duration of the project they are performing, the maximum renewal period will be 3 years as long as it does not exceed the remaining duration of the ongoing project.

The lease term is reassessed if an option is actually exercised (or is not exercised) or the Group is obliged to exercise it (or not exercise it). The assessment of reasonable certainty is reviewed only if a significant event or change in circumstances occurs that affects this assessment and is within the control of the tenant, with force majeure events being considered as likely to occur.

2.10. Borrowing costs

The borrowing costs incurred in the construction of any qualifying asset are capitalised during the period of time necessary to prepare the asset for its intended use. Other borrowing costs are recognised in the income statement in the year in which they are incurred.

2.11. Impairment losses on non-financial assets

Assets with an indefinite useful life are not subject to depreciation or amortisation but rather are tested annually for impairment. At each year-end, the Group 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 when the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses on goodwill may not be reversed. For the purpose of assessing impairment, assets are grouped together at the lowest levels for which there are separately identifiable cash flows, i.e., in CGUs. Impairment losses are recognised in the income statement.

Previous impairment losses on non-financial assets, other than goodwill, are reviewed for possible reversal at each reporting date.

2.12. Financial assets

a) Classification

Financial assets are classified depending on the measurement category that is determined on the basis of the business model and the contractual cash flow characteristics, and the Group only reclassifies investments in debt instruments when, and only when, there is a change in its business model for managing these assets.

The Group classifies its financial assets into the following categories, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets at amortised cost.

b) Measurement

Acquisitions or disposals of investments are recognised on the trade date, i.e., the date on which the Group undertakes to acquire or sell the asset. Investments are recognised initially at fair value plus the transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are taken to the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all the risks and rewards arising from the related ownership.

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

In the event of disbursements arising from the enforcement of guarantees on first demand, these are recorded as financial assets at fair value, to the extent that it is considered probable that a future profit will be obtained once the arbitration is settled. In any case, the financial asset is periodically tested for impairment when there are indications that it may not be recoverable, taking into account, in any case, the customer's risk.

The gains and losses on assets measured at fair value are recognised in profit or loss or in other comprehensive income. With regard to investments in equity instruments that are not held for trading, the Group has made an irrevocable election at initial recognition to recognise all equity investments at fair value through other comprehensive income.

c) Financial assets at amortised cost

Investments in debt instruments that are held for the collection of contractual cash flows, when those cash flows represent only payments of principal and interest, are measured at amortised cost. They are included in current assets, except for maturities exceeding 12 months from the balance sheet date when they are classified as non-current assets, unless they are within the Group's normal operating cycle.

In addition, deposits and guarantees provided to third parties are included in this category. Those assets are subsequently recognised at their amortised cost in accordance with the effective interest rate method. Accounts receivable that do not explicitly accrue interest are measured at their nominal value when the effect of not discounting the cash flows is not significant. They are still subsequently measured, where applicable, at their nominal value.

d) Financial assets at fair value through other comprehensive income

The assets held for the collection of contractual cash flows and for the sale of financial assets, in which the cash flows of the assets represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Changes in the carrying amount are recognised through other comprehensive income, except for the recognition of impairment losses or gains, interest income, and exchange gains or losses that are recognised in profit or loss. Unrealised gains and losses that arise from changes in fair value are recognised in other comprehensive income. When these financial assets are derecognised, the cumulative adjustments in fair value recognised in equity are included in the consolidated income statement as gains or losses.

The fair value of listed investments is based on the current purchase price. If the market for a financial asset is in active (and for unlisted securities), the Group establishes its fair value using valuation techniques that include the use of recent arm's length market transactions between willing and duly informed parties, references to other instruments that are substantially the same and the discounted cash flows analysis. If none of the techniques mentioned can be used to estimate fair value, the investments are recognised at acquisition cost less any impairment losses.

In the case of equity instruments included in this category, Group management has elected to present the gains and losses in the fair value of equity instruments in other comprehensive income. Gains and losses in fair value are not subsequently reclassified to profit or loss after the disposal of the investment. Impairment losses (and reversals of impairment losses) on equity instruments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

The dividends from these investments continue to be recognised in profit or loss when the Group has the right to receive payment.

e) Financial assets at fair value through profit or loss

Those assets that do not meet the requirements to be recognised at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss. Realised and unrealised gains and losses arising from changes in fair value of financial assets at fair value through profit or loss are included in the income statement in the year in which they arise.

f) Impairment

The impairment model requires provisions for impairment to be recognised based on the expected loss model rather than only the incurred credit losses.

Regarding to its client accounts, accounts receivable and other assets, which relate mainly to clients of recognised solvency with which it has extensive experience, the Group applies the simplified approach, recognising the expected credit losses for the entire life of the assets.

With regard to trade receivables and contract assets, provided there is no significant financial component, the Group applies the simplified approach, which requires the allocation of a loss based on the expected loss model throughout the entire life of the asset at each reporting date. The Group's model considers internal information, such as client balances, external factors such as credit assessments of clients and ratings from risk agencies, as well as the specific circumstances of clients, taking into consideration the information available on past events, current conditions and forward-looking elements.

g) Offsetting of financial instruments

Financial assets and liabilities are offset and presented as net in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent upon future events and must be enforceable in the normal course of business and in the event of the breach, insolvency or bankruptcy of the company or the counterparty.

2.13. Inventories

The 'Inventories' heading includes the cost of parking spaces available for sale.

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

2.14. Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits in banks and other short-term highly liquid investments originally maturing within three months or less.

The following terms are used in the consolidated statement of cash flows, which was prepared using the indirect method:

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

- Operating activities: payments and collections from the Group's ordinary activities and other activities that are not investing or financing activities.

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

- Financing activities: activities that result in changes in the size and composition of equity and borrowings of the Group that are not operating activities.

2.15. Share capital

The share capital is represented in full by ordinary shares classified as equity.

The incremental costs directly attributable to the issue of new shares are recognised in equity as a deduction, net of the corresponding tax effect, from the income obtained.

When any Group company acquires shares of the Parent (treasury shares), the consideration paid, including any directly attributable incremental cost (net of income tax), is deducted from the equity attributable to the shareholders of the Parent 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 and the corresponding income tax effects, are included in the equity attributable to the shareholders of the Parent.

2.16. Grants

Grants from Public Administrations are recognised at fair value when there is reasonable assurance that the grant will be received and the Group will comply with all conditions established.

Government grants related to costs are deferred and are recognised in the income statement over the period required to match them with the costs that they are intended to cover.

Government grants related to the acquisition of property, plant and equipment 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.

The grants received for research and development projects are transferred to the income statement in accordance with the criteria for recognising research and development expenditure in the income statement.

2.17. Financial liabilities

a) Financial liabilities at amortised cost (Borrowings)

Borrowings are initially recognised at fair value, net of any transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the term of the borrowings using the effective interest method. The fees paid on the arrangement of loans are recognised as transaction costs for the loan to the extent that it is probable that a portion or all of the loan will be used. In these cases, the fees are deferred until the line of credit is used. If there is no evidence that all or a portion of the line of credit will likely be used, the fee is capitalised as an advance payment for liquidity services and is amortised over the period during which the line of credit is available.

Borrowings are removed from the consolidated balance sheet when the obligations specified in the contract are discharged or cancelled or expired. The difference between the carrying amount of a financial liability that has been cancelled or transferred to another party and the consideration paid, including any transferred assets other than the cash or liabilities assumed, is recognised in profit or loss for the year as other financial income or expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

b) Financial liabilities at fair value through profit or loss

These are liabilities acquired for the purpose of being sold in the near term. Derivatives are classified in this category unless they are designated as hedging instruments (see Note 2.20). These financial liabilities are recognised, both initially and subsequently, at their fair value, and the changes that arise therein are recognised in the consolidated income statement for the year.

2.18. Current and deferred taxes

The income tax expense for the year comprises current and deferred taxes. Taxes are recognised in the income statement, unless the tax relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where its subsidiaries and associates operate and generate taxable profit. Management periodically evaluates the positions taken in tax returns with regard to situations in which applicable tax legislation is subject to interpretation, and, if necessary, establishes provisions based on the amounts expected to be paid to the tax authorities.

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 in the consolidated financial statements. However, deferred taxes are not recognised if they arise from the initial recognition of a liability or asset 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 using the 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.

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.

Deferred taxes are recognised based on temporary differences that arise in investments in subsidiaries, associates and joint ventures, except for those cases in which the Group is able to control the date on which the temporary differences are reversed and it is likely that they will not be reversed in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and deferred taxes liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities that intend to settle the future tax assets and tax liabilities on a net basis.

2.19. Employee benefits

a) Termination benefits

Termination benefits are paid to employees as a result of the Group's decision to terminate their employment contract before the normal retirement date or when the employee agrees to accept voluntary redundancy in exchange for those benefits. The Group 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 (see Note 24).

b) Bonus plans

The Group recognises a provision when it is contractually required to do so.

2.20. Provisions

The Group recognises provisions when it has a present obligation (legal or constructive) as a result of past events, where an outlay of resources will likely be needed to settle the obligation and when the amount can be reliably estimated. No provisions are recognised for future operating losses, although provisions are recognised for engineering contracts expected to generate losses (see Note 2.21).

Provisions are recognised at the best estimate of the liability to be settled by the Group, taking into account the direct and indirect costs of each project and the effects of exchange rate fluctuations, for those amounts denominated in foreign currency, the present value of the disbursements, if the effect is significant, that are expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time of value of money and the specific risks of the obligation.

2.21. 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 Group's business activities. Revenue is presented net of value added tax, and after having excluded sales within the Group. The Group recognises revenue when the amount thereof can be reliably measured, when it is highly likely that the future economic benefits will flow to the Group and when the specific criteria for each of the activities are met, as detailed below. In most projects under implementation, irrespective of the legal form of the contract, there is only one obligation towards the client. The amount of revenue cannot be reliably determined until all contingencies related to the sale have been resolved. The Group bases its estimates on past results, taking into account the type of client, type of transaction and specific terms of each agreement.

In relation to inventories (parking spaces), the Group recognises sales and profit or loss when ownership is transferred to the buyer.

a) 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 client consists of the direct costs incurred, to which a fixed margin is applied for indirect costs and industrial profit.

b) Turnkey engineering contracts

When the residual 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 Group uses the percentage of completion method to calculate the amount to be recognised in a given accounting period. The percentage of completion is determined based on a financial assessment of the tasks effectively carried out as of the balance sheet date as a percentage of the total estimated tasks and costs for each contract.

In assessing the tasks effectively carried out at the balance sheet date, the different phases of engineering, procurement and construction are taken into account for each project. For engineering, the working hours actually incurred by each engineer on the project to date are considered; for procurement, on the basis of the progress of the costs incurred up to the delivery of materials and equipment; and for construction, a periodic physical measurement of the progress of the work is made, all at cost value. The calculation of the progress of the project is made by taking into account all costs incurred in accordance with the above criterion out of the total project costs and the revenue associated with the progress is recognised. This measurement method is aligned with the way in which the projects are managed and monitored and provides the best representation of the transfer of goods and services. The risk of contract termination is remote based on the Group's history.

The Group recognises an account receivable for the gross amount owed by clients 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 Group recognises a liability for the gross amount owed to clients for work performed under all contracts in progress for which the progress billings exceed the costs incurred plus the recognised profits (less recognised losses).

In turnkey projects awarded by the Group, there is normally a high degree of interaction and correlation between the various phases of engineering, procurement and construction, which tend to overlap, so that, regardless of the contractual form, which can sometimes be executed through several contracts in relation to the tasks performed in different countries, there is a single performance obligation. That is, regardless of whether there are many tasks to be performed, they are considered jointly as a single obligation, since they are considered in the context of the contract.

As a residual effect, a single contract may have clearly differentiated parts with different budgets signed with the same client. In these types of agreements, the client benefits from each part of the contract, while the Group has different performance obligations. If the income and costs of the different parts can be clearly identified, each part is treated 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 the client approves the change in scope and the resulting price increase. If the scope of the work has been approved but its valuation is outstanding, the revenue to be recognised will be estimated, provided the revenue is highly likely not to undergo a significant reversal in the future.

Likewise, claims may arise in the performance of the contracts that the Group seeks to collect from the client 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. Claims are recognised as a variable consideration. They are included as revenue using either the expected value method or the most likely amount method (in each case, using whichever method is better at predicting the amount that the entity expects to be entitled to receive) and provided that it is highly probable that there will not be a significant future reversal of the amount of revenue recognised when the uncertainties associated with those claims are subsequently resolved. 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 client in relation to the case.

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

In implementing its projects, the Group signs sub-contracts with companies that carry out the physical construction of the plants. The value of the sub-contracts is adjusted based on the scope established contractually. Where the reduction in scope results in inadequate execution and entails additional costs for the Group, the Group passes this excess cost on to the subcontractors based on its contractual rights.

c) Concession arrangements

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

d) Dividend income

Dividend income is recognised when the right to receive payment is established.

e) Interest income

Interest income is recognised using the effective interest method.

2.22. Derivative financial instruments and hedging transactions

The Group uses the general hedging model of IFRS 9. This requires the Group to ensure that the hedge accounting relationships are in line with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assess the effectiveness of the hedge.

The Group's risk management strategies and documentation of hedges are in line with the requirements of IFRS 9 and these relationships are treated as continuous hedges.

Derivative financial instruments are initially recognised at fair value on the date on which the contract is signed and are subsequently adjusted to their fair value at each balance sheet date. The recognition of the gain or loss resulting from the changes in fair value in each period depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

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

The cumulative balance under 'Other consolidated comprehensive gains or losses' is transferred to the consolidated income statement in the year in which the hedged item affects profit or losses.

When a hedging instrument expires or is sold, or when a hedging transaction no longer meets the requirements to qualify for hedge accounting, any cumulative gains or losses recognised under equity until then will remain in equity and are recognised in the income statement when the expected transaction final takes place. However, if it is no longer probable that this transaction will take place, any cumulative gains or losses recognised under 'Other consolidated comprehensive gains or losses' are immediately transferred to the consolidated income statement.

The Group designates certain derivatives as hedges of a specific risk associated with a recognised asset or liability or a highly probable forecast transaction that may affect profit/loss for the year (cash flow hedge).

a) Derivatives that do not qualify for hedge accounting

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 consolidated income statement. Financial assets and liabilities at fair value through profit or loss are considered to be included in this category.

2.23. Leases

Leases of property, plant and equipment with a term of more than one year and a significant value are recognised as rights of use over leased assets and the corresponding liability is recognised on the date on which the leased asset is available for use by the Group. (see Note 2.9)

2.24. Distribution of dividends

Dividend pay-outs to shareholders of the Parent are recognised as a liability in the Group's consolidated financial statements in the year in which the dividends are approved by the Company's shareholders.

2.25. Environmental disclosures

An environmental activity is considered to be any activity whose main purpose is to prevent, reduce or repair environmental damage.

Expenses incurred in protecting and improving the environment are charged to profit or loss in the year in which they are incurred, regardless of when the resulting monetary or financial flow arises.

Provisions for probable or certain third-party liability, litigation in process and outstanding environmental indemnity payments or obligations of undetermined amount not covered by the insurance policies taken out are recorded when the liability or obligation giving rise to the indemnity or payment arises.

In view of the business activities of the Group's companies, the Group has no assets or provisions for environmental contingencies that could be material with respect to its equity, financial position and earnings.

2.26. Earnings per share

a) Basic earnings per share

Basic earnings per share are calculated by dividing:

- The profit attributable to the Company's owners, excluding any cost of equity services other than ordinary shares.

- By the weighted average number of ordinary shares outstanding during the year, adjusted for any incentives in ordinary shares issued during the year and excluding treasury shares.

b) Diluted earnings per share

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

- The effect after income tax of interest and other finance costs associated with the dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.27. Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination, with limited exceptions, are initially measured at their fair values at their acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition basis at fair value or for the proportional stake of the non-controlling interest of the net identifiable assets of the acquired entity.

The costs related to the acquisition are recognised as expenses when they are incurred.

The excess of:

- the consideration paid;
- the amount of any non-controlling interest in the acquired entity, and
- the fair value at the date of acquisition of any prior ownership interest in the acquired entity,

out of the fair value of the net identifiable assets acquired is recognised as goodwill. If these amounts are lower than the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly under profit or losses as a purchase under highly advantageous terms.

2.28. Treatment of companies in hyperinflationary economies

The Group applies IAS 29 to the financial statements of the Turkish companies (in this case with retroactive effect from 1 January 2022) and Argentine companies. The application of this standard entails the following exceptions to the other valuation standards set out above:

- The comparative figures for the 2021 have not been amended.

- Restatement of non-monetary assets and liabilities net of deferred taxes, as appropriate, from the date of acquisition. The balancing entry for this restatement is reserves or the result from exposure to changes in the purchasing power of the currency of the year depending on the period of application.

- The equity has been restated, as have all other non-monetary items.

- The restatement of the monthly result in accordance with the cumulative inflation for the year since its generation must be adjusted against the consolidated comprehensive income arising from exposure to changes in the purchasing power of the currency.

- Application of the closing exchange rate, rather than the average exchange rate for the year, to income and expenses. For this purpose, all amounts need to be restated by using the change in the general price index from the date on which the income and expenses were recognised in the income statement.

- The Group has adjusted the 2022 income statement to reflect the financial loss corresponding to the impact of inflation on net monetary assets.

- The various items in the 2022 income statement and cash flow statement have been adjusted for the inflationary index since their generation, with a balancing entry in financial results and exchange differences, respectively.

The indices considered for this calculation in 2022 were 1.6427 in Turkey and 1.94793 in Argentina. This index is extracted from the information published by the Turkish Statistical Institution and the Argentine National Institute of Statistics of Censuses (INDEC), through the publication of the Consumer Price Index, which measures the variation in the prices of goods and services representative of household consumption expenditure.

The main effects on the various captions of the Group's consolidated balance sheet at 1 January 2022, related to the restatement of the financial statements of the Group companies in Turkey, as well as their translation and consolidation in the consolidated financial statements of the Técnicas Reunidas Group, are as follows:

	Thousands of euros	
Assets		15
Liabilities	-	45
Changes in equity	**-**	**29**

The results from the restatement recorded in the financial statements of the companies with the Turkish lira and the Argentine peso as their functional currency are included in the consolidated income statement under the heading 'Result from exposure to hyperinflation'. The effect on profit or loss of the restatement for 2022 amounts to a loss of EUR 6,097 thousand.

The effect on equity of the revaluation of non-monetary items, as well as the translation differences generated by translating the restated financial statements of the subsidiaries in Turkey and Argentina into euros, are recognised in the Group's consolidated equity under 'Cumulative translation differences'.

3. Financial and environmental risk management

3.1. Financial risk factors

The Group's activities are exposed to a variety of financial risks: market risk (including price risk, foreign currency risk and risk from cash flows due to interest rates), credit risk and liquidity risk. The Group's global risk management programme focuses on the uncertainty of the financial markets and aims to minimise the potential adverse effects on the Group's financial returns. The Group uses derivative financial instruments to hedge certain risk exposure.

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

3.1.1. Market risk

a) Foreign currency risk

The Group 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) and, to a lesser extent, currencies tied to the USD. There is residual exposure to suppliers operating in other currencies (mainly Japanese yen, Canadian dollars, Saudi rials, Turkish lire, Malaysian ringgits, Peruvian soles, Singaporean dollars, Polish złoty and Kuwaiti dinars). Foreign currency risk arises mainly from future commercial transactions and recognised assets and liabilities.

In accordance with the hedging policy established, the Group companies use forward contracts, negotiated by 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 Group's presentation 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 Group tries to hedge foreign currency risk via 'multicurrency' contracts with its clients, segregating the sale price in the various currencies from the foreseen expenses and preserving the projected margins in euros.

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

The nature of the Group's business operations means that it is very common to contract transactions with clients in US dollars, while the corresponding costs are usually denominated in multiple currencies, albeit mainly USD and EUR. If at 31 December 2022 the euro had depreciated / appreciated against the US dollar by a hypothetical

10%, leaving all other variables constant, consolidated profit before tax for the year would have been EUR 15,981 thousand higher / lower (2021: EUR 36,429 thousand), mainly due to the gains / losses generated on the appreciation / depreciation of positions in US dollars.

Regarding equity, if the euro had appreciated / depreciated against the US dollar by a hypothetical 10%, it would have been EUR 22,236 thousand higher / lower in the year ended 31 December 2022 (2021: EUR 40,508 thousand higher / lower); these amounts were calculated based on the changes in earnings outlined in the paragraph above, in addition to the estimated changes in value of the hedging derivatives recognised under equity hedge reserves (all before considering the related tax effect).

This effect would occur as long as the variation in the USD compared to the EUR took place within a period of less than 115 days (2021: 174 days), since that is the average maturity at which the hedging transactions are contracted.

Accordingly, the Group has various investments in foreign operations, the net assets of which are exposed to foreign currency risk. In general, the Group's policy is to finance its foreign operations with borrowings denominated in the functional currency of that country, so that the risk only affects the portion corresponding to the equity investment. The table below shows the absolute value of the balances of the principal exposures in foreign currency as a result of equity investments in foreign operations:

	Thousands of euros	
	2022	**2021**
Saudi Riyal	120,841	70,333
Turkish Lira	10,829	25,436
Peruvian Sol	89,201	105,089
Mexican Peso	24,620	9,821

b) Price risk

The Group is 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, and only from when the contract was awarded to when the orders were placed with the subcontractors. As a general rule, all peer contractors operating in the sector effectively pass on these impacts in sales prices. The Group reduces and mitigates price risk with established policies instructed by management, basically by accelerating or slowing down the pace of orders and selecting the currencies and countries of origin, as well as by contracting commodity hedging derivatives during the above period. An additional mechanism used by the Group to mitigate this risk consists of using contracting models that allow a portion of the price to be allocated to cover possible cost deviations, and of purchasing derivatives.

c) Interest rate risk in cash flows

The Group endeavours to self-finance its projects, establishing invoicing and collection milestones with clients that cover the payment deadlines undertaken with suppliers. However, the Group has debt instruments to cover its operating requirements, which combine fixed and variable rates. As part of the policy of prudence and control of interest rate risk and the impact that the change in interest rate risk may have on the consolidated income statement, there are fixed rate debt instruments amounting to EUR 462,120 thousand (2021: EUR 348,755 thousand).

The exposure to variable interest rate risk at each balance sheet date is the following:

	Thousands of euros					
	2022			**2021**		
	Tied to Euribor	**Other reference rates**	**Total**	**Tied to Euribor**	**Other reference rates**	**Total**
Participating loan	(175,000)	-	(175,000)	**-**	**-**	-
Variable rate borrowings	(339,907)	-	(339,907)	(394,130)	-	(394,130)
Interest-earning cash and cash equivalents	167,538	792,142	959,680	157,299	509,580	666,879
	(347,369)	**792,142**	**444,773**	**(236,831)**	**509,580**	**272,749**

The amount of cash and cash equivalents accruing interest corresponding to 'Other references' is mainly denominated in USD.

Based on the sensitivity analyses performed on cash and cash equivalents accruing interest, the impact on the consolidated earnings of a 25 basis point fluctuation in interest rates would imply an increase/decrease of EUR 1,980 thousand at 31 December 2022 (2021: EUR 1,274 thousand).

In the case of financial debt at variable interest rates, an upward/downward change by 10 basis points of the interest rate would have an impact on the consolidated result of a decrease/increase of EUR 514 thousand. (2021: EUR 406 thousand).

3.1.2. Credit risk

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

- Assets arising from derivative financial instruments (see Note 10) and sundry balances, including cash and cash equivalents (see Note 14).
- Balances related to trade and other receivables (see Note 11).

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

In relation to trade and other receivables, it is worth mentioning that, due to the characteristics of the business, there is a high concentration based on the Group's most significant projects. These counterparties are generally state-owned or top multinational oil companies. At 31 December 2022, 63.22 % of the total 'Trade receivables' account (included in trade and other receivables) was concentrated in 10 clients (2021: 83.62%), and they relate to transactions with the type of entities mentioned above, with which the Group considers that the credit risk is very limited.

The variables and assumptions and estimation techniques used to measure expected credit losses include the risk or probability of a credit loss occurring based on the likelihood of the credit loss occurring and the likelihood of it not occurring, even if the likelihood is very low. The expected loss (EL) is the weighted average credit loss with the respective risks of a default occurring.

The maximum period considered to assess expected credit losses is the maximum contractual period (including extension options) during which there is exposure to credit risk.

The Group adopts a credit risk impairment model based on the expected loss over the life of the asset under the simplified approach as it has trade receivables without a significant financing component, most of which correspond to clients of recognised solvency with whom it has extensive experience, for whom 99.69% of the Group's activity is carried out and with whom any problems that might arise would be exceptional.

The Group assesses whether the credit risk has increased significantly since the initial recognition. To carry out this assessment, it compares the risk of default of the financial instrument on the reporting date with the risk of default on the date of initial recognition and considers reasonable and substantiated information that is available without disproportionate costs or efforts and that is indicative of significant increases in credit risk since the initial recognition.

Lastly, objective evidence of impairment was analysed, taking into account both quantitative information (e.g. drop in credit rating, very significant increases in credit Default Swap prices, etc.) and qualitative information (e.g. declaration of insolvency, etc.)

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

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

3.1.3. Liquidity risk

Prudent management of liquidity risk entails the maintenance of sufficient cash and marketable securities, availability of financing through a sufficient amount of committed debt instruments or similar and the capacity to settle market positions.

The trend in client contracts, which include tighter cash flows, has led the Group to optimise its financing strategy.

Management monitors the Group's projected liquidity reserve on the basis of expected cash flows. In addition, the Group has debt instruments that provide additional support to its liquidity position, as well as receiving EUR 340 million from the 'Fund for Supporting the Solvency of Strategic Companies' paid out on 24 February 2022.

Therefore, the Group's liquidity risk is considered to be appropriately managed.

The following is a breakdown of relevant liquidity information (calculated in accordance with the covenant compliance requirements, according to which the participating loan is not included in the calculation of the net cash ratio):

	Thousands of euros	
	2022	**2021**
Borrowings (Note 20)*	(802,131)	(742,885)
Cash and cash equivalents (Note 14)	959,680	666,879
Net cash	157,549	(76,006)
Undrawn credit lines **	15,577	118,381
Total liquidity reserves	**173,126**	**42,375**

*This amount does not include borrowings associated with rights of use of leased assets or the participating loan.

** This amount does not include the unused amount of the limits in the MARF (bonds and promissory notes) amounting to EUR 190 million and EUR 141 million in 2022 and 2021, respectively.

The two signed syndicated credit lines, as well as the private placement in Spain, the placement on the German promissory note market, and the placement of MARF bonds on the market underwritten by TR in force at the date of preparation of these financial statements, the total provision of which amounts to EUR 452 million (2021: EUR 496.6 million), require, among other requirements, that the consolidated financial debt/EBITDA ratio be less than or equal to 2.5 (syndicated loans)/3 for other financial debt, described here (for the compliance with the Group's covenants and waivers, see note 20)

In addition, the facilities of the two syndicated credit lines contain the following limitation on distributing profits for the years 2021-24: 30% of the consolidated net profit for the years 2021/2022, 40% of the consolidated net profit for 2023 and 50% of the consolidated net profit for 2024.

For 2023, the Parent's directors consider that, at the date of preparation of these accounts, the Group is in a position to comply with the financial ratios included in the clauses of all its finance agreements.

The table below shows an analysis of the financial liabilities, grouped by maturities, in accordance with the remaining periods at the consolidated balance sheet date until the contractual maturity date. The amounts shown in the table correspond to the balances resulting from applying the amortised cost method (carrying amounts), which basically coincide with the undiscounted expected cash flows. 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	From 3 to 5 years	More than 5 years
At 31 December 2022				
Borrowings (Note 20)	201,922	410,005	189,458	746
Participating loans (Note 20)	-	-	175,000	-
Borrowings associated with rights of use of leased assets (Note 8)	17,279	35,122	-	-
Derivative financial instruments (Note 10)	22,277	-	-	-
Trade and other payables (Note 19)	3,506,239	-	-	-
Total	**3,747,717**	**445,127**	**364,458**	**746**
At 31 December 2021				
Borrowings (Note 20)	267,352	136,410	273,568	89,908
Borrowings associated with rights of use of leased assets (Note 8)	13,089	28,332	-	-
Derivative financial instruments (Note 10)	18,868	2	-	-
Trade and other payables (Note 19)	2,793,234	-	-	-
Total	**3,092,543**	**164,744**	**273,568**	**89,908**

3.2. Capital risk management

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

The Group monitors capital on the basis of the leverage ratios set out below. The leverage ratio is calculated as financial debt (as calculated for covenant compliance purposes) divided by equity. Equity is the amount shown in the consolidated financial statements. Likewise, the index is calculated that determines the ratio between the net cash position (see calculation in Note 3.1.3) and equity.

	Thousands of euros	
	2022	2021
Borrowings (Note 20)	(802,131)	(742,885)
Net cash	157,549	(76,006)
Equity	83,014	104,658
% Borrowings / Equity	966.26%	709.82%
% Net cash/Equity	189.79%	(72.62%)

*This amount does not include borrowings associated with rights of use of leased assets or the participating loan

The financial tensions experienced in 2021 as a result of the situations caused by COVID-19 led to a worsening versus 2020 of the financial ratios shown in the table above at 31 December 2021. In this situation, the Group has adopted various measures aimed at restoring the financial situation to pre-COVID levels, such as applying for aid from the 'Fund for Supporting the Solvency of Strategic Companies (FASEE)', which was paid out on 24 February 2022, as well as efforts aimed at increasing the closure of customer claims and their monetisation, which at year-end 2022 resulted in an improvement in net cash and, in turn, an increase in financial debt due to the disbursement received from the FASEE.

3.3. Fair value

The table below includes an analysis of the financial instruments, classified by valuation method, that are measured at fair value.

The various levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

- Inputs other than prices quoted included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2).

- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). The following table presents the Group's assets and liabilities measured at fair value at 31 December 2022 and 2021.

	Thousands of euros			
At 31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total balance**
Assets				
Financial assets at fair value through other comprehensive income	-	264	-	264
Hedging derivatives (Note 10)	-	38,697	-	38,697
Total assets	**-**	**38,961**	**-**	**38,961**
Liabilities				
Hedging derivatives (Note 10)	-	22,277	-	22,277
Total liabilities	**-**	**22,277**	**-**	**22,277**
At 31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total balance**
Assets				
Financial assets at fair value through other comprehensive income	-	264	-	264
Hedging derivatives (Note 10)	-	13,561	-	13,561
Total assets	**-**	**13,825**	**-**	**13,825**
Liabilities				
Hedging derivatives (Note 10)	-	18,870	-	18,870
Total liabilities	**-**	**18,870**	**-**	**18,870**

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

a) Level 1 financial instruments

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 Group is the current bid price. These instruments are included in level 1.

b) Level 2 financial instruments

The fair value of financial instruments that are not 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. If all the significant inputs required to calculate an instrument's fair value are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of the interest rate swaps is calculated as the present value of the estimated future cash flows based on estimated interest rate curves.
- The current 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.

There were no transfers between levels in 2022 or 2021.

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 Group's own credit risk, where applicable.

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

3.4. Environmental risk management

For the Técnicas Reunidas Group, environmental management is a priority integrated into the Group's strategy that focuses on the environmental requirements of all its facilities and projects.

The Group develops products, systems and services with the aim of obtaining energy that is more sustainable, affordable and reliable and that meets current environmental requirements. All projects must comply with climate change initiatives focused on reducing CO2 emissions and improving the waste management system, focusing on waste reduction from a circular economy perspective. To this end, Técnicas Reunidas has implemented methodologies that ensure the monitoring and verification of environmental information in its projects.

In this context, it is important to mention that environmental regulations affecting Técnicas Reunidas were approved in 2021, reinforcing the Spanish National Integrated Energy and Climate Plan (PNIEC). The Company is also subject to the Spanish Climate Change and Energy Transition Act 7/2021, of 20 May [*Ley de cambio climático y transición energética*] under which Spain is seeking to achieve neutrality in greenhouse gas emissions by 2050.

The Group is primarily exposed to energy transition risks, in particularly those that depend on regulatory developments that could have an impact on various clients. An increasingly demanding regulatory environment, which can translate into significant reputational risk at the corporate level.

In addition, the Group is also exposed to physical risks, particularly the geographic location of some clients, which are subject to extreme temperatures (for example, the Middle East, and Canada), which can lead to changes in working conditions during the performance of projects.

On the other hand, in the area of the opportunities generated by climate change, the Group is well positioned, thanks to its leadership on climate change, the diversification of its activities and its adaptation to new trends. This enables the Group to benefit from the opportunities that will arise from increased regulatory pressure on environmental issues, as it has the technology and solutions to help its clients meet these growing environmental demands.

This diversification of activities focuses on collaboration with the client in terms of the environmental improvement of its facilities: production of refining, natural gas and chemical products, low-carbon technology (hydrogen, CO2 sequestration and capture, circular economy and bioproducts) and, therefore, the reduction of greenhouse gas emissions.

This year, within the framework of the Sustainability Plan, TR applied to join SBTI, a global initiative through which Técnicas Reunidas is committed to establishing emission reduction targets in the short term and climate neutrality targets in the long term, both based on science. Therefore, the Company has submitted the internally approved decarbonisation targets to SBTi for validation, which is expected to be completed by 2023. In addition, Técnicas Reunidas approved an internal emissions reduction plan, with specific actions to achieve these objectives.

TR is also keenly aware of the potential impact that climate change may have on its business, and it has developed a Climate Risk and Opportunity Matrix together with the relevant adaptation plan, transparently reporting its climate change performance through participation in initiatives such as the Carbon Disclosure Project (CDP) in which TR has participated for several years. In 2022, the Company improved its rating by obtaining an A- in the Climate Change category. This was the highest score in the industry in 2022 and places TR among the leading companies worldwide in terms of climate change. In this regard, TR stands out positively in the following categories: scope 1, 2 and 3 emissions, as well as emissions reduction, strategy, scenario planning and analysis, governance, risk management, and disclosure.

For its part, the Company developed a circular economy strategy in 2022 within the framework of the Company's Sustainability Policy, having created an internal multidisciplinary group to ensure its implementation in projects and, within its offices, various energy efficiency measures have been developed, such as using smart systems and conducting employee awareness campaigns.

Finally, the Company obtained a score of 59/100 (corresponding to the 97th percentile, as the industry average score is 24/100) in its first participation in the S&P Global Corporate Sustainability Assessment (CSA), placing it among the best ESG performers in the industry. The CSA is an annual assessment of corporate sustainability practices, including environmental sustainability, based on a methodology that focuses on both industry-specific and financially meaningful sustainability criteria. More than 10,000 companies worldwide are rated using this assessment.

4. Accounting estimates and judgements

When preparing the consolidated financial statements in accordance with EU-IFRSs, Management must make estimates and assumptions 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 based, among other aspects, on historical experience or other events considered reasonable in view of the facts and circumstances analysed. The resulting accounting estimates may differ significantly from the corresponding outcomes in real life. The main estimates are the following:

4.1. Income tax and deferred tax assets

The Group is subject to income tax in several jurisdictions. A significant degree of judgement is required to determine the provision for income tax at a global level. There are several transactions and calculations for which the final determination of the tax is uncertain. The Group recognises liabilities for potential tax claims based on the estimate of whether or not additional taxes will be necessary. If the final amount of taxes differs from what was initially recorded, any such differences will affect the income tax and the provisions for deferred taxes for the year in which said determination was made.

In this regard, the tax expense amounted to EUR 15,950 thousand in 2022 (12,331 in 2021) (see Note 26).

The Group also assesses the recoverability of deferred tax assets based on the existence of future taxable profit against which these assets may be utilised.

4.2. Useful lives of property, plant and equipment and intangible assets

Group 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 Group 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. Historically, there were no material adjustments made in relation to the useful lives of the assets.

4.3. Accounts receivable

The Group 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 clients. In addition and in compliance with IFRS 9, the Group estimates impairment based on expected loss.

4.4. 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. Group 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.

4.5. Revenue recognition

The Group 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 Group 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. In the case of claims by the Group on clients or variations in the scope of projects, these are included as contract revenue when the Group considers an inflow of resources to be highly probable (see note 2.21).

4.6. Fair value of unlisted financial instruments

The fair value of those financial instruments that are not traded on an active market (e.g. OTC derivatives) is determined using valuation techniques. The Group exercises judgement in selecting a range of methods and making assumptions that are based mainly on prevailing market conditions at the reporting date. The Group used the discounted cash flow analysis for various exchange rate and commodity contracts that are not traded on an active market.

4.7. Warranty claims

The contracts with clients establish a warranty period of 12 to 24 months. The warranty period does not entail a separate service, but is related to the proper functioning of the plant. These are industry-specific warranties and include standard terms in accordance with the legal requirements of each country where the Group operates. 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. The Group also had similar warranties with its main subcontractors.

4.8. Impairment of concession assets

The estimated recoverable amount of the concessions operated by the Group was determined by evaluating the different external and internal circumstances that could give rise to indications of impairment, such as the market value of the asset, offers received for the assets, changes in business plans, changes in management or in the environment (legal, fiscal, economic, etc.), interest rate fluctuations, obsolescence or physical impairment.

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

5. Segment information

Segment information included in the Consolidated Financial Statements is presented in accordance with the disclosure requirements of IFRS 8 'Operating Segments'. The segments are presented following the structure of the Group's business, providing information based on the geographical areas in which the Group operates.

Traditionally, and in the 2021 and 2020 Consolidated Financial Statements, the Group has classified its operating segments into: (i) Oil and Gas, (ii) Power, and (iii) Other industries. Nevertheless, the Company's management started to implement, alongside the traditional segmentation, a redesigned segmentation aimed at (i) reflecting the insights of the Group's business activities in a more appropriate and comparable way to peer companies in the sector; and (ii) adapting the reporting format to the Group's enhanced positioning in energy transition technologies.

This new segmentation comprises the following operating segments: (i) Refining, (ii) Natural Gas; (iii) Petrochemistry; (iv) Low Carbon Technologies; and (v) Others. The segment information for 2021 and 2020 has been restated and presented in accordance with the new segmentation.

Although the Group's core business is providing engineering and construction services, the above segment reporting format is presented on the understanding that the risks and rewards that may arise from its business activities and the specialisation required to complete projects in these segments, among other differentiating factors, make this segment distinction necessary to provide an optimal understanding of the business structure.

In terms of the new segmentation, the different segments can be summarised as follows:

Refining: This line provides management, engineering, procurement, construction and commissioning of facilities throughout the value chain for the fuels production meeting the highest standards (Euro V/Euro VI). These facilities convert waste streams into high-quality fuels, optimising the use of natural resources.

Additionally, the Group has extensive experience in the design and construction of the most advanced technologies for refining production processes. TR also offers its clients the possibility of revamping existing plants in order to improve their efficiency and make progress in the sustainability actions and commitments they have decided to implement.

The Hassi Messaud project has not yet been launched and the client, Sonatrach, and the contractor, JV Tecncias Reunidas and Samsung, are analysing the way forward for relaunching the project or other possible alternatives.

Natural Gas: This line provides steering, management, engineering, procurement, construction and commissioning services for facilities throughout the entire supply chain, from natural gas production to regasification terminals, as natural gas is a key fuel for advancing toward decarbonisation objectives. In this regard, the Group has designed and executed all types of facilities, from production facilities in natural gas fields, to treatment and processing plants, compression stations, liquefaction, storage tanks and final regasification facilities.

Petrochemistry: This area provides steering, management, engineering, procurement, construction and start-up services for facilities engaged in the production of basic chemical materials used in water distribution, pharmaceuticals, health, food, energy efficiency in buildings and transport systems, among others. The refining production plants are being integrated with petrochemistry operations, supplying both markets in an efficient and flexible manner and optimising the consumption of natural resources.

Low-carbon technologies: This segment comprises the following lines of activity:

(i) Hydrogen;

Through this line of business, the Group actively participates in offering solutions for different types of hydrogen, helping its customers in the integration of this element into their production processes with storage solutions or by mixing it with existing gas networks.

(ii) Carbon capture and storage

The Carbon Capture and Storage ('CCS') line helps energy-intensive industrial companies, such as the steel, chemical, cement and paper industries, to reduce carbon emissions from their assets. High-intensity industrial installations are complex, with space and operational limitations that make it difficult to install new processes. Faced with these challenges, the Group accelerates the energy transition of its customers towards a zero-emission future by implementing carbon capture technologies in their industrial processes. Once captured, carbon dioxide is either permanently stored or subsequently converted into synthetic fuels.

(iii) Circular Economy and Bioproducts

Within this line of activity, the Group provides services to produce biomethane and convert biomass and waste into fuels (biodiesel and bio-kerosene), chemicals and the generation of energy and steam.

Others: This area provides steering, management, engineering, procurement, construction and commissioning services for facilities related to activities outside of the business lines of the Group. The main activities involve water treatment, port infrastructures and oil production. This segment also includes those projects whose completion was not achieved as a result of client termination through the enforcement of guarantees. The purpose of this inclusion is to avoid distorting the analysis of the remaining segments.

The overhead expenses related to head office and functional departments that do not generate revenue or that may generate revenue that are only incidental to the Group's activities and that, in either case, cannot be allocated to any operating segment or included as part of an operating segment, as referred to in IFRS 8.6, are classified as 'Unallocated'.

The operating segment analysis is based on an assessment of the profit/loss from segment operations, adjusted for unallocated Group overheads. In addition, the Group manages financing activities and the effect of income tax. Therefore, finance income, finance costs and income tax, as well as financial debt and taxes payable, have not been allocated by segment. In addition, non-current assets and the related depreciation, amortisation or impairment are not allocated as they are not considered to be material.

No sales were made between the different operating segments in 2022 and 2021.

CONSOLIDATED FINANCIAL STATEMENTS FOR TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2022

	Thousands of euros																				
	Refining			Natural gas			Petrochemistry			Low-carbon technologies			Other			Unallocated			Total		
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
Results by segment																					
Revenue	1,425,936	1,228,460	1,649,627	1,632,121	1,037,212	1,317,361	842,556	283,732	46,493	5,716	481	-	327,041	256,154	507,109	-	-	-	4,233,370	2,806,038	3,520,589
Profit/(loss) from operations	73,476	(3,761)	245,988	55,487	31,091	84,913	89,547	26,708	(8,807)	(1,114)	(747)	-	(115,998)	(107,245)	(173,878)	(92,656)	(102,689)	(106,753)	8,741	(156,644)	41,464
Profitability %	**5.153%**	**(0.3%)**	**14.9%**	**3.4%**	**3.0%**	**6.4%**	**10.6%**	**9.4%**	**(18.9%)**	**(19.5%)**	**(155.3%)**	**-**	**(35.5%)**	**(41.9%)**	**(34.3%)**	**-**	**-**	**-**	**0.2%**	**(5.6%)**	**1.2%**
Net financial profit (loss) (Note 25)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(27,166)	(22,086)	(20,906)	(27,166)	(22,086)	(20,906)
Earnings from sales and share in profit/(loss) of associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(110)	(1,072)	(675)	(110)	(1,072)	(675)
Profit/loss before tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(18,534)	(179,802)	19,883
Income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(15,950)	(12,331)	(6,901)	(15,950)	(12,331)	(6,901)
Profit/loss for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(34,484)	(192,133)	12,982
Assets and liabilities by segment																					
Assets	1,889,902	2,028,346	2,197,116	1,569,310	941,836	1,027,782	567,478	236,256	80,036	2,480	80	258	183,814	156,362	134,610	606,756	519,090	493,716	4,819,739	3,881,969	3,933,518
Associates	(1,182)	3,563	3,563	-	-	-	-	-	-	-	-	-	(2,197)	(2,087)	(1,015)	-	-	-	(3,379)	1,476	2,548
Total Assets	1,888,720	2,031,909	2,200,680	1,569,310	941,836	1,027,782	567,478	236,256	80,036	2,480	80	258	181,617	154,275	133,595	606,756	519,090	493,716	4,816,360	3,883,446	3,936,067
Total Liabilities	1,726,886	1,654,866	1,775,185	1,325,698	883,499	983,561	427,139	203,020	7,794	884	55	-	49,456	20,340	65,266	1,203,283	1,017,007	820,669	4,733,346	3,778,787	3,652,475
Investments in non-current assets (Notes 6 and 7)	1,207	696	1,485	228	77	13	110	76	-	-	-	-	28	219	1,043	1,188	1,908	1,505	2,762	2,975	4,046
Other segment information																					
Depreciation of property, plant and equipment (Note 6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		(7,677)	(10,919)		(7,677)	(10,919)
Amortisation of intangible assets (Note 7)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		(1,939)	(2,306)		(1,939)	(2,306)
Impairment of trade receivables (Note 11)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		(8,077)	(1,791)		(8,077)	(1,791)

Revenue from external clients is allocated based on the country in which the client is located. The breakdown is as follows:

	Thousands of euros		
	Revenue		
	2022	2021	2020
Spain	71,331	39,267	85,490
Middle East	2,354,156	2,120,406	2,681,084
America	538,287	285,535	283,557
Asia	360,054	224,983	388,586
Europe	482,918	(124,451)	15,249
Mediterranean	426,624	260,298	66,623
	4,233,370	**2,806,038**	**3,520,589**

Revenue from the Middle East relates mainly to operations in Saudi Arabia, Abu Dhabi, Kuwait, Bahrain and Oman; in America, revenue comes primarily from operations in Peru, Mexico, Colombia and Chile; in Asia revenue is generated from operations in Malaysia, Thailand and Singapore; in Europe the operations were focused primarily in Poland; and in the Mediterranean operations were focused basically on Turkey and Algeria, as well as other countries.

The revenue generated by the Group's top five clients accounted for 61.92% of total revenue in 2022 (2021:67%). Revenue generation by clients that individually accounted for over 10% of total consolidated revenue in 2022 amounted to EUR 1,742 million (2021: EUR 2,047 million).

All assets and liabilities allocated to the operating segments are measured using the same criteria as those described in Note 2. These assets and liabilities are allocated by region based on their physical location. The detail of the assets and investments in non-current assets is as follows:

	Thousands of euros					
	Assets			Investments in non-current assets		
	2022	2021	2020	2022	2021	2020
Spain	575,031	362,290	369,437	28	218	1,059
Middle East	2,463,416	2,467,278	2,538,666	242	571	1,442
America	666,793	255,071	275,601	234	88	22
Asia	187,295	152,790	223,186	893	101	18
Europe	398,266	220,088	164,206	-	3	-
Mediterranean	357,508	218,699	181,262	177	86	-
Total	**4,648,309**	**3,676,216**	**3,752,358**	**1,574**	**1,067**	**2,541**
Associates	(3,379)	1,476	2,548	-	-	-
Unallocated	171,430	205,754	181,160	1,188	1,908	1,505
	4,816,360	**3,883,446**	**3,936,066**	**2,762**	**2,975**	**4,046**

The reconciliation of the assets and liabilities of the reportable segments to total assets and liabilities is provided as follows:

	2022	2021	2020
Segment assets	4,209,604	3,364,356	3,442,351
Unallocated:			
Non-current assets	384,407	377,243	359,101
Current assets	222,349	141,847	134,615
Total Assets	**4,816,360**	**3,883,446**	**3,936,067**

	2022	2021	2020
Liabilities by Segment	3,530,064	2,761,780	2,831,806
Unallocated:			
Non-current liabilities	822,268	512,697	344,321
Current Liabilities	381,014	504,310	476,348
Total Liabilities	**4,733,346**	**3,778,787**	**3,652,475**

6. Property, plant and equipment

The detail of 'Property, plant and equipment' and of the changes to it is as follows:

	Thousands of euros					
Cost	**Land and buildings**	**Plant and machinery**	**Furniture and equipment**	**Property, plant and equipment in the course of construction**	**Other items of property, plant and equipment**	**Total**
Balances at 1 January 2021	**13,558**	**59,029**	**58,988**	**2,537**	**5,956**	**140,068**
Increases	3	362	1,985	-	29	2,379
Reductions	(252)	(33,859)	(30,502)	-	(1,240)	(65,853)
Reclassifications	-	173	(173)	-	-	-
Removal from the scope of consolidation	-	(2)	(27)	-	-	(29)
Translation differences	(35)	36	1,150	-	145	1,296
Balances at 31 December 2021	**13,274**	**25,739**	**31,421**	**2,537**	**4,890**	**77,861**
Increases	12	409	2,150	-	82	2,653
Reductions	-	(386)	(814)	-	(84)	(1,284)
Removal from the scope of consolidation	(12,648)	(8,852)	(1,482)	-	(61)	(23,043)
Translation differences and adjustments due to IAS 29	(5)	262	1,140	-	190	1,587
Balances at 31 December 2022	**633**	**17,172**	**32,415**	**2,537**	**5,017**	**57,774**

Accumulated depreciation and impairment losses	**Land and buildings**	**Plant and machinery**	**Furniture and equipment**	**Property, plant and equipment in the course of construction**	**Other items of property, plant and equipment**	**Total**
Balances at 1 January 2021	**1,503**	**58,743**	**39,372**	**2,537**	**4,069**	**106,224**
Increases	363	1,548	5,124	-	642	7,677
Reductions	(207)	(29,198)	(30,425)	-	(1,074)	(60,904)
Reclassifications	-	(10,465)	11,409	-	(944)	-
Removal from the scope of consolidation	-	(2)	(27)	-	-	(29)
Translation differences	(50)	24	932	-	133	1,039
Balances at 31 December 2021	**1,609**	**20,650**	**26,385**	**2,537**	**2,826**	**54,007**
Increases	309	1,520	3,113	-	91	5,033
Reductions	-	(386)	(782)	-	(81)	(1,249)
Removal from the scope of consolidation	(1,863)	(7,571)	(1,480)	-	(58)	(10,972)
Translation differences and adjustments due to IAS 29	(7)	230	1,018	-	175	1,416
Balances at 31 December 2022	**48**	**14,443**	**28,254**	**2,537**	**2,953**	**48,235**
Net balance at 1 January 2021	**12,055**	**286**	**19,616**	**-**	**1,887**	**33,844**
Net balance at 31 December 2021	**11,665**	**5,089**	**5,036**	**-**	**2,064**	**23,854**
Net balance at 31 December 2022	**585**	**2,729**	**4,161**	**-**	**2,064**	**9,539**

'Land and buildings' mainly include parking spaces that are owned by certain Group companies.

The amounts included under the heading 'Removed from the scope of consolidation' correspond to the assets of the company Ibérica del Espacio, S.A., which was sold in 2022 (see note 2.4.1)

The decreases in 'Plant and machinery' and 'Furniture and equipment' in 2021 related mainly to items derecognised as a result of the transfer of offices in Madrid. Most of these items were fully depreciated.

At 31 December 2022, the Group had foreign investments in property, plant and equipment for a cost of EUR 30,823 thousand (2021: EUR 31,680 thousand), and cumulative depreciation in the amount of EUR 28,210 thousand (2021: EUR 28,117 thousand).

The Group takes out all of the insurance policies it considers necessary to cover the risks that might affect its property, plant and equipment.

In 2022 and 2021, no provision was made for the depreciation of property, plant and equipment.

7. Intangible assets

The detail of 'Intangible assets' and of the changes therein is as follows:

	Thousands of euros		
Cost	Administrative concessions	Computer software and other intangible assets	Total
Balances at 1 January 2021	**74,361**	**18,607**	**92,968**
Increases	-	596	596
Reductions	-	(14,449)	(14,449)
Transfers	-	-	-
Translation differences	-	286	286
Balances at 31 December 2021	**74,361**	**5,040**	**79,401**
Increases	-	109	109
Reductions	-	(187)	(187)
Removal from the scope of consolidation	-	(928)	(928)
Translation differences and adjustments due to IAS 29	-	63	63
Balances at 31 December 2022	**74,361**	**4,097**	**78,458**

Accumulated depreciation and impairment losses	Administrative concessions	Computer software and other intangible assets	Total
Balances at 1 January 2021	**25,357**	**16,745**	**42,102**
Increases	1,483	456	1,939
Reductions	-	(13,754)	(13,754)
Removal from the scope of consolidation	-	-	-
Impairment	257	-	257
Translation differences	-	108	108
Balances at 31 December 2021	**27,097**	**3,555**	**30,652**
Increases	1,483	343	**1,826**
Reductions	-	(187)	**(187)**
Removal from the scope of consolidation	-	(870)	**(870)**
Translation differences and adjustments due to IAS 29	-	57	**57**
Balances at 31 December 2022	**28,580**	**2,898**	**31,478**
Net balance at 1 January 2021	**49,004**	**1,862**	**50,866**
Net balance at 31 December 2021	**47,264**	**1,485**	**48,749**
Net balance at 31 December 2022	**45,781**	**1,199**	**46,980**

Research and development expenditure charged directly to the income statement during the year amounted to EUR 7,200 thousand (2021: EUR 7,100 thousand).

'Computer software and other intangible assets' includes the title to and the right to use computer programs acquired from third parties. Computer software does not include the amounts related to the internal development of computer programs. The main losses in 2021 related to software licenses that are no longer in use and that were fully depreciated practically in their entirety.

No finance costs were capitalised in 2022 or 2021.

In 2022 and 2021, no provision was made for the depreciation of intangible assets.

a) Administrative concessions

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	Year completed	Remuneration	Redemption
1	Alcobendas sports complex	2062	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	2063	User charges	Period may be extended up to 60 years upon approval by the Municipal Council
3	Underground car park at Huercal - Overa (Almeria)	2036	User charges	Subject to successive term extensions.

Concession assets are financed by borrowings amounting to EUR 11,656 thousand (2021: EUR 13,476 thousand)

Operating income from managing these concessions amounted to EUR 5,961 thousand (2021: EUR 5,308 thousand).

8. Rights of use over leased assets

The detail of 'rights of use over leased assets' and of the changes to it is as follows:

	Thousands of euros			
	Offices	**Housing**	**Vehicles**	**Total**
Cost				
1 January 2021	**47,025**	**11,711**	**14,821**	**73,557**
Additions	7,624	2,735	840	11,199
Disposals	(11,633)	-	-	(11,633)
Changes due to amendments to existing contracts	27,311	(61)	(1,690)	25,560
Translation differences	210	573	779	1,562
31 December 2021	**70,537**	**14,958**	**14,750**	**100,245**
Additions	6,577	5,188	3,372	15,137
Disposals	(508)	(4)	(13)	(525)
Changes due to amendments to existing contracts	14,093	-	-	14,093
Translation differences	806	991	960	2,757
31 December 2022	**91,505**	**21,133**	**19,069**	**131,707**
Amortisation charge				
1 January 2021	**34,033**	**7,059**	**11,560**	**52,652**
Charge for the year	11,659	4,177	1,703	17,539
Disposals	(11,633)	-	-	(11,633)
Translation differences	(118)	591	728	1,201
31 December 2021	**33,941**	**11,827**	**13,991**	**59,759**
Charge for the year	13,601	1,812	3,591	19,004
Disposals	(508)	(4)	(13)	(525)
Translation differences	653	740	766	2,159
31 December 2022	**47,687**	**14,375**	**18,335**	**80,397**
Net balance at 1 January 2021	**12,992**	**4,652**	**3,261**	**20,905**
Net balance at 31 December 2021	**36,599**	**3,130**	**757**	**40,486**
Net balance at 31 December 2022	**43,818**	**6,758**	**734**	**51,310**

The amounts paid in respect of rights of use on leased assets at 31 December 2022 amount to EUR 20,031 thousand (2021: EUR 18,342 thousand).

At 31 December 2022, the financial debt associated with the rights of use for leased assets amounted to EUR 52,401 thousand (2021: EUR 41,421 thousand), and the interest charged to the income statement amounted to EUR 900 thousand (2021: EUR 288 thousand).

The losses in 2021 related mainly to the completion of the leases for the former Group offices in Spain at Arapiles 13, Arapiles 14 and Maria de Portugal.

The change due to changes in existing leases in 2021 and 2022 reflects the change in the lease extension of the offices of the Adequa complex respectively.

The rights of use are not directly related to the Group's Cash Generating Units. As at 31 December 2022 no impairment of these assets has become evident. The related liabilities are recorded at that date.

9. Investments in associates

The detail of and changes in investments in associates is as follows:

	Thousands of euros	
	2022	**2021**
Beginning balance	**1,639**	**2,711**
Share of profit/(loss)	(110)	(1,072)
Ending balance	**1,529**	**1,639**

The amount of this heading includes the interest in the equity of associates (over which it does not have control). At 31 December 2022, it related mainly to the stake in the company Minatrico S. de. R.L. de C.V.

The 'Share in profit/(loss) of associates' heading in 2022 and 2021 included the share in the profit/loss of Master S.A. Engineering and Architecture.

The reporting date of the financial statements of all associates coincides with the reporting date of the Parent's financial statements. The Group's interest in its main associates, all of which are unlisted, is as follows:

Name	Country of incorporation	Assets	Liabilities	Revenue	Profit/(loss)	% ownership interest
2022						
Master S.A de Ingeniería y Arquitectura	Spain	2,576	8,069	715	(275)	40.00%
Ebramex S. de R.L. de C.V.	Mexico	208	12,231	-	-	33.33%
Minatrico S. de R.L. de C.V.	Mexico	12,787	399	-	-	33.33%

Name	Country of incorporation	Assets	Liabilities	Revenue	Profit/(loss)	% ownership interest
2021						
Master S.A de Ingeniería y Arquitectura	Spain	2,579	7,796	971	(2,681)	40.00%
Ebramex S. de R.L. de C.V.	Mexico	188	11,022	-	-	33.33%
Minatrico S. de R.L. de C.V.	Mexico	11,523	359	-	-	33.33%

This balance relates to minor investments in companies that are not listed on any active market and over which the Group does not have control.

No provisions for impairment losses in investments in associates were recognised in 2022 or 2021.

10. Financial instruments

10.1. Financial instruments by category

The detail, by nature and measurement category, of the financial assets (excluding cash and cash equivalents) and financial liabilities for the years ended 31 December 2022 and 2021, is as follows:

	Thousands of euros		
	At 31 December 2022		
Financial assets:	**Financial assets through other comprehensive income**	**Amortised cost**	**Hedging derivatives (Note 10.2)**
Nature / Category			
Derivatives	-	-	1,237
Accounts receivable and other financial assets (Note 13)	264	95,164	-
Long-term/non-current	**264**	**95,164**	**1,237**
Derivatives	-	-	37,460
Loans and receivables (Note 11)	-	3,174,557	-
Accounts receivable and other financial assets (Note 13)	-	21,493	-
Short-term/current	**-**	**3,196,050**	**37,460**
Total financial assets	**264**	**3,291,214**	**38,697**

	Thousands of euros		
	At 31 December 2021		
Financial assets:	**Financial assets through other comprehensive income**	**Amortised cost**	**Hedging derivatives (Note 10.2)**
Nature / Category			
Derivatives	-	-	7,202
Accounts receivable and other financial assets (Note 13)	264	75,576	-
Long-term/non-current	**264**	**75,576**	**7,202**
Derivatives	-	-	6,359
Loans and receivables (Note 11)	-	2,568,029	-
Accounts receivable and other financial assets (Note 13)	-	24,962	-
Short-term/current	**-**	**2,592,991**	**6,359**
Total financial assets	**264**	**2,668,567**	**13,561**

	Thousands of euros			
	2022		2021	
Financial liabilities	**Accounts payable**	**Hedging derivatives (Note 10.2)**	**Accounts payable**	**Hedging derivatives (Note 10.2)**
Nature / Category				
Participating loans (Note 20)	175,000	-	-	-
Borrowings (Note 20)	600,209	-	475,533	-
Borrowings associated with rights of use of leased assets (Note 8)	35,122	-	28,332	-
Derivatives	-	-	-	2
Other accounts payable	255	-	281	-
Non-current payables/Non-current financial liabilities	**810,586**	**-**	**504,146**	**2**
Borrowings (Note 20)	201,922	-	267,352	-
Borrowings associated with rights of use of leased assets (Note 8)	17,279	-	13,089	-
Derivatives	-	22,277	-	18,868
Commercial accounts payable (Note 19)	3,487,476	-	2,775,067	-
Other accounts payable	18,763	-	18,167	-
Current payables/Current financial liabilities	**3,725,440**	**22,277**	**3,073,675**	**18,868**
Total financial liabilities	**4,536,026**	**22,277**	**577,821**	**18,870**

10.2. Derivative financial instruments

The detail of derivative financial instruments at the end of 2022 and 2021 is as follows:

	Thousands of euros			
	2022		2021	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign currency forward contracts - cash flow hedges	38,697	22,256	12,602	18,870
Commodity forward contracts	-	21	959	-
Total	**38,697**	**22,277**	**13,561**	**18,870**
Non-current portion	**1,237**	**-**	**7,202**	**2**
Current portion	**37,460**	**22,277**	**6,359**	**18,868**

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

The Group assesses the effectiveness of the hedges by conducting efficacy tests (prospective 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 31 December 2022 and 2021 is as follows:

Notional maturities (thousands)

Type of instrument	Fair value (thousands of euros) 2022	Notional currency	2023	2024	2025	2026	Total
Foreign currency forward contracts							
US Dollar / Euro	36,805	USD	543,885	14,400			558,285
US Dollar/SGD	417	USD	14,280				14,280
Canadian Dollar / Euro	261	CAD	5,000				5,000
Euro/Yen JPY	280	EUR	6,816				6,816
EUR/PLN	934	EUR	15,798				15,798
Assets	**38,697**						

			Notional maturities (thousands)				
Type of instrument	**Fair value (thousands of euros) 2022**	**Notional currency**	**2023**	**2024**	**2025**	**2026**	**Total**
Foreign currency forward contracts							
US dollar / Euro	21,189	USD	351,500				351,500
Canadian Dollar / Euro	261	CAD	5,000				5,000
US Dollar / Japanese Yen	196	USD	2,331				2,331
EUR/PLN	610	USD	8,963				8,963
Commodities	20						
Liabilities	**22,276**						
Net balances	**16,421**						

2021			**Notional maturities (thousands)**			
Type of instrument	**Fair value (thousands of euros) 2021**	**Notional currency**	**2022**	**2023**	**2024**	**Total**
Foreign currency forward contracts						
US dollar / Euro	12,440	USD	104,348	261,000	14,400	379,748
US Dollar/SGD	78	USD	7,823	-	-	7,823
Canadian dollar / Euro	84	CAD	7,850	-	-	7,850
Commodities	959					-
Assets	**13,561**					

			Notional maturities (thousands)			
Type of instrument	**Fair value (thousands of euros) 2021**	**Notional currency**	**2022**	**2023**	**2024**	**Total**
Foreign currency forward contracts						
US dollar / Euro	17,466	USD	613,442	10,000	-	623,442
US Dollar/COP	37	USD	6,000	-	-	6,000
Canadian dollar / Euro	327	CAD	9,550	-	-	9,550
US dollar / Japanese yen	929	USD	5,096	-	-	5,096
US Dollar/SGD	22	USD	7,935	-	-	7,935
Commodities	89					
Liabilities	**18,870**					
Net balances	**(5,309)**					

The detail of the maturities by year of the fair values of the contracts in force at 31 December 2022 and 2021 is as follows:

	Thousands of euros				
	2022	2023	2024	2025	Total fair value
Total assets 2022	-	37,460	1,237	-	**38,697**
Total liabilities 2022	-	22,277	-	-	**22,277**
Total assets 2021	6,359	6,923	279	-	**13,561**
Total liabilities 2021	18,868	2	-	-	**18,870**

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

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

As at 31 December 2022 the cumulative result net of tax in the consolidated equity hedging reserve for foreign currency forward contracts amounts to a loss of EUR 14,186 thousand (2021: loss of EUR 2,622 thousand). These results are recognised in the consolidated income statement in the period or periods during which the hedged transaction affects the consolidated income statement. In 2022, the impact on the consolidated income statement recorded as profit/loss from operations under 'Procurements' and 'Ordinary income', was a loss of EUR 38,197 thousand (2021: EUR 13,763 thousand in profit).

The changes in hedging derivatives and the hedging reserve, as well as their impacts on equity and the income statement during the year, are as follows:

	Thousands of euros			
	01.01.2022	Income recognised in equity *	Settlements for the year ***	31.12.2022
Hedging derivatives (net liability position)	(5,309)	(52,382)	74,112	16,421

	01.01.2022	Income recognised in equity *	Transfers to the income statement **	31.12.2022
Hedging reserve (gross of tax effect)	4,851	52,382	(38,197)	19,036

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

** Amount taken to the income statement for the year, to the extent that the hedged transaction impacts profit or loss.

*** Value of the hedging derivatives settled by the Group during the year.

	01/01/2021	Income recognised in equity *	Settlements for the year ***	31/12/2021
Hedging derivatives (net liability position)	26,316	(25,499)	(6,126)	(5,309)

	01/01/2021	Income recognised in equity *	Transfers to the income statement **	31/12/2021
Hedging reserve (gross of tax effect)	(6,885)	25,499	(13,763)	4,851

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

** Amount taken to the income statement for the year, to the extent that the hedged transaction impacts profit or loss.

*** Value of the hedging derivatives settled by the Group during the year.

During 2022 and 2021, no ineffectiveness worthy of mention arose as a result of foreign currency hedges, which is recognised, if it arises, in the income statement as financial profit or loss.

11. Trade and other receivables

The detail of this heading at the end of 2022 and 2021 is as follows:

	2022	2021
Completed work pending certification	2,590,176	2,081,489
Trade receivables	372,992	337,186
Customer retentions	135,884	80,051
Less: Provision for impairment of accounts receivable	(46,871)	(38,645)
Trade receivables, net	3,052,181	2,460,081
Other accounts receivable	6,620	3,552
Prepayments	40,627	45,725
Tax receivables	58,393	50,422
Other	16,736	8,249
Total	**3,174,557**	**2,568,029**

Completed work pending certification (OEPC)

The work executed yet to be certified '(OEPC) is calculated in accordance with the income recognition criterion established in Note 2.21.

The ‘completed work pending certification’ heading includes the non-contentious claims expected to be collected from clients that are being negotiated and recognised in accordance with that indicated in Note 2.21. Depending on the types of projects in the portfolio, negotiations with clients regarding claims may go on during the entire life of the project and are usually concluded in the final stage of the project.

Also under work completed but yet to be certified, ongoing change orders with clients for changes in the scope or modifications not included in the original contract were recognised in accordance with that indicated in Note 2.21.

The changes in 'Completed work pending certification' in 2022 and 2021 were as follows:

	Thousands of euros			
	Completed work pending certification	**Change orders in negotiation**	**Claims in negotiation**	**Total OEPC**
Balance at 01 January 2021	**1,140,236**	**285,805**	**391,664**	**1,817,705**
Billing for the year	(1,291,798)	**-**	**-**	(1,291,798)
Additions	-	81,247	200,550	281,797
Approved change orders and claims	186,555	(160,456)	(26,099)	-
Derecognitions due to regularisation	-	(25,904)	(75,891)	(101,795)
Changes in level of progress	1,375,580	-	-	1,375,580
Balance at 31 December 2021	**1,410,573**	**180,692**	**490,224**	**2,081,489**
Billing for the year	(1,828,832)	-	-	(1,828,832)
Additions	-	43,784	227,943	271,727
Approved change orders and claims	319,773	(123,667)	(196,106)	-
Derecognitions due to regularisation	-	(5,255)	(28,540)	(33,795)
Changes in level of progress	2,099,587	-	-	2,099,587
Balance at 31 December 2022	**2,001,101**	**95,554**	**493,521**	**2,590,176**

The additions to change orders and claims mainly relate to projects in Poland and the United Arab Emirates, both of which are expected to be upgraded to approved status in the very short term.

The change orders and claims approved in 2022 mainly relate to projects in Oman, Saudi Arabia and the United Arab Emirates.

As indicated in Note 2.2, the Group negotiated with certain customers the settlement of change orders, claims, work completed but yet to be billed and repayment of sureties. The closing of these agreements in 2021 and 2022 meant the one-time extraordinary assignment of certain amounts claimed from customers to preserve the Group's liquidity, prior to the closing and disbursement of the FASEE. These amounts were written off in both years and mainly relate to projects in Saudi Arabia.

Although the last two years have seen a decrease in the net realisation rate for amounts requested under change orders and claims as a result of the exceptional situations caused by COVID 19, the claims materialisation rate remains above 100% of the amounts recorded by the Group.

The breakdown of the main projects making up the balance of the total amount of completed work pending certification is as follows:

Project	Thousands of euros
MARJAN PACKAGE 9 & 11	628,339
BU HASA Integrated Field Development Pro	269,751
New Pta Complex EPC Project (SASA project)	190,797
HARADH GAS COMPRESSION	172,276
EPC ORLEN	169,902
	1,431,065
% of total	**55%**

The average age of change orders and claims is three years, largely due to the delays that COVID 19 has caused in the invoicing of projects. As at 31 December 2022, the amount of the total amount of completed work pending certification that is more than 12 months old amounts to EUR 409 million (EUR 517 million in 2021), of which EUR 318 million relates to change orders and claims (EUR 389 million in 2021).

As at 31 December 2022, the provisioned amount of the executed work pending certification amounts to EUR 61 million (EUR 15 million in 2021), with EUR 15 million recognised in the provision for payables to clients (EUR 7 million in 2021) and EUR 46 million (EUR 7 million in 2021) in the provision for liabilities and charges (note 21).

In the first two months of 2023, favourable agreements were reached with clients in relation to claims and change orders recognised at 31 December 2022, amounting to EUR 246,269 thousand. Therefore, at the date of preparation of these financial statements, the total complaints and change orders closed favourably in the last 14 months amounted to EUR 566,042 thousand.

The total amount requested for complaints as at 31 December 2022 and 2021 amounted to EUR 1,584,534 thousand and EUR 1,971,279 thousand, respectively. The breakdown of the geographical areas of the amounts recognised is as follows:

• Middle East: 50.2%

• America: 0.7%

• Mediterranean, Europe and Asia: 49.1%

The total amount requested for change orders as at 31 December 2022 and 2021 was EUR 421,812 thousand and EUR 565,741 thousand, respectively

Trade receivables

The analysis of the age of these accounts receivable is as follows:

	2022	2021
Not due	156,367	210,509
Less than 3 months	68,085	20,290
Between 3 and 6 months	30,271	4,772
More than 6 months	118,269	101,615
	372,992	**337,186**

As of the date of formulation, EUR 146 million of the debt outstanding as of 31 December 2022 had been collected, of which EUR 67 million corresponds to overdue debt.

The changes in the provision for impairment of accounts receivable and completed work pending certification (OEPC) are as follows:

	Thousands of euros					
	2022			2021		
	Trade receivables	OEPC	Total	Trade receivables	OEPC	Total
Opening balance	**31,216**	**7,429**	**38,645**	**29,068**	**1,500**	**30,568**
Impairment losses charged to income	1,805	7,500	9,305	2,148	5,929	8,077
Amounts used	(1,079)	-	(1,079)	-	-	-
Ending balance	**31,942**	**14,929**	**46,871**	**31,216**	**7,429**	**38,645**

As at 31 December 2022, there were trade receivables amounting to EUR 184,682 thousand (2021: EUR 95,462 thousand) that were past due but not impaired. These receivables relate to a number of independent clients for whom there is no recent history of default.

As mentioned in Note 3.1.2, as at 31 December 2022, 63.22 % of the total ‘Trade receivables’ account (included in trade and other receivables) was concentrated in 10 clients (2021: 83.62%), and they relate to transactions with state-owned oil companies and top multinationals, with which the Group considers that the credit risk is very limited.

There was no significant effect on the fair values of trade and other receivables. Nominal amounts are considered to approximate the fair value of these receivables and the effect of discounting is not significant under any circumstances.

Maximum exposure to credit risk at the reporting date is the carrying amount of the trade and other receivables.

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

	Thousands of euros	
	2022	2021
Euro	488,369	290,749
USA Dollar	1,451,070	1,051,296
KWD	302,017	119,033
SAR	698,488	948,273
Other currencies	234,613	158,678
Subtotal	**3,174,557**	**2,568,029**

The total amount of costs incurred and profit recognised accrued at source for all contracts in progress at the balance sheet date was EUR 24,418,733 thousand (2021:EUR 24,134,440 thousand) and EUR 2,292,393 thousand (2021:EUR 1,766,217 thousand), respectively.

At 31 December 2022, the outstanding revenue from the outstanding contracts in progress for the year (not including feeds) amounted to EUR 9,515,847 thousand, which will be performed from 2023 to 2025 based on the annual progress on the various projects (2021: EUR 8,718,631 thousand).

Customer retentions

This heading includes the amounts withheld by customers which, in accordance with the terms established in the contracts, are recoverable at the end of the contracts.

Prepayments

Prepayments refer to the payments made on account for specific suppliers to be used in the Group's projects. The increase or decrease in the amount of this heading is cyclical and depends on the stage of completion of each of the projects at the reporting date.

Tax receivables

The detail of this heading at the end of 2022 and 2021 is as follows:

	Thousands of euros	
	2022	**2021**
VAT payable	21,961	23,232
Tax withholdings and prepayments	23,530	19,371
Other balances	12,902	7,819
	58,393	50,422

12. Inventories

The detail of 'Inventories' is as follows:

	Thousands of euros	
	2022	**2021**
Commodities	1,000	1,751
Parking spaces	7,037	7,135
Impairment of parking spaces	(297)	(297)
	7,740	**8,589**

13. Accounts receivable and other financial assets

	Thousands of euros	
	2022	2021
Accounts receivable and other non-current financial assets		
Loans to employees	146	402
Long-term loans to associates	264	264
Financial instruments at amortised cost	10,548	8,337
Loans to public authorities	8,569	8,569
Other non-current assets	84,703	66,070
	104,230	**83,642**
Impairment loss on accounts receivable	(8,802)	(7,802)
	95,428	**75,840**
Accounts receivable and other current financial assets		
Loans to venturers in joint ventures and joint arrangements	10,944	15,250
Current investments held to maturity	10,549	9,712
	21,493	**24,962**

The changes in the provision for impairment of accounts receivable and other financial assets are as follows:

	Thousands of euros	
	2022	2021
Beginning balance	**7,802**	**7,802**
Allowance	1,000	-
Ending balance	**8,802**	**7,802**

The carrying amount of accounts receivable and other financial assets is considered to approximate their fair value. Maximum exposure to credit risk at the reporting date is the carrying amount of the accounts receivable and other financial assets.

‘Financial instruments at amortized cost’ mainly includes the amount of guarantees and deposits.

The 'Other non-current assets’ in 2022 and 2021 include mainly the amounts transferred to clients as security for compliance with any obligations that may arise from the outcome of lawsuits. The Group includes the estimated probable cost that could arise from the outcome of the aforementioned lawsuits under 'Non current provisions’ (Note 21).

The average interest rate on loans to venturers in UTEs and joint ventures in 2022 and 2021 was at market interest rates: Euribor + 2% and other benchmarks 2% in both years

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

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

The termination of the concession agreement should result in a refund of the amounts invested by Técnicas Reunidas.

14. Cash and cash equivalents

The detail of cash and cash equivalents is as follows:

	Thousands of euros	
	2022	**2021**
Cash on hand and at banks	616,859	456,185
Short-term bank deposits and other cash equivalents	342,821	210,694
	959,680	**666,879**

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). The short-term bank deposits earn interest at market rates. The average remuneration rates for deposits were EUR 0% and USD 1.35% and the average term was 7 days (EUR and USD 0.10% and the average term was 14 days in 2021)

Of the total included under Cash and cash equivalents at 31 December 2022, EUR 436,675 thousand (2021: EUR 479,181 thousand) came from the integration of the joint arrangements and joint ventures of companies included in the scope of consolidation, as detailed in Appendices III and IV respectively.

There were no cash or cash equivalents with restricted availability at 31 December 2022 and 2021, 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, share premium and treasury shares

	Thousands of euros			
	Share capital	**Share premium**	**Treasury shares**	**Total**
Balance at 01 January 2021	**5,590**	**8,691**	**(73,109)**	**(58,828)**
Other changes	-	-	(160)	**(160)**
Balance at 31 December 2021	**5,590**	**8,691**	**(73,269)**	**(58,988)**
Other changes	-	-	360	360
Balance at 31 December 2022	**5,590**	**8,691**	**(72,909)**	**(58,628)**

A 31 December 2022 and 2021, the total authorised number of ordinary shares was 55,896,000 shares, with a par value of EUR 0.10 each. All 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 changes in 'Treasury shares' in 2022 and 2021 were as follows:

	2022		2021	
	Number of treasury shares	**Thousands of euros**	**Number of treasury shares**	**Thousands of euros**
At beginning of year	2,250,434	73,269	2,198,034	73,109
Increases/purchases	4,464,816	34,205	4,171,582	40,389
Decreases/sales	(4,501,278)	(34,565)	(4,119,182)	(40,229)
At end of year	**2,213,972**	**72,909**	**2,250,434**	**73,269**

At 31 December 2022, treasury shares represented 3.96% of the Parent's share capital (2021: 4.03%) and totalled 2,213,972 shares (2021: 2,250,434 shares), with an average acquisition price of EUR 32.93 per share (2021: EUR 32.56 per share).

Since 21 June 2006, all shares of Técnicas Reunidas, S.A. have been admitted to trading on the four Spanish stock exchanges and are listed on the Continuous Market.

At 31 December 2022, the share price amounted to EUR 9.12/share, while the average price for the year was EUR 7.74/share.

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

	2022	2021
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%
Francisco García Paramés	5.15%	5.15%
Álvaro Guzmán de Lázaro Mateos	5.04%	3.49%
Ariel Investments. L.L.C.	3.01%	3.01%
Columbia Management Investment Advisers LLC	-	3.12%
Cobas Selección F.I.	3.00%	0.00%
Other shareholders (including free float)	39.75%	41.11%
Treasury shares	3.96%	4.03%
TOTAL	**100.00%**	**100.00%**

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

The shareholders at the Parent's Annual General Meeting held on 25 June 2020 agreed to authorise the Board of Directors to acquire treasury shares up to the maximum number of shares established by law, at a price that may not be more than 5% higher or lower than the weighted average share price on the day the purchase is made (or the minimum and maximum prices allowed by law at any given time) and with a maximum daily volume that may not be more than 15% of the average daily volume traded on the market for orders of the regulated market or the Spanish multilateral trading system over the previous thirty sessions.

The Parent Company entered into a liquidity agreement with Santander Investment Bolsa, Sociedad de Valores, S.A.U. The framework of this agreement is the Spanish Stock Exchanges and its purpose is to create added liquidity for transactions. The agreement was signed for a term of one year, which was renewed on 10 July 2017 in accordance with CNMV Circular 1/2017, of 26 April, and was automatically extended for additional years on 10 July 2019, and a modificatory novation was signed on 20 February 2020. A total of 74,500 shares were allocated to the securities account associated with the agreement and EUR 2,537 thousand were allocated to the cash account associated with the agreement.

16. Other reserves

	Thousands of euros	
	2022	**2021**
Legal reserve	1,137	1,137
Capitalisation reserve	3,056	3,056
	4,193	**4,193**

16.1. Legal reserve

The legal reserve has reached the stipulated level, 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.

16.2. Capitalisation reserve

The Capitalisation Reserve is allocated in accordance with section 25 of the Spanish Corporate Income Tax Act 27/2014 [*Ley del Impuesto de Sociedades*]. This reserve is unavailable for five years in accordance with the conditions established under that section.

17. Cumulative translation differences

The translation differences in this heading in 2022 and 2021 were as follows:

	Thousands of euros
1 January 2021	**(117,286)**
– Group companies and associates	21,243
31 December 2021	**(96,043)**
Adjustment from application of IAS 29	**(29)**
Adjusted opening balance at 1 January 2022	**(96,072)**
– Group companies and associates	19,906
Adjustment from application of IAS 29	4,281
31 December 2022	**(71,885)**

The breakdown, by company or subgroup, of the cumulative translation differences at the end of 2022 and 2021 is as follows:

	Thousands of euros	
	2022	2021
Company or subgroup		
Técnicas Reunidas, S.A.	7,607	(2,522)
-Abu Dhabi branch	*(1,554)*	*(2,639)*
-Australia branch	*(2,434)*	*(2,423)*
- Ankara branch	*832*	*662*
-Moscow branch	*(1,812)*	*(1,916)*
-Kuwait branch	*11,230*	*3,054*
-Algeria branch	*(4,827)*	*(5,879)*
-Poland branch	*2,740*	*1,879*
- Other	*3,432*	*4,740*
Técnicas Reunidas RUP Insaat (Turkey)	(9,987)	(9,269)
Técnicas Reunidas TEC (Bolivia)	(4,850)	(4,677)
Técnicas Reunidas Canada (Canada)	(15,634)	(7,301)
TSGI Mühendislik İnşaat Limited Şirketi (Turkey)	(34,388)	(36,763)
Técnicas Reunidas Saudia (Saudi Arabia)	(9,662)	(10,247)
Técnicas Reunidas Gulf Ltd. (Saudi Arabia)	3,993	2,227
Técnicas Reunidas Chile Limitada (Chile)	(40)	(573)
Técnicas Reunidas Peru de Talara (Peru)	(15,505)	(27,379)
Técnicas Reunidas Omán LLC (Oman)	159	34
Treunidas Mühendislik ve İnsaat A.S (Turkey)	(1,357)	(1,585)
TR Bapco (Bahrain)	2,636	305
R Daewoo LLC (Oman)	3,638	385
Técnicas Reunidas LLC (Duqm)(Oman)	(193)	130
Técnicas Reunidas Méjico (Mexico)	1,050	25
Técnicas Reunidas PIC (Peru)	49	(67)
	599	1,233
Total	**(71,885)**	**(96,043)**

18. Dividend distribution and non-controlling interests

The proposed distribution of the Parent's loss for 2022 to be submitted at the Annual General Meeting, as well as the approved distribution of profit for 2021, is as follows:

	Thousands of euros	
	2022	2021
Basis of allocation		
Profit (loss) attributable to the Parent	3,063	(344,083)
	3,063	**(344,083)**
Allocation		
Other reserves	3,063	(344,083)
	3,063	**(344,083)**

The Board of Directors of the Parent did not approve a dividend distribution in 2022 or 2021.

The Group has an obligation not to distribute dividends over the term of the loans received from the Fund for Supporting the Solvency of Strategic Companies (FASEE) (see Note 20).

a) Retained earnings

These are unrestricted voluntary reserves that amounted to EUR 211,280 thousand at 31 December 2022 (EUR 248,556 thousand at 31 December 2021).

b) Non-controlling interests

The non-controlling interests in the Parent underwent the following changes in 2022 and 2021:

	Thousands of euros
Balance at 01/01/2021	**10,936**
Profit/(loss)	(1,690)
Translation differences	316
Balance at 31/12/2021	**9,562**
Profit/(loss)	2,650
Translation differences	28
Balance at 31/12/2022	**12,240**

19. Trade and other payables

The amount recognised as '**Trade payables**' consists of the following:

	Thousands of euros	
	2022	**2021**
Payable to suppliers - invoices receivable	1,948,506	1,247,332
Payables to suppliers	733,649	982,272
Supplier retainings	302,301	303,133
Prepayments received for contract work	53,484	109,158
Accruals and deferrals	418,036	97,434
Other	31,500	35,738
	3,487,476	**2,775,067**

The amounts included under the heading 'Suppliers invoices pending receipt' correspond to the recognition of costs incurred in accordance with the degree of progress of the projects that have not yet been invoiced by the suppliers. The amounts included under this heading are on average between two and three years old.

'Withholdings from suppliers' includes the amounts withheld from suppliers at the time of payment of invoices which, in accordance with the terms of the contracts, must be disbursed on completion of the contracts.

The amount recognised as '**Other payables**' consists of the following:

	Thousands of euros	
	2022	**2021**
Social security taxes	6,188	6,376
Tax withholdings payable	11,699	9,957
Other	876	1,834
	18,763	**18,167**

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

The carrying amounts of the Payable to suppliers - invoices receivable are denominated in the following currencies:

	Thousands of euros	
	2022	**2021**
Euro	705,597	530,450
USA Dollar	1,523,509	1,301,961
Other currencies	453,049	397,193
Total	**2,682,155**	**2,229,604**

20. Borrowings

The detail of the financial debt at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	**2021**
Non-current		
Participative loans	**175,000**	**-**
Other non-current liabilities		
Loans/credit facilities	534,614	406,499
Mortgage loan	9,850	11,670
Obligations	49,335	49,093
Other	6,410	8,271
	600,209	**475,533**
Total non-current financial debt	**775,209**	**475,533**
Current		
Loans/credit facilities	150,094	179,625
Mortgage loan	1,806	1,806
Promissory notes	41,517	83,776
Interest on debt	7,495	927
Other	1,010	1,218
Total current financial debt	**201,922**	**267,352**
Total participating loans	175,000	-
Total loans/credits	684,708	586,124
Total mortgage loans	11,656	13,476
Total debentures and promissory notes	90,852	132,869
Total debt interest	7,495	927
Total Other	7,420	9,489
	977,131	**742,885**

The changes in 'Financial debt' in 2022 and 2021 were as follows:

	Thousands of euros	
	2022	**2021**
Beginning balance	**742,885**	**736,155**
Drawdowns	461,959	717,512
Returns	(232,284)	(710,133)
Accrued interest	33,933	19,300
Interest paid	(27,365)	(19,949)
Removals from scope of consolidation	(1,997)	-
Ending balance	**977,131**	**742,885**

At 31 December 2022, of the total financial debt, EUR 462,120 thousand was at a fixed rate (2021: EUR 348,755 thousand), as detailed below:

	2022		2021	
Item	**Thousands of euros**	**Rate**	**Thousands of euros**	**Rate**
MARF promissory notes	34,300	3.10-4.50%	84,200	0.52%-2.00%
Fixed-rate SSD loans	-		8,000	1.45%
Fixed-rate loans	73,496	1.29%-5%	52,844	1.29%-2.14%
Syndicated line				
Syndicated ICO loan	83,524	2.45%	97,911	2.45%
MARF bonds	49,800	2.75%	49,800	2.75%
Private placement	56,000	3.25%	56,000	3.25%
Ordinary Sepi	165,000	2.00%	-	-
	462,120		**348,755**	

The average variable interest rates applicable to the rest of the debt were as follows:

	2022		2021	
	EUR	USD	EUR	USD
Floating rates	2.19%	-	1.97%	-

The carrying amount of current and non-current borrowings approximates their fair value, as the impact of discounting is not significant. Most of the borrowings are tied to variable interest rates, mainly the Euribor, and reviewed on a monthly basis.

The maturities of the borrowings are broken down in Note 3 - 'Liquidity risk'.

The carrying amount of the Group's borrowings is denominated completely in euros.

The Group has the following undrawn credit lines and other loans:

	Thousands of euros	
	2022	**2021**
- maturing within one year	2,588	46,776
- maturing in more than one year	12,988	71,605
	15,576	**118,381**

At the end of June 2020, the Group refinanced the syndicated loans amounting to EUR 437 million. This refinancing consisted of a loan guaranteed by the ICO for an amount of EUR 244 million (COVID-19 ICO line), as well as a loan of EUR 127 million and a credit facility in the amount of EUR 66 million, both backed by CESCE. At 31 December 2022 the amount of these syndicated facilities totals EUR 306,885 thousand, with the loan of EUR 66 million having been repaid in full in 2022 and EUR 64 million of the ICO and CESCE loans having been repaid in accordance with the established schedule. This financing requires a consolidated net financial debt/EBITDA ratio that is less than or equal to 2.5.

In addition, these loan agreements contain the following limitations on the distribution of profits for the years 2021-2024:

- 30% of the consolidated net profit for 2021/2022,
- 40% of consolidated net profit for 2023 and
- 50% of the consolidated net profit for 2024.

In addition, in 2021 the Group renewed the short-term promissory notes program in the MARF for EUR 175 million. The balance at 31 December 2022 amounted to EUR 34,300 thousand (2021: EUR 84,200 thousand). The average interest rate is 3.85% (2021: 0.87%).

The bond program in the MARF was also renewed for EUR 100 million. The balance at 31 December 2022 amounts to EUR 49,800 thousand (2021: EUR 49,800 thousand). The bonds issued in the MARF have an interest rate of 2.75% and mature in December 2024.

The long-term private debt placement agreements and the German promissory note financing in force at 31 December 2022 require that the consolidated net financial debt/EBITDA ratio be less than or equal to 3.

At the date of preparation of these annual financial statements, the financial entities participating in the two syndicated credit lines and the MARF bonds, the private debt placement and the German promissory notes authorised a waiver of the Company's obligation to meet the financial ratio (Net financial debt/consolidated EBITDA must be less than or equal to 2.5/3) in 2022.

For 2023, the Parent's directors consider that, at the date of preparation of these accounts, the Group is in a position to comply with the financial ratios included in the clauses of all its finance agreements.

On 24 February 2022, the Group received the disbursement of EUR 340 million under the 'Fund for Supporting the Solvency of Strategic Companies' ('FASEE').

This aid took the form of a participating loan amounting to EUR 175 million and an ordinary loan amounting to EUR 165 million. Both loans will have a term of four and a half years, with the possibility of early repayment. Except for this possibility of early repayment, in the case of the participating loan, the principal must be repaid upon maturity and, while the ordinary loan has a grace period of 1 year and must then be repaid each year in percentages of 20%, 30%, 30% and a last tranche of 20% at maturity.

In 2022, the participating loan accrued an annual interest rate linked to IBOR+250 bp, in 2023 the annual interest rate will be IBOR+350bp. This financing also includes a variable component linked to the Group's business performance and the achievement of pre-tax profits. No variable component linked to the above financing accrued in 2022.

The terms of the financing received--which if breached may result in early maturity--include certain obligations regarding the use of the financing and compliance with the viability plan submitted, the adoption of digitalisation and sustainability measures and the strengthening of the Group's assets before 30 June 2023, consistent with the viability plan and the policy set by the Group's Directors. In addition, among other terms, a change of control of the Group in 2023 would be a cause for early maturity. During the term of these loans, the Group has the obligation not to distribute dividends. The Parent's directors consider that, at the date of preparation of these consolidated financial statements, no issues have been breached that could give rise to early maturity.

Under the terms of the loan, the Parent (Tecnicas Reunidas, S.A.) acts as applicant, borrower and beneficiary, and the group company Initec Plantas Industriales, S.A.U. acts as beneficiary and guarantor of the financing agreements. Both companies are jointly and severally liable for both loans.

21. Provisions for contingencies and charges

21.1. Provisions for contingencies and charges - Non-current

	Thousands of euros			
Item	Provision for estimated losses	Provision for infrastructure	Other provisions	Total provisions for contingencies and charges
Balance at 01/01/2021	**2,588**	**4,000**	**30,639**	**37,227**
Reversals/amounts used	(3,657)	-	(1,246)	(4,903)
Period provisions	4,431	-	33,540	37,971
Balance at 31/12/2021	**3,362**	**4,000**	**62,933**	**70,295**
Reclassifications	**-**	**-**	(33,541)	(33,541)
Reversals/amounts used	-	-	(35,700)	(35,700)
Period provisions	-	-	81,000	81,000
Balance at 31/12/2022	**3,362**	**4,000**	**74,692**	**82,054**

In compliance with IAS 37, the Group recognises provisions to cover estimated future losses on projects currently in progress.

a) Provision for infrastructure

For those projects that are completed, the Group also estimates the probable costs that will subsequently be incurred.

b) Other provisions

This line item relates to provisions arranged to cover other contingencies and charges, including payment obligations to project partners, provisions for probable risks, provisions for other non-current payments to be made. In this regard, the balance at year-end 2021 relates mainly to provisions made as a result of the estimate of the probable outcome of arbitration proceedings in Asia and Peru, of which EUR 32,294 thousand relates to provisions recognised in respect of litigation, arbitration and claims with customers and subcontractors

The change in the year is due to the application of the provision recorded in relation to the arbitration of the Australia project, which was settled in the first half of 2022, the reclassification of the provision recorded in relation to an arbitration process in Peru to short-term, and the recording of the provision for management's best estimate of the risks of litigation and existing claims amounting to EUR 81 million, corresponding to EUR 45 million for the Algeria project due to the deterioration of the situation in that country (see Note 17). The other main lawsuits for which provisions have been set aside are those with customer KPP Finland, customer MGT Teeeside in the UK, customer GTG Algeria and subcontractor Bemco (in Saudi Arabia). Each of these lawsuits is in a different procedural phase at the date of authorisation for issue of these financial statements, and a resolution is not expected before 2024 or early 2025. In the opinion of the directors, based on internal valuations and third-party expert reports, the potential liabilities arising from these lawsuits would be sufficiently covered by the provisions recorded.

In addition to these litigations, there are a number of minor lawsuits mainly with subcontractors corresponding to the projects in Malaysia, Norway, Finland, Arabia and Kuwait, where, according to internal and independent third-party expert reports that are updated every six months, no negative outcomes are expected and therefore no provisions have been set aside.

Regarding non-current provisions, given the nature of the risks included, it is not possible to determine a reasonable schedule for the related payments.

21.2. Provisions for contingencies and charges - Current

	Thousands of euros
Balance at 01 January 2021	**29,941**
Reversals/amounts used	768
Period provisions	-
Balance at 31 December 2021	**30,709**
Reclassifications	33,541
Reversals/amounts used	(62,968)
Period provisions	-
Balance at 31 December 2022	**1.282**

Movements in the year are due to the application of the provision related to the Sines litigation that was called in in the second quarter of 2022, as well as the reclassification to short term and the application of the provision made for an arbitration process in Peru that has been resolved.

22. Ordinary income and other operating income

	Thousands of euros	
	2022	**2021**
Income from engineering and construction contracts	4,233,370	2,806,038
Total revenue	**4,233,370**	**2,806,038**

	Thousands of euros	
	2022	**2021**
Operating grants	2,811	1,779
Revenue from concession agreements	5,961	5,308
Other income	378	1,555
	9,150	**8,642**

'Other operating revenue' includes mainly the income obtained from the operation of concessions (Note 7).

Note 5 presents the main business segments and geographical areas in which the Group operates.

23. Procurements and other operating income and expenses

23.1. Procurements

The procurement heading mainly includes:

	Thousands of euros	
	2022	**2021**
Construction materials and sub-contracts	3,336,596	2,060,313
Engineering sub-contracts	15,169	63,965
	3,351,765	**2,124,278**

23.2. Other operating expenses

	Thousands of euros	
	2022	**2021**
Services	123,459	107,282
Independent professional services	45,396	51,559
Repairs and upkeep	7,325	8,663
Guarantee costs	54,852	52,619
Banking and similar services	4,134	5,918
Transport costs	21,829	13,320
Insurance premiums	18,542	11,162
Utilities and supplies	7,618	3,302
Taxes other than income tax	8,414	9,553
Other	52,045	55,539
	343,614	**318,917**

'Services' includes the expenses related to work performed.

The 'Other' heading mainly includes the allocation and application of the provisions described in note 21.1 for an amount of EUR 45,300 thousand (EUR 32,300 thousand in 2021), as well as the allocation to the provision for doubtful debts mentioned in notes 11 and 13 for an amount of EUR 10,305 thousand (EUR 8,077 thousand in 2021)

23.3. Other gains or losses

In 2022 this heading includes EUR 5,718 thousand corresponding to the net profit obtained on the sale of all the shares of Ibérica del Espacio, S.A. In 2021 this heading includes the net profit on the sale of Técnicas Reunidas Australia, Pty Ltd. amounting to EUR 12,556 thousand (see note 2.4.1).

24. Employee benefit expenses

	Thousands of euros	
	2022	2021
Wages and salaries	404,618	397,630
Social security expense	64,662	64,774
Other staff costs	9,989	11,584
Long-term employee remuneration obligations	1,665	1,742
	480,934	**475,730**

The ‘Wages and salaries’ heading includes an amount of EUR 4,126 thousand (2021: EUR 7,868 thousand) for severance payments.

After year-end, the Company's Board approved a new remuneration plan for share rights of the Company (the 'Plan') granted to the Group's management, with the aim of retaining and incentivising them and consisting of giving them options on shares of the Parent (Note 34).

25. Financial profit/loss

	Thousands of euros	
	2022	2021
Finance income:		
Interest income from short-term deposits in banks and others	11,492	2,638
Net profits from foreign currency transactions	2,273	-
Net earnings/(losses) in the fair value of financial instruments at fair value, with changes posted to profit/(loss) and others	-	6
	13,765	**2,644**
Finance costs:		
Interest expense on loans with banks	(24,322)	(16,221)
Net losses from foreign currency transactions	-	(5,142)
Other finance costs	(9,611)	(3,079)
Interest on lease liabilities	(900)	(288)
Total finance costs	**(34,833)**	**(24,730)**
Results from exposure to hyperinflation	**(6,097)**	-

Note 9 explains the impact of foreign currency hedging contracts on profit/(loss). That impact, as well as exchange gains/(losses) generated by the hedged instrument, is recognised as part of the operating profits/(losses).

The increase in financial income is due to the increase in interest rates in 2022.

The increase in interest expense on loans is due to the increase in financing received as well as the increase in interest rates.

The heading 'Result from exposure to hyperinflation' includes the effect of applying IAS 29 (Note 2.28) to subsidiaries operating in hyperinflationary economies (Turkey (EUR -7,345 thousand) and Argentina (EUR 1,247 thousand)).

26. Income tax

The companies of the Técnicas Reunidas Group included in the Consolidated Taxation Regime are the following: Técnicas Reunidas, S.A., Técnicas Reunidas Internacional, S.A., Termotécnica, S.A., Técnicas Reunidas Construcciones y Montajes, S.A., Técnicas Reunidas Ecología, S.A Técnicas Siderúrgicas, S.A., Española de Investigación y Desarrollo, S.A., Técnicas Reunidas Proyectos Internacionales, S.A. Técnicas Reunidas Metalúrgicas, S.A., Layar, S.A, Layar Real Reserva, S.A., ReciclAguilar, S.A Initec Plantas Industriales, S.A.U., Initec Infraestructuras, S.A.U., S.L, Heymo, S.A., Deportes Valdavia 2017, S.L., Valdavia Gym, S.L., Valdavia Pádel, S.L.

For the calculation of the tax base of the tax group and the different individual companies included in the scope of consolidation, the accounting profit/(loss) is adjusted in accordance with the temporary and permanent differences that may exist, giving rise to the corresponding deferred tax assets and liabilities. In general, the deferred tax assets and liabilities arise as a consequence of valuation standardisations between accounting criteria and principles of individual companies and those of the consolidated group, to which those of the parent apply.

The breakdown of the tax expense is as follows:

	Thousands of euros	
	2022	**2021**
Current tax	20,768	25,560
Deferred tax	960	(7,476)
Provision for Tax Inspections	-	1,210
Prior years' adjustments	(5,778)	(6,963)
Income tax	**15,950**	**12,331**

The tax on the Group's profit before taxes differs from the theoretical amount that would have been obtained using the tax rate applicable to the profits of the consolidated companies as follows:

	Thousands of euros	
	2022	**2021**
Profit/(Loss) before tax	**(18,534)**	**(179,802)**
Tax calculated at the tax rate applicable to the profits of the Parent	(4,634)	(44,950)
Tax effects of:		
- Tax-exempt profits	6,170	19,155
- Non-deductible expenses for tax purposes/non-taxable revenue	17,443	(11,180)
- Effect of difference in tax rates in other countries	(921)	1,056
- Tax losses for which no tax credit has been recognised	10,390	52,570
- Tax loss carryforwards	(25,011)	(6,662)
- Provision for tax inspections	-	1,210
- Other	12,513	1,132
Tax expense	**15,950**	**12,331**

The breakdown of the deferred tax assets and liabilities is as follows:

	Thousands of euros	
	2022	2021
Deferred tax assets		
recoverable in over 12 months	284,111	394,304
recoverable in under 12 months	125,296	16,554
	409,407	**410,858**
Deferred tax liabilities		
recoverable in over 12 months	-	54,012
recoverable in under 12 months	62,001	10,400
	62,001	**64,412**

The amount of the deferred assets to be recovered in less than 12 months relates to temporary differences relating to losses of the Canadian subsidiary that are expected to be settled in 2023.

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

	Thousands of euros	
	Assets	Liabilities
Balance at 01 January 2021	**407,261**	**72,199**
Generations and reversions with impact on the income statement	1,955	(5,521)
Generations and reversions with impact on equity	1,642	(2,266)
Balance at 31 December 2021	**410,858**	**64,412**
Generations and reversions with impact on the income statement	(3,713)	(2,033)
Generations and reversions with impact on equity	2,262	(378)
Balance at 31 December 2022	**409,407**	**62,001**

The prepaid or deferred taxes arise from the following items:

	Thousands of euros	
Assets	2022	2021
Tax credits from tax loss carryforwards	90,571	101,094
Losses incurred in subsidiaries and permanent establishments	258,315	248,077
Project valuation standardisation	14,524	26,288
Hedging reserve	4,850	2,588
Impact of IFRS 15 and IFRS 9	1,345	1,533
Other temporary differences	39,802	31,278
	409,407	**410,858**

	Thousands of euros	
Liabilities	2022	2021
-Timing differences in countries	58,264	53,922
-Project valuation standardisation and others	3,737	10,112
-Hedging reserve	-	378
	62,001	**64,412**

The liabilities for temporary differences relate mainly to Peru (EUR 30,307 thousand) and Kuwait (EUR 18,951 thousand)

Losses incurred in subsidiaries and permanent establishments

The detail of this heading at 31 December 2022 is as follows:

	Thousands of euros	
	2022	2021
Losses incurred in subsidiaries	217,537	210,497
Losses incurred in permanent establishments	40,778	37,580
	258,315	**248,077**

The detail of the main ‘Losses incurred in subsidiaries’ is as follows:

	Thousands of euros	
	2022	2021
Canada	125,296	123,956
Bolivia	28,586	28,509
Turkey	22,110	19,530
UK	21,110	16,636
Portugal	7,975	8,143
Other	12,460	13,723
	217,537	**210,497**

The detail of the main ‘Losses incurred in permanent establishments’ is as follows:

	Thousands of euros	
	2022	2021
Algeria	14,324	14,347
Australia	4,837	4,841
Finland	9,757	9,977
France	7,876	5,456
Other	3,984	2,959
	40,778	**37,580**

Deferred tax assets are recognised to the extent that related taxable profit is likely to be generated through future taxable profits.

The assets from temporary difference were generated mainly between 2015 and 2020.

A breakdown by geographic zone of the tax credits from tax loss carryforwards pending offset activated at 31 December 2022 and 2021 and of the prepaid taxes arising from losses incurred in subsidiaries and permanent establishments is presented below:

	Thousands of euros	
	2022	**2021**
Spain	69,249	67,240
Poland	7,396	8,882
Chile	7,070	5,333
Saudi Arabia	3,210	16,810
USA	2,322	2,126
Other	1,324	703
Total tax credits from tax loss carryforwards	**90,571**	**101,094**
Spain	258,315	248,077
Total prepaid taxes from losses incurred in subsidiaries and permanent establishments	**258,315**	**248,077**

In Spain, Chile, Saudi Arabia and USA there is no time limit to apply prepaid taxes and deduct tax losses, pursuant to the legislation in force. Tax credits in Poland are valid for 5 years.

According to the forecasts prepared by Management, it is estimated that the recovery of tax credits and tax loss carryforwards generated by losses in branches/subsidiaries of the Parent will take place within approximately 8 years as, among other actions, there is a plan to liquidate these branches/subsidiaries in a shorter period. The assumptions used are based on both the reported medium-term targets (i.e. a portfolio of around EUR 9 billion, EUR 5 billion in annual revenues and a margin above 4%), as well as the forecasts on which the disbursement of the 'Fund for Supporting the Solvency of Strategic Companies' and the recovery of the level of sales and their profitability are based in accordance with the expectations of normalised recovery of investments, the impact of the energy transition on the sector, tax planning (see below the prior valuation agreement with the Spanish Tax Authorities) and the entry into force of the second part of the TR-ansforma plan, which identifies opportunities for the Group to become more efficient (Note 2.3.1).

The corresponding sensitivity analysis was performed on the critical variables used in the previous projections, mainly on the estimated profitability of future projects, concluding that a 25% decrease in the average expected profitability would mean an increase of 3 years in the recovery periods of deferred tax assets.

The details of tax loss carryforwards from subsidiaries on which tax assets have not been recognised essentially corresponds to the following:

	Thousands of euros			
	2022		2021	
	Base	**Tax charge**	**Base**	**Tax charge**
Spain	157,076	39,269	163,931	40,983
Saudi Arabia	452,255	90,451	377,886	75,577

Management does not consider their activation at the year-end as it is not possible to predict their recovery date.

No deferred taxes were generated in 2022 and 2021 from transactions charged or paid directly against equity, in addition to those detailed in the Consolidated Financial Statement.

On 28 June 2013, the Tax Agency communicated to Técnicas Reunidas, S.A., as Parent of the Tax Group, the initiation of inspection proceedings for the 2008-11 corporation tax.

In June 2015, the Parent Company received a settlement proposal for an amount of EUR 138.2 million plus interest, and signed the assessment on a contested basis. The settlement agreement is based on the discrepancies of the Tax Agency with the criteria on which the Group’s transfer pricing strategy is based.

In July 2015, the settlement proposal was unsuccessfully appealed for reconsideration before the Tax Agency. The Company filed an appeal for judicial review against this ruling before the Central Judicial Review Court on 15 September 2015.

In 2018, the Central Judicial Review Court (TEAC) partially ruled in favour of the Group, reducing the settlement amount by EUR 20.9 million plus interest and establishing the current amount of the claim at EUR 117.3 million plus interest. The Spanish Tax Agency has not filed an appeal against this ruling.

In October 2018, the Group filed an administrative appeal with the National High Court against the corresponding decision of the Central Judicial Review Court. In 2020, the claim was filed for all the proceedings, and the defence was received from the State Attorney in all the proceedings.

In 2021, the Spanish National Appellate Court (*Audiencia Nacional*) granted the approval of the request for expert evidence made by the Company and the 11 joint ventures.

By the end of June 2022, both TRSA and the 11 joint ventures as well as the State Attorney's Office had filed their written submissions in all the proceedings.

In the proceedings followed by TRSA, the date for voting and judgement was set for 21 December 2022. However, as the deliberations had not concluded on that date, the following day was set for 18 January 2023 to continue the deliberations.

On 6 February 2023, notice was served of the National Appellate Court' judgment in favour of Técnicas Reunidas in relation to its 2008 to 2011 corporate income tax assessments. The National Appellate Court ruling recognised that the application by Técnicas Reunidas of the exemption under section 50(1) of the Consolidated Text of the Spanish Corporate Income Tax Act [*Ley del Impuesto sobre Sociedades*] in respect of the earnings of 11 joint ventures through which it operated abroad was in accordance with the law.

To date, the National Appellate Court has handed down nine judgments in relation to these tax assessments. One of them is the judgment handed down in the proceedings against Técnicas Reunidas, in its capacity as the parent of the tax consolidation group, which is the entity to which that debt was settled in full, and the other three correspond to the proceedings against three of the regularised joint ventures.

In relation to the adjustment for other items, the judgment partially annulled TRSA's income tax settlement resolution. The amount of the remaining debt of TRSA's income tax settlement resolution amounts to approximately EUR 0.5 million plus the corresponding interest for late payment.

At present, we are awaiting the notification of the judgements corresponding to the two remaining joint ventures. However, taking into consideration the content of the judgment in the TRSA proceedings, it is expected that all the judgments will be upheld and the settlement resolutions of all the joint ventures will be annulled.

These judgments have no impact on the Group's income statement and can be appealed by the State Attorney's Office to the Supreme Court within 30 working days of the judgment, so they are not yet final.

If the State Attorney's Office files an appeal in cassation against the National Appellate Court judgments, in the opinion of the Parent's management and its tax advisors, it is unlikely that the appeals would be admitted for processing. And, in the unlikely event that the appeals in cassation were to be admitted, the likelihood that they would be upheld by the Supreme Court would be very low.

Therefore, the Parent's management and directors considered that it was not necessary to recognise any liability.

At the date of preparation of these consolidated annual financial statements, the Parent did not have to make any payments related to the Certificates of Non-Conformity, since both the payment and the interest are guaranteed.

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

As a result of the inspection for 2012-14, there are a number of points regarding the tax on companies that have been the subject of certificates signed in non-conformity. The amount of these non-conformities amounted to EUR 3,566 thousand for 2012 (EUR 744 thousand in interest), while for 2013 and 2014 these certificates contained a settlement proposal amounting to EUR 5,002 thousand (EUR 833 thousand in interest). In addition, the Company received proposed sanctions for 2012 and 2013 to 2014 amounting to EUR 1.2 and 1.6 million, respectively.

The Company appealed filed an appeal against these proposals in disagreement and sanctions before the Central Tax Appeals Board and, on 3 February 2022, the Central Tax Appeals Board notified two resolutions on the proposals in disagreement, fully upholding the contested resolutions in disagreement and two resolutions on the sanctions proposals, one confirming the imposition of the sanction for 2012, and the other partially rejecting the sanction for 2013 to 2014, resulting in a reduction of the sanction of EUR 0.455 million.

The Company appealed these Central Tax Appeals Board again on 15 March 2022, in judicial review proceedings before the National Appellate Court, all of which are still pending a vote and a decision.

The Parent's Management and its tax advisers have concluded that it is unlikely that the amount of the certificates appealed to the National Appellate Court will have to be paid, so no provision has been set aside for these items.

Advance Price Agreement

To bring the Group's transfer pricing policy in line with the standards established by the OECD in the BEPS (Base Erosion and Profit Shifting) Project and to build a relationship of trust and improve understanding with the Spanish Tax Administration, the Group entered into a transfer pricing APA on 24 March 2022. The APA (Advance Price Agreement) covers the period from 2015 to 2026 and incorporates EPC projects without partners, where the contribution to the result of each of the companies involved is defined according to the contribution of the activities carried out in the project. This agreement has been considered by Group management as part of the cash flow estimates.

The purpose of this APA is the distribution of results among the entities that act as the Group's operating centres, which participate in implementing EPC and EPCm projects outside Spain.

The analysis of the contribution to each entity makes it possible to distribute the result between the entities participating in the EPC and EPCm according to a range of values. The contribution of the entities that form part of the corporate and offshore operational centres (offshore entities) is considered to follow the arm's length principle if between 70% and 80% of the results of each project are allocated.

The contribution of the entities that form part of the onshore operational centres is considered to follow the arm's length principle if between 20% and 30% of the results of each project are allocated.

Value-added tax

In June 2013, the Spanish tax authorities notified the Company of the commencement of VAT audits for the years 2009 to 2011, which can be extended to 2012 and 2013.

For the years 2009 and 2011 the Company received a settlement proposal of EUR 1.26 million and a sanction proposal of EUR 0.445 million, both including interest, while for the years 2012 and 2013 it received a settlement proposal recognising an amount to refund the Company of EUR 0.664 million instead of its request for EUR 1,539 million, and a sanction proposal of EUR 0.372 million.

Against the above proposals TRSA filed claims before the Central Tax Appeals Board, which were dismissed and subsequently appealed by TRSA before the National Appellate Court. The National Appellate Court proceedings for the years 2009 to 2011 are to date pending vote and judgment, while the judgment of the National Appellate Court proceedings for the years 2012 and 2013 was notified on 29 June 2022 partially upholding the appeal filed by TRSA, in particular cancelling the imposition of the sanction of EUR 0.372 million.

Other taxes

As a result of the inspection opened on 3 July 2017 into the Company's other taxes for 2014 and 2015, several points were subject to assessments signed in disagreement for an amount of EUR 3,573 million including interest and, a proposed sanction of EUR 1.6 million. The proceedings are awaiting the Central Tax Appeals Board's resolution of the claims brought by TRSA.

The Company's management and its tax advisors have concluded that it is unlikely that the amount of these tax certificates and sanctions will have to be paid, and therefore no provision has been set aside for these items.

The detail of the years open for inspection is as follows:

Tax	Years
Income tax	2015-2022
Value-added tax	2016-2022
Personal income tax	2016-2022
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 Parent’s Directors consider that, should they arise, these liabilities would not have a material effect on the consolidated financial statements.

27. Profit/(loss) per share

a) Basic

Basic earnings per share are calculated by dividing the profit attributable to the Company’s shareholders by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares acquired by the Parent Company.

b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to reflect the conversion of all the potential dilutive ordinary shares. Given that the Parent does not hold any class of potential dilutive ordinary shares, the diluted earning per share matches the basic earning per share.

	Thousands of euros	
	2022	**2021**
Profit/(loss) for the year attributable to ordinary equity instrument holders of the entity	(37,134)	(190,443)
Weighted average number of ordinary shares outstanding	53,663,797	53,674,071
(Loss)/Profit per share of the profit attributable to ordinary equity holders of the entity (EUR per share)	(0.69)	(3.55)

28. Contingencies and securities provided

The Group has contingent liabilities for bank guarantees and other securities related to the normal course of business. It is envisaged that no significant liability will arise from them in addition to those cases for which provisions were made as mentioned in Note 21. In the normal course of the activities, and as is usual among companies dedicated to engineering and construction activities, the Group has issued guarantees to third parties for a value of EUR 4,414,833 thousand (2021: EUR 4,500,390 thousand) to guarantee the adequate fulfilment of agreements.

The total guarantees provided include syndicated guarantee lines amounting to EUR 660,843 thousand (2021: EUR 671,787 thousand), of which EUR 518,919 thousand are subject to certain covenants, the fulfilment of which was waived as at 31 December 2022. At the date of preparation of these consolidated financial statements, a waiver had been obtained for compliance with the ratio of equity attributable to shareholders to total balance sheet higher than 9% for 2023.

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 (bank guarantees) and they must be held for a certain period.

As mentioned in Note 7, the bank borrowings in the amount of EUR 11,656 thousand (2021: EUR 13,476 thousand) financed the construction of the Concessions. Those loans (except for EUR 1,200 thousand) are secured with the stated concession assets.

In relation to the audits mentioned in Note 26, bonds have been paid to the tax authorities amounting to EUR 157,900 thousand. (EUR 130,400 thousand as instalment and EUR 27,500 thousand in default interest).

The Group is party to certain judicial and arbitration disputes, framed in the closure process of the projects, with clients and suppliers. These include the following:

KPP Finland

In 2021, KPP (a joint venture formed by Nestlé, Borealis and Veolia) initiated arbitration proceedings against the Company seeking recognition of its right to damages for contractual delay (EUR 40 million already collected under the guarantees), and its right to recover additional costs and damages incurred in the completion of the works (for an estimated amount of EUR 165 million). Técnicas Reunidas rejected KPP's claims in the proceedings and has filed counterclaims for damages and change orders for EUR 150 million.

MGT Teeside-UK

In May 2021, MGT Teesside (a special purpose vehicle formed by Macquarie and PKA) decided to terminate the EPC contract awarded to a joint venture between TR and Samsung C&T. TR/Samsung immediately filed for arbitration to recover the losses suffered from the wrongful termination and to recover the amounts collected from the enforced guarantees. The TR/Samsung claims amount to GBP 195 million. MGT claims GBP 215 million (GBP 120 million already collected under the performance bonds).

GTG Algeria

The dispute relates to the customer GTG's enforcement of contract guarantees amounting to USD 80 million at a time when the contractor had achieved provisional acceptance of the plant two years earlier. The Company's position is that the execution of the enforcement was unjustified and that there was no adequate prior discussion of the Company's claims as required by the contract, and arbitration proceedings were immediately initiated. The amounts claimed by TR are approximately EUR 280 million including the recovery of enforced bank guarantees. GTG has filed counterclaims in the amount of EUR 200 million.

Bemco (Saudi Arabia)

In September 2021, BEMCO, a subcontractor engaged by TR on a project located in Saudi Arabia, initiated arbitration proceedings against Técnicas Reunidas Saudia for Services and Contracting Company Limited ('TR Saudia'), a wholly-owned subsidiary of the group claiming additional costs in the amount of approximately USD 118 million), for alleged breaches of the subcontract. TR Saudia has denied these breaches. BEMCO's claims are sought to be dismissed and counterclaims in the amount of approximately USD 35 million have been filed).

As discussed in note 21, each of these lawsuits is at a different procedural stage at the date of preparation of these financial statements, and a decision is not expected before the end of 2024 or early 2025.

Based on the opinion of the Group's legal advisers in their internal assessments and third-party reports, formulated based on the available information, the Parent believes that, except for the disputes for which the corresponding provision has been recognised (see Note 21), their outcome will not significantly influence the Group's financial position.

In 2022 the lawsuits in Peru and Portugal that were sufficiently covered were resolved.

29. Commitments

Fixed asset purchase commitments

There are no significant investment commitments in relation to asset purchases at 31 December 2022 or 31 December 2021.

Suppliers and subcontractor purchase commitments

The Group has payment commitments vis-à-vis its suppliers, in addition to those recognised in the trade payables heading, 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 clients of the Group are issued in accordance with contractual milestones of a similar nature to those that the Group maintains with its suppliers.

Information on the average period of payment to suppliers. Additional provision three. 'Reporting obligations' under Spanish Law 15/2010, of 5 July. (Under the new wording given by final provision two of Spanish Law 31/2014 reforming the Spanish Corporate Enterprises Act [*Ley de Sociedades de Capital*]).

As established by the reference law, as well as the resolution of the Spanish Accounting and Account Auditing Institute of 29 January 2016, the following information is broken down in reference to the average period of payment to suppliers:

	2022	**2021**
Average period of payment to suppliers	100	110
Ratio of transactions paid	85	85
Ratio of transactions payable	134	144

	Thousands of euros	
	2022	**2021**
Total payments made	3,563,604	2,181,864
Total payments pending	1,094,533	929,262

These figures relate to projects in multiple regions. With respect to Spanish suppliers, the Group may exceed the deadlines set in the case of invoices that do not comply with the terms of the contract because they are not officially compliant, due to non-receipt of guarantees or non-compliance with other supplier obligations and for other reasons linked to the exceptional nature of conducting business in the context of COVID-19.

The calculation of the data of the above table was performed in accordance with the Spanish Accounting and Account Auditing Institute resolution of 29 January 2016. For the purposes of this note, the trade payables item includes the heading of suppliers and sundry payables for debts to goods suppliers or service providers included in the scope of the regulation on legal payment deadlines.

For the calculation of the information contained in this note, the transactions executed with the Group's suppliers has been considered after eliminating the reciprocal credits and debits of the subsidiaries and, as applicable, those of the multi-group companies pursuant to the applicable consolidation rules.

The calculation is made taking into account the date of registration of the invoice in the system. On that date, not all the invoices are due since they may not comply with the contractual requirements established. In addition, this debt is not enforceable in accordance with 'paid when paid' clauses.

In accordance with the new regulations under section 9 of Law 18/2022 of 28 September, in addition to the above information, the following information is provided:

Number (units)	**2022**
Invoices paid prior to compliance with the maximum legal period for payment to suppliers	47,855
Percentage of the total number of supplier invoices	67%
Volume (thousands of euros)	**2022**
Invoices paid prior to compliance with the maximum legal period for payment to suppliers	1,693,240
Percentage of the total number of supplier invoices	46%

30. Connected-party transactions

The connected-party transactions during 2022 and 2021 pertain to the Company's ordinary business. The stated transactions executed with connected parties are as follows:

a) Remuneration paid to senior management

Furthermore, during 2022, remuneration (wages and salaries, both fixed and variable) was paid to senior management of the Group for a total of EUR 4,503 thousand (2021: EUR 4,548 thousand), as well as advances in the amount of EUR 5 thousand (2021: EUR 0 thousand), as well as loans in the amount of EUR 0 thousand (2021: EUR 0 thousand). The gross amounts paid to unrelated persons who are no longer part of senior management amount to EUR 0 thousand (2021: EUR 1,107 thousand).

b) Transactions with associates

Details of the balances and transactions with the associates included in Appendix II is presented below:

	Thousands of euros	
	2022	**2021**
Loans	7,368	6,323
Payables to suppliers	347	347
Interest	141	89

All the transactions indicated were carried out with the company Mater, S.A. Ingeniería y Arquitectura.

31. 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 (see Note 3.4).

32. Joint ventures

The Group has interests in the joint ventures listed in Appendix III and in joint ventures with third parties listed in Appendix IV. The amounts shown below represent the Group's share, in accordance with the percentage corresponding to it, in the assets and liabilities and the income and profit/(loss) of the joint ventures UTEs with third parties.

	Thousands of euros	
Assets:	**2022**	**2021**
Non-current assets	3,125	1,680
Current assets	1,055,170	394,103
	1,058,295	**395,783**

	Thousands of euros	
Liabilities:	**2022**	**2021**
Non-current liabilities	36,895	1,477
Current liabilities	1,066,737	467,900
	1,103,632	**469,377**
Net assets	**(45,337)**	**(73,594)**
Revenue	1,100,635	243,226
Expenses	971,562	99,091
Profit/loss after tax	**129,073**	**144,135**

33. Other information

a) Average number of employees of the Group by category

The average number of people employed over the year by the companies included by global integration in the scope of consolidation, distributed by categories, is as follows:

	2022	**2021**
Executive directors and senior executives	10	12
Graduates, line personnel and clerical staff	6,517	6,569
Non-graduates/Unqualified staff	154	151
Sales staff	24	34
	6,705	**6,766**

The average number of people employed over the year by the joint ventures included by proportional integration in the scope of consolidation, distributed by categories, is as follows:

	2022	**2021**
Graduates, line personnel and clerical staff	292	241
Non-graduates/Unqualified staff	12	11
	304	**252**

Moreover, the gender balance of the staff of companies included by global integration in the scope of consolidation at the year-end is as follows:

	2022			2021		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Executive directors and senior executives	9	1	10	10	1	11
Graduates, line personnel and clerical staff	5,723	1,930	7,653	5,377	1,747	7,124
Non-graduates/Unqualified staff	148	14	162	127	15	142
Sales staff	14	9	23	25	9	34
	5,894	**1,954**	**7,848**	**5,539**	**1,772**	**7,311**

The above figures include 795 subcontracted workers and independent contractors (2021: 795 professionals).

The average number of people employed in 2022 and 2021 by the companies included in the scope of consolidation with a disability level greater than or equal to 33% amounted to 25 and 27 workers respectively, in the 'Graduates, other line personnel and clerical staff' category.

b) Fees paid to auditors

The fees for services contracted in 2022 and 2021 by companies of the Técnicas Reunidas Group with their respective auditors are as follows:

	2022			
	PwC*	**Deloitte,S.L.**	**Other companies of the PwC network***	**Other companies of the Deloitte,S.L. network.**
Financial audit services	**452**	**489**	**307**	**211**
Non-audit services	**242**	**26**	**192**	**112**
Other attest services	242	26	27	30
Tax services	-	-	165	82
	694	**515**	**499**	**323**

	2021			
	PwC*	**Deloitte,S.L.**	**Other companies of the PwC network***	**Other companies of the Deloitte,S.L. network.**
Financial audit services	**536**	**449**	**253**	**157**
Non-audit services	**217**	**25**	**149**	**44**
Other attest services	217	25	46	20
Tax services	-	-	103	24
	753	**474**	**402**	**201**

*PricewaterhouseCoopers Auditores, S.L. (PwC)

c) Information required by section 229 of the Spanish Corporate Enterprises Act

The Directors of the Parent do not have any issue to inform in relation to section 229 of the Corporate Enterprises Act, approved by means of Royal Legislative Decree 1/2010, of 2 July, except the following:

- Juan Lladó Arburúa is Deputy Chair of Española de Investigación y Desarrollo, S.A.

d) Remuneration paid to members of the Parent's Board of Directors

The overall remuneration received by the members of the Company's Board of Directors during the years ended 31 December 2022 and 2021 is presented below:

	Thousands of euros	
	2022	**2021**
Attendance fees for Board of Directors meetings	1,943	2,000
Wages and salaries	800	800
Life insurance premiums and pension plans	4	38
Services rendered to the Group	331	305
	3,078	**3,143**

Furthermore, the Group paid EUR 340 thousand and EUR 308 thousand in 2022 and 2021, respectively, for third-party liability insurance for directors and officers.

34. Events after the balance sheet date

After year-end, the National Appellate Court ruled in favour of Técnicas Reunidas in relation to its corporate income tax assessments for 2008 to 2011 (Note 26)

Also, after year-end, the Company's Board approved a new remuneration plan for share rights of the Company (the 'Plan') granted to the Group's management, with the aim of retaining and incentivising them and consisting of giving them options on shares of the Parent. The duration of the plan is 3 years, although it may be extended if considered appropriate. The number of shares allocated to the plan is 143,193 shares. The Company's stock option plan will be exercisable within the established duration period, each time one of the target prices is reached and subject to the following terms and conditions:

- Possible acquisition of one third of the shares of the Company subject to the Plan if a share price per share of EUR 14 is reached before the end of the Plan.
- Possible acquisition of another third of the shares of the Target Company if a share price of EUR 18 per share is reached before the end of the Plan.
- Possible acquisition of the last third of the shares of the Target Company if a share price of EUR 22 per share is reached before the end of the Plan.
- The Beneficiary must hold these shares for at least 1 year.
- If, after the 3-year period agreed in the Plan, the targets set are not achieved, the Beneficiary will lose any rights to the shares covered by the Plan.
- If applicable, and only in the event that each and every one of the conditions established in the Plan are met, the Company will activate the process, through the agent and mechanisms deemed most appropriate and in accordance with the applicable regulations, in particular Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on Market Abuse and its implementing regulations.

At the date these consolidated financial statements were authorised to be issued, no subsequent significant events had taken place, in addition to those already mentioned in the previous paragraphs, that would need to be broken down.

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APPENDIX I

Subsidiaries included in the scope of consolidation – 2022

Corporate Name	Registered Address	% Share of Nominal Amount	Shareholder Company	Integration method	Business activity	Auditor
Técnicas Reunidas Gulf Ltd. – Saudi Arabia	P.O. BOX 39561, Dahrahn 31942 (Saudi Arabia)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	PwC
TR Saudi Arabia LLC	P.O. Box 40.538, Jeddah 21511, (Saudi Arabia)	100%	Técnicas Reunidas, S.A. / Técnicas Reunidas Proyectos Internacionales, S.A.	I.G.	Engineering Services	PwC
Técnicas Reunidas Saudia for Services and Contracting Company Limited	P.O. Box 77076, 31952 Al Khobar, (Saudi Arabia)	100%	Técnicas Reunidas, S.A. / Técnicas Reunidas Proyectos Internacionales, S.A.	I.G.	Engineering Services	PwC
TECNICAS REUNIDAS GLOBAL FOR ENGINEERING CONSULTANTS CO. LTD	P.O. Box 30909, Al Khobar 31952, Saudi Arabia	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC
TR Argentina	MORENO 957 Piso:2 Dpto:1 1091-CIUDAD AUTONOMA BUENOS AIRES	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC
TR Bahrain W.L.L	Sanabis, block 410, road 1010, building 474, flat 211	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC
Técnicas Reunidas TEC – Bolivia	Edificio el Cubo II, 2º Piso, Avenida las Ramblas, Zona Empresarial Equipetrol Norte, Santa Cruz (Bolivia)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G	Engineering Services	Unaudited
TR Canada Inc	Suite 500, 5004 Avenue SW Calgary, AB - T2P 2V6 (Canada)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC

Tecnicas Reunidas Canada E&C INC.	Suite 500, 5004 Avenue SW Calgary, AB - T2P 2V6, (Canada)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Unaudited
TR Alberta	Suite 500, 5004 Avenue SW Calgary, AB - T2P 2V6 (Canada)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas Chile Ltda.	Badajoz Nº 45, Oficina 1901, Edificio Fundadores, Las Condes, Santiago de Chile (Chile)	100%	Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Deloitte
TR Metalúrgica Chile	Avda. Bosque Norte, 107, Las Condes, Santiago de Chile	100%	Termotécnica,S.A.	I.G.	Engineering Services	Deloitte
TR Colombia	AK 9 # 127 C 60 OF 311 Municipio: Bogotá D.C	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC
Técnicas Reunidas USA L.L.C.	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, (USA)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
TR Louisiana L.L.C.	Baton Rouge, Louisiana (USA)	100%	Técnicas Reunidas USA L.L.C.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas Houston L.L.C.	1790 Hugues Landing Boulevard, the Woodlands, Texas 77380 (USA)	100%	Técnicas Reunidas USA L.L.C.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas Internacional, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Termotécnica, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	99.98%	Técnicas Reunidas, S.A. y Técnicas Reunidas Construcción y Montaje, S.A.	I.G.	Engineering Service and Machinery Wholesaler	Unaudited
Técnicas Reunidas Construcción y Montaje, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Property Development	Unaudited

Técnicas Reunidas Ecología, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Service	Unaudited
Técnicas Reunidas Metalúrgicas, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Service	Unaudited
Técnicas Siderúrgicas, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas Construcción y Montaje, S.A.	I.G.	Engineering Service	Unaudited
Técnicas Reunidas Proyectos Internacionales, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Service	Unaudited
Española de Investigación y Desarrollo, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Service	Unaudited
Layar, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Property Activity	Unaudited
Layar Real Reserva, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Layar, S.A.	I.G.	Property Activity	Unaudited
Initec Plantas Industriales, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	PwC/Deloitte
Initec Infraestructuras, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
ReciclAguilar, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	80%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited

Heymo Ingeniería, S. A.	Avenida de Burgos 89, Edificio 3, plnta 6ª, núcleo A, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S. A.	I.G.	Engineering Services	Deloitte
Deportes Valdavia	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Valdavia Padel S.L.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Deportes Valdavia,S.L.	I.G.	Engineering Services	Unaudited
Valdavia Gim S.L.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Deportes Valdavia,S.L.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas Netherlands B.V.	Parklaan 34, 3016BC Rotterdam (Netherlands)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas Ghana	4 Momotse avenue, Adabraka-Accra Mteropolitan, Greatrer Accra, PO BOX NT 1632, A., (Ghana)	100%	Técnicas Reunidas Netherlands B.V.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas Dufi CCGT Kft	1077 Budapest, Wesselényi utca 16. 3. em.; new seat: 1138 Budapest, Népfürdő utca 22. Building B. 13th floor (Hungary)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G	Engineering Services	Unaudited
Técnicas Reunidas engineers India private limited (TREI)	103 Ashoka Estate, Barakhamba Road, New Delhi – 110 001 (India)	100%	Técnicas Reunidas, S.A.	I.G.	Consultancy and assistance in international engineering projects	LUTHRA-LUTHRA
TR Sagemis	Via Zucchi 1, 20900 Monza MB, (Italy)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
TR Italy	Via Zucchi 1, 20900 Monza MB, (Italy)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited

Técnicas Reunidas Malaysia SDN.	Suite 1005, 10th Floor, Wisma Hamzah-Kwong Hing, No. 1, Leboh Ampang, 40100, Kuala Lumpur, (Malaysia)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Deloitte
TR Servicios S.R.L. de C.V.	Calle Tiburcio Monteil 76, San Miguel Chapultepec, Miguel Hidalgo, Distrito Federeal, 11850, (Malaysia)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Unaudited
TReunidas México Ingeniería y Construcción de R.L. de C.V.	Avda Álvaro Obregón 151, piso 6, despacho 601 col Roma Norte CP 06700, Del: Cuauhtemoc, Mexico City, Mexico	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Unaudited
TR Engineering LLC – Oman	Safeway Building, 2nd floor, Building nº68, Way nº 3305, Dohat-Al Abad, Muscat, Sultanate of Oman	49%	Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Morrison
Técnicas Reunidas Omán LLC	Safe Way Building, Building nº 68, Way nº 3305, Dohah-Al Abad Street, Alkhuwair, Muscat, Sultanate of Oman	70%	Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Morrison
Tecnicas Reunidas LLC (Duqm)	The Special Economic Zone at Duqm / Al-Duqm / Al Wusta Governorate / P.O. Box: 2991 / Postal Code 112	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC
TR Perú Ingeniería y Construcción S.A.C.	Av. Jorge Chavez 184, Oficina 402, distrito de Miraflores, provincia y departamento de Lima, (Peru)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas de Talara, S.A.C.	Av. Jorge Chavez 184, Oficina 402, distrito de Miraflores, provincia y departamento de Lima, (Peru)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC

Técnicas Reunidas de Construcao Unip. LDA - Portugal	Rua Latino Coelho, n.º 87, Distrito: Lisboa, Concelho: Lisboa, Freguesia: Avenidas Novas, 1050, 132 Lisboa (Portugal)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	PwC
Tecnicas Reunidas UK	Suite 1, 3rd Floor, 11-12 St. James's Square, London, SW1Y 4LB, (UK)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Tecreun República Dominicana, S.R.L.	Avda. de los Próceres, Diamond Mall, 1º piso, local 25A, Santo Domingo, (Dominican Republic)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas INSAAT TAAHHÜT Limited Sirketi	Kozyatağı Nidakule Değirmen Sok. No:18/19A-10. Kat Oda :26 Kozyatağı Kadıköy -İst.-P.K.34742 Adres No: 2252546268 (Turkey)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G	Engineering Services	PwC
Técnicas Reunidas Mühendislik ve İnsaat A.S	Kozyatağı Nidakule Değirmen Sok. No:18/19A-10. Kat Oda :26 Kozyatağı Kadıköy -İst.-P.K.34742 Adres No: 2252546268 (Turkey	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
TR Projeler	Kozyatagi Mahallesi Degirmen Sk. Nida Kule A Blok Apt. Nº: 18/19 Kadikoy/Istanbul	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC

APPENDIX I

Subsidiaries included in the scope of consolidation – 2021

Corporate Name	Registered Address	% Share of Nominal Amount	Shareholder Company	Integration method	Business activity	Auditor
Técnicas Reunidas Gulf Ltd. – Saudi Arabia	P.O. BOX 39561, Dahrahn 31942 (Saudi Arabia)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	PwC
TR Saudi Arabia LLC	P.O. Box 40.538, Jeddah 21511, (Saudi Arabia)	100%	Técnicas Reunidas, S.A. / Técnicas Reunidas Proyectos Internacionales, S.A.	I.G.	Engineering Services	PwC
Técnicas Reunidas Saudia for Services and Contracting Company Limited	P.O. Box 77076, 31952 Al Khobar, (Saudi Arabia)	100%	Técnicas Reunidas, S.A. / Técnicas Reunidas Proyectos Internacionales, S.A.	I.G.	Engineering Services	PwC
TECNICAS REUNIDAS GLOBAL FOR ENGINEERING CONSULTANTS CO. LTD	P.O. Box 30909, Al Khobar 31952, Saudi Arabia	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC
TR Argentina	MORENO 957 Piso:2 Dpto:1 1091-CIUDAD AUTONOMA BUENOS AIRES	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC
TR Bahrain W.L.L	Sanabis, block 410, road 1010, building 474, flat 211	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC
Técnicas Reunidas TEC – Bolivia	Edificio el Cubo II, 2º Piso, Avenida las Ramblas, Zona Empresarial Equipetrol Norte, Santa Cruz (Bolivia)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G	Engineering Services	Unaudited
TR Canada Inc	Suite 500, 5004 Avenue SW Calgary, AB - T2P 2V6 (Canada)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC

Tecnicas Reunidas Canada E&C INC.	Suite 500, 5004 Avenue SW Calgary, AB - T2P 2V6, (Canada)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Unaudited
TR Alberta	Suite 500, 5004 Avenue SW Calgary, AB - T2P 2V6 (Canada)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas Chile Ltda.	Badajoz Nº 45, Oficina 1901, Edificio Fundadores, Las Condes, Santiago de Chile (Chile)	100%	Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Deloitte
TR Metalúrgica Chile	Avda. Bosque Norte, 107, Las Condes, Santiago de Chile	100%	Termotécnica,S.A.	I.G.	Engineering Services	Deloitte
TR Colombia	AK 9 # 127 C 60 OF 311 Municipio: Bogotá D.C	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC
Técnicas Reunidas USA L.L.C.	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, (USA)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
TR Louisiana L.L.C.	Baton Rouge, Louisiana (USA)	100%	Técnicas Reunidas USA L.L.C.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas Houston L.L.C.	1790 Hugues Landing Boulevard, the Woodlands, Texas 77380 (USA)	100%	Técnicas Reunidas USA L.L.C.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas Internacional, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Termotécnica, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	99.98%	Técnicas Reunidas, S.A. y Técnicas Reunidas Construcción y Montaje, S.A.	I.G.	Engineering Service and Machinery Wholesaler	Unaudited
Técnicas Reunidas Construcción y Montaje, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Property Development	Unaudited

Técnicas Reunidas Ecología, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Service	Unaudited
Técnicas Reunidas Metalúrgicas, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Service	Unaudited
Técnicas Reunidas Trade Panamá, S.A.	República de Panamá, (Panama)	100%	Técnicas Reunidas, S.A.	I.G.	Inactive Company	Unaudited
Técnicas Siderúrgicas, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas Construcción y Montaje, S.A.	I.G.	Engineering Service	Unaudited
Técnicas Reunidas Proyectos Internacionales, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Service	Unaudited
Española de Investigación y Desarrollo, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Service	Unaudited
Layar, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Property Activity	Unaudited
Layar Real Reserva, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Layar, S.A.	I.G.	Property Activity	Unaudited
Initec Plantas Industriales, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	PwC/Deloitte
Initec Infraestructuras, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited

ReciclAguilar, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	80%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Heymo Ingeniería, S. A.	Avenida de Burgos 89, Edificio 3, plnta 6ª, núcleo A, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S. A.	I.G.	Engineering Services	Deloitte
Deportes Valdavia	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Valdavia Padel S.L.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Deportes Valdavia,S.L.	I.G.	Engineering Services	Unaudited
Valdavia Gim S.L.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Deportes Valdavia,S.L.	I.G.	Engineering Services	Unaudited
Ibérica del Espacio, S.A.	Calle Magallanes 3, 28015, Madrid (Spain)	100%	Técnicas Reunidas, S.A. and TR Proyectos Internacionales, S.A.	I.G.	Engineering Services	PwC
Técnicas Reunidas Netherlands B.V.	Parklaan 34, 3016BC Rotterdam (Netherlands)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas Ghana	4 Momotse avenue, Adabraka-Accra Mteropolitan, Greatrer Accra, PO BOX NT 1632, A., (Ghana)	100%	Técnicas Reunidas Netherlands B.V.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas Dufi CCGT Kft	1077 Budapest, Wesselényi utca 16. 3. em.; new seat: 1138 Budapest, Népfürdő utca 22. Building B. 13th floor (Hungary)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G	Engineering Services	Unaudited

Técnicas Reunidas engineers India private limited (TREI)	103 Ashoka Estate, Barakhamba Road, New Delhi – 110 001 (India)	100%	Técnicas Reunidas, S.A.	I.G.	Consultancy and assistance in international engineering projects	LUTHRA-LUTHRA
TR Sagemis	Via Zucchi 1, 20900 Monza MB, (Italy)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
TR Italy	Via Zucchi 1, 20900 Monza MB, (Italy)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas Malaysia SDN.	Suite 1005, 10th Floor, Wisma Hamzah-Kwong Hing, No. 1, Leboh Ampang, 40100, Kuala Lumpur, (Malaysia)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Deloitte
TR Servicios S.R.L. de C.V.	Calle Tiburcio Monteil 76, San Miguel Chapultepec, Miguel Hidalgo, Distrito Federeal, 11850, (Malaysia)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Unaudited
TReunidas México Ingeniería y Construcción de R.L. de C.V.	Avda Álvaro Obregón 151, piso 6, despacho 601 col Roma Norte CP 06700, Del: Cuauhtemoc, Mexico City, Mexico	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Unaudited
TR Engineering LLC – Oman	Safeway Building, 2nd floor, Building nº68, Way nº 3305, Dohat-Al Abad, Muscat, Sultanate of Oman	49%	Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Morrison
Técnicas Reunidas Omán LLC	Safe Way Building, Building nº 68, Way nº 3305, Dohah-Al Abad Street, Alkhuwair, Muscat, Sultanate of Oman	70%	Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Morrison
Tecnicas Reunidas LLC (Duqm)	The Special Economic Zone at Duqm / Al-Duqm / Al Wusta Governorate / P.O. Box: 2991 / Postal Code 112	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC
TR Perú Ingeniería y Construcción S.A.C.	Av. Jorge Chavez 184, Oficina 402, distrito de Miraflores, provincia y departamento de Lima, (Peru)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited

Técnicas Reunidas de Talara, S.A.C.	Av. Jorge Chavez 184, Oficina 402, distrito de Miraflores, provincia y departamento de Lima, (Peru)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC
Técnicas Reunidas de Construcao Unip. LDA - Portugal	Rua Latino Coelho, n.º 87, Distrito: Lisboa, Concelho: Lisboa, Freguesia: Avenidas Novas, 1050, 132 Lisboa (Portugal)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	PwC
Tecnicas Reunidas UK	Suite 1, 3rd Floor, 11-12 St. James's Square, London, SW1Y 4LB, (UK)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Tecreun República Dominicana, S.R.L.	Avda. de los Próceres, Diamond Mall, 1º piso, local 25A, Santo Domingo, (Dominican Republic)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas INSAAT TAAHHÜT Limited Sirketi	Kozyatağı Nidakule Değirmen Sok. No:18/19A-10. Kat Oda :26 Kozyatağı Kadıköy -İst.-P.K.34742 Adres No: 2252546268 (Turkey)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G	Engineering Services	PwC
Técnicas Reunidas Mühendislik ve İnsaat A.S	Kozyatağı Nidakule Değirmen Sok. No:18/19A-10. Kat Oda :26 Kozyatağı Kadıköy -İst.-P.K.34742 Adres No: 2252546268 (Turkey	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
TR Projeler	Kozyatagi Mahallesi Degirmen Sk. Nida Kule A Blok Apt. Nº: 18/19 Kadikoy/Istanbul	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC

APPENDIX II
Associates included in the scope of consolidation – 2022

Corporate Name	Registered Address	% Share of Nominal Amount	Shareholder Company	Integration method	Business activity	Auditor
Proyectos Ebramex, S. de R.L. de C.V.	Ciudad de Tampico, Tamaulipas, Mexico	33.33%	Técnicas Reunidas, S.A.	P. Eq.	Engineering Services	Unaudited
Minatrico, S. de R.L. de C.V.	Ciudad de Tampico, Tamaulipas, Mexico	33.33%	Técnicas Reunidas, S.A.	P. Eq.	Engineering Services	Unaudited
Máster S.A. de ingeniería y Arquitectura	Ronda General Mitre 126, 4ª planta, 08021-Barcelona (Spain)	40.00%	Técnicas Reunidas, S.A.	P. Eq.	Engineering Services	Unaudited

APPENDIX II
Associates included in the scope of consolidation – 2021

Corporate Name	Registered Address	% Share of Nominal Amount	Shareholder Company	Integration method	Business activity	Auditor
Proyectos Ebramex, S. de R.L. de C.V.	Ciudad de Tampico, Tamaulipas, Mexico	33.33%	Técnicas Reunidas, S.A.	P. Eq.	Engineering Services	Unaudited
Minatrico, S. de R.L. de C.V.	Ciudad de Tampico, Tamaulipas, Mexico	33.33%	Técnicas Reunidas, S.A.	P. Eq.	Engineering Services	Unaudited
Máster S.A. de ingeniería y Arquitectura	Ronda General Mitre 126, 4ª planta, 08021-Barcelona (Spain)	40.00%	Técnicas Reunidas, S.A.	P. Eq.	Engineering Services	Unaudited

APPENDIX III
Joint operations included in the scope of consolidation – 2022

Corporate Name	Registered Address	% Share of Nominal Amount	Shareholder Company	Integration method	Business activity	Auditor
TSGI Mühendislik İnşaat Limited Şirketi	Turkey	33.33%	Técnicas Reunidas, S. A.	Proportional	Engineering Services	PwC
TR Daewoo LLC	Oman	65.00%	Técnicas Reunidas, S.A.	Proportional	Engineering Services	PwC
TR Bapco	Bahrain	32.00%	Tr Saudia S.C LTD	Proportional	Engineering Services	PwC
Powertecno Energía mexic	Mexico	50%	Técnicas Reunidas, S. A.	Proportional	Engineering Services	

APPENDIX III
Joint operations included in the scope of consolidation – 2021

Corporate Name	Registered Address	% Share of Nominal Amount	Shareholder Company	Integration method	Business activity	Auditor
TSGI Mühendislik İnşaat Limited Şirketi	Turkey	33.33%	Técnicas Reunidas, S. A.	Proportional	Engineering Services	PwC
TR Daewoo LLC	Oman	65.00%	Técnicas Reunidas, S.A.	Proportional	Engineering Services	PwC
TR Bapco	Bahrain	32.00%	Tr Saudia S.C LTD	Proportional	Engineering Services	PwC

APPENDIX IV

Unincorporated temporary joint ventures, consortiums and permanent establishments in which the companies included in the scope of consolidation have shares – 2022

Entity name	Business activity	Share percentage	Entity name	Business activity	Share percentage
UTE FAHDILI	Engineering Services and Project Execution	100%	UTE TR TSK C.C. González Ortega	Engineering Services and Project Execution	50%
UTE HAIL	Engineering Services and Project Execution	100%	UTE TR TSK C.C. Valladolid	Engineering Services and Project Execution	50%
UTE HASSI MESSAOUD PRJ.	Engineering Services and Project Execution	55%	UTE TR TSK C.C.San Luis	Engineering Services and Project Execution	50%
UTE IGD	Engineering Services and Project Execution	100%	UTE TR TSK C.C. Mérida	Engineering Services and Project Execution	50%
UTE INTEGRATED PROJECT	Engineering Services and Project Execution	100%	UTE TSGI	Engineering Services and Project Execution	33%
UTE PRESAS MIÑO	Engineering Services and Project Execution	25%	UTE TSK TR ASHUGANJ NORTH	Engineering Services and Project Execution	50%
UTE STURGEON	Engineering Services and Project Execution	100%	UTE Valoriza	Engineering Services and Project Execution	50%
UTE TR ETO	Engineering Services and Project Execution	100%	UTE VEOLIA-HEYMO BREF CQP	Engineering Services and Project Execution	61.93%
UTE TR INTEGRATED GAS	Engineering Services and Project Execution	100%	UTE RAMBLA	Engineering Services and Project Execution	100%
UTE TR JRTP JAZAN	Engineering Services and Project Execution	100%	JV DARSAIT	Engineering Services and Project Execution	50%
UTE EPTISA-HEYMO	Engineering Services and Project Execution	50%	JV RAILWAY	Engineering Services and Project Execution	34%
UTE TR PHB JORDAN	Engineering Services and Project Execution	50%	JV SOHAR	Engineering Services and Project Execution	50%
UTE TR/ SGS PISTA 18R	Engineering Services and Project Execution	50%	SAMSUNG-TR JOINT VENTURE	Engineering Services and Project Execution	100%
UTE TR/IN CONS.COMPL.VIÑA	Engineering Services and Project Execution	100%	TECNICAS REUNIDAS FR BR.	Engineering Services and Project Execution	100%

UTE TR MINATITLAN	Engineering Services and Project Execution	100%	TR MARRUECOS	Engineering Services and Project Execution	100%
UTE TR NAPHTHA RT	Engineering Services and Project Execution	100%	TR Branch Azerbaijan	Engineering Services and Project Execution	100%
UTE TR NEC	Engineering Services and Project Execution	100%	TR LEDCOR	Engineering Services and Project Execution	50%
UTE TR OPTARA	Engineering Services and Project Execution	100%	TR MOSCU BRANCH	Engineering Services and Project Execution	100%
UTE TR TALARA	Engineering Services and Project Execution	100%	TR OMAN BRANCH	Engineering Services and Project Execution	100%
UTE TR YANBU REFINERY	Engineering Services and Project Execution	100%	TR QATAR	Engineering Services and Project Execution	100%
UTE TR/IPI Refi. de Sines	Engineering Services and Project Execution	100%	TR SHARJAH	Engineering Services and Project Execution	100%
UTE TRISA/AST. P. EBRAMEX	Engineering Services and Project Execution	100%	TR SINGAPOUR	Engineering Services and Project Execution	100%
UTE TRISA/AST. P. MINATR.	Engineering Services and Project Execution	100%	TR THAILAND BRANCH	Engineering Services and Project Execution	100%
UTE TUBAN	Engineering Services and Project Execution	100%	TRD DUQM PROJECT	Engineering Services and Project Execution	65%
UTE TR/TREC OPER.DESALAD	Engineering Services and Project Execution	33%	TRSA INDIA 33059	Engineering Services and Project Execution	100%
UTE Desaladora Oropesa	Engineering Services and Project Execution	33%	TRSA INDIA 33065	Engineering Services and Project Execution	100%
UTE HEYMO-INCLAM	Engineering Services and Project Execution	100%	TRSA India 33117	Engineering Services and Project Execution	100%
UTE HPP Gepesa	Engineering Services and Project Execution	100%	TRSA India 37007	Engineering Services and Project Execution	100%
UTE MARJAN	Engineering Services and Project Execution	100%	BX TR SPOLKA CYWILNA	Engineering Services and Project Execution	50%
UTE PERELLÓ	Engineering Services and Project Execution	50%	EP BANGLADESH	Engineering Services and Project Execution	100%
UTE PRESAS CANTÁBRICO	Engineering Services and Project Execution	25%	EP JORDANIA	Engineering Services and Project Execution	100%
UTE Puerto de Barcelona	Engineering Services and Project Execution	50%	EP SINES	Engineering Services and Project Execution	100%
UTE TR ADGAS	Engineering Services and Project Execution	100%	EP UTE Hassi Messaoud	Engineering Services and Project Execution	55%
UTE TR BALONGAN	Engineering Services and Project Execution	100%	HYUNDAI TR SPOLKA	Engineering Services and Project Execution	45%
UTE TR BU HASA	Engineering Services and Project Execution	100%	JV KUWAIT CONSORCIO	Engineering Services and Project Execution	50%
UTE TR HARADH GAS COMPRES	Engineering Services and Project Execution	100%	TR Abu Dhabi (BRANCH)	Engineering Services and Project Execution	100%

UTE TR JURONG	Engineering Services and Project Execution	100%	TR AUSTRALIA	Engineering Services and Project Execution	100%
UTE TR MERCURY	Engineering Services and Project Execution	100%	TR BRANCH ARGELIA	Engineering Services and Project Execution	100%
TR KUWAIT BRANCH	Engineering Services and Project Execution	100%	TR FINLANDIA	Engineering Services and Project Execution	100%
TR SA ODDZIAL W POLSCE	Engineering Services and Project Execution	100%	TR INDONESIA	Engineering Services and Project Execution	100%
TR TURQUÍA BOTAS	Engineering Services and Project Execution	100%	TR KAZAJISTAN	Engineering Services and Project Execution	100%

APPENDIX IV

Unincorporated temporary joint ventures, consortiums and permanent establishments in which the companies included in the scope of consolidation have shares – 2021

Entity name	Business activity	Share percentage
UTE ABU DHABI SAS	Engineering Services and Project Execution	100%
UTE FAHDILI	Engineering Services and Project Execution	100%
UTE FORT HILLS	Engineering Services and Project Execution	100%
UTE HAIL	Engineering Services and Project Execution	100%
UTE HASSI MESSAOUD PRJ.	Engineering Services and Project Execution	55%
UTE IGD	Engineering Services and Project Execution	100%
UTE INTEGRATED PROJECT	Engineering Services and Project Execution	100%
UTE PRESAS MIÑO	Engineering Services and Project Execution	25%
UTE STURGEON	Engineering Services and Project Execution	100%
UTE TR DUFI HUNGRIA	Engineering Services and Project Execution	100%
UTE TR ETO	Engineering Services and Project Execution	100%
UTE TR INTEGRATED GAS	Engineering Services and Project Execution	100%
UTE TR JRTP JAZAN	Engineering Services and Project Execution	100%

Entity name	Business activity	Share percentage
UTE TR PHB JORDAN	Engineering Services and Project Execution	50%
UTE TR/ SGS PISTA 18R	Engineering Services and Project Execution	50%
UTE TR/IN CONS.COMPL.VIÑA	Engineering Services and Project Execution	100%
UTE TR/INIT. P.I. Rabigh	Engineering Services and Project Execution	100%
UTE TSGI	Engineering Services and Project Execution	33%
UTE TSK TR ASHUGANJ NORTH	Engineering Services and Project Execution	50%
UTE Valoriza	Engineering Services and Project Execution	50%
UTE VEOLIA-HEYMO BREF CQP	Engineering Services and Project Execution	61.93%
UTE RAMBLA	Engineering Services and Project Execution	100%
JV DARSAIT	Engineering Services and Project Execution	50%
JV RAILWAY	Engineering Services and Project Execution	34%
JV SOHAR	Engineering Services and Project Execution	50%
SAMSUNG-TR JOINT VENTURE	Engineering Services and Project Execution	100%

UTE TR JUBAIL	Engineering Services and Project Execution	100%	TECNICAS REUNIDAS FR BR.	Engineering Services and Project Execution	100%
UTE TR MINATITLAN	Engineering Services and Project Execution	100%	TR MARRUECOS	Engineering Services and Project Execution	100%
UTE TR NAPHTHA RT	Engineering Services and Project Execution	100%	TR Branch Azerbaijan	Engineering Services and Project Execution	100%
UTE TR NEC	Engineering Services and Project Execution	100%	TR LEDCOR	Engineering Services and Project Execution	50%
UTE TR OPTARA	Engineering Services and Project Execution	100%	TR MOSCU BRANCH	Engineering Services and Project Execution	100%
UTE TR RUP	Engineering Services and Project Execution	100%	TR OMAN BRANCH	Engineering Services and Project Execution	100%
UTE TR TALARA	Engineering Services and Project Execution	100%	TR QATAR	Engineering Services and Project Execution	100%
UTE TR YANBU REFINERY	Engineering Services and Project Execution	100%	TR SHARJAH	Engineering Services and Project Execution	100%
UTE TR/IPI ELEFSINA	Engineering Services and Project Execution	100%	TR SINGAPOUR	Engineering Services and Project Execution	100%
UTE TR/IPI Refi. de Sines	Engineering Services and Project Execution	100%	TR THAILAND BRANCH	Engineering Services and Project Execution	100%
UTE TR-IPI ABU DHABI SHAH	Engineering Services and Project Execution	100%	TRD DUQM PROJECT	Engineering Services and Project Execution	65%
UTE TRISA/AST. P. EBRAMEX	Engineering Services and Project Execution	33%	TRSA INDIA 33059	Engineering Services and Project Execution	100%
UTE TRISA/AST. P. MINATR.	Engineering Services and Project Execution	33%	TRSA INDIA 33065	Engineering Services and Project Execution	100%
UTE TUBAN	Engineering Services and Project Execution	100%	TRSA India 33117	Engineering Services and Project Execution	100%
UTE VOLGOGRAD	Engineering Services and Project Execution	100%	TRSA India 37007	Engineering Services and Project Execution	100%
UTE TR/IPI TR POWER	Engineering Services and Project Execution	100%	BX TR SPOLKA CYWILNA	Engineering Services and Project Execution	50%
UTE TR/TREC OPER.DESALAD	Engineering Services and Project Execution	100%	EP BANGLADESH	Engineering Services and Project Execution	100%
UTE Desaladora Oropesa	Engineering Services and Project Execution	25%	EP JORDANIA	Engineering Services and Project Execution	100%
UTE Edif.Servs. Múltiples	Engineering Services and Project Execution	50%	EP SINES	Engineering Services and Project Execution	100%
UTE HEYMO-INCLAM	Engineering Services and Project Execution	50%	EP UTE Hassi Messaoud	Engineering Services and Project Execution	55%
UTE HPP Gepesa	Engineering Services and Project Execution	60%	HYUNDAI TR SPOLKA	Engineering Services and Project Execution	45%
UTE MARJAN	Engineering Services and Project Execution	100%	JV KUWAIT CONSORCIO	Engineering Services and Project Execution	50%

UTE PERELLÓ	Engineering Services and Project Execution	50%	TR Abu Dhabi (BRANCH)	Engineering Services and Project Execution	100%
UTE PRESAS CANTÁBRICO	Engineering Services and Project Execution	25%	TR AUSTRALIA	Engineering Services and Project Execution	100%
UTE Puerto de Barcelona	Engineering Services and Project Execution	50%	TR BRANCH ARGELIA	Engineering Services and Project Execution	100%
UTE TR ADGAS	Engineering Services and Project Execution	100%	TR FINLANDIA	Engineering Services and Project Execution	100%
UTE TR BALONGAN	Engineering Services and Project Execution	100%	TR INDONESIA	Engineering Services and Project Execution	100%
UTE TR BU HASA	Engineering Services and Project Execution	100%	TR KAZAJISTAN	Engineering Services and Project Execution	100%
UTE TR HARADH GAS COMPRES	Engineering Services and Project Execution	100%	TR KUWAIT BRANCH	Engineering Services and Project Execution	100%
UTE TR JJC	Engineering Services and Project Execution	51%	TR NORUEGA	Engineering Services and Project Execution	100%
UTE TR JURONG	Engineering Services and Project Execution	100%	TR SA ODDZIAL W POLSCE	Engineering Services and Project Execution	100%
UTE TR MERCURY	Engineering Services and Project Execution	100%	TR TURQUÍA BOTAS	Engineering Services and Project Execution	100%

Directors' Report

1. Business performance

The macroeconomic environment

The year 2022 was still affected by the impact of the COVID-19 pandemic in the first half of the year, although to a lesser extent than in 2020 and 2021. In the first six months of 2022, due to increased vaccination rates, hospital admissions declined steadily.

Even so, COVID-19 continued to generate mobility restrictions during the first six months, difficulties in project implementation and various impacts on the value chain. For example, the measures taken by China to control the various outbreaks had a noticeable effect on the supply chain, both in terms of logistical constraints, higher prices for various equipment and raw materials, and reduced availability of labour.

In the last months of 2022, the impact of the pandemic on operating results decreased significantly. The potential impact of COVID-19 will continue to be monitored and claimed from customers.

On the other hand, the conflict in Ukraine and the associated sanctions have significantly affected market stability, especially in the geographic areas close to the conflict. Significant disruptions have been generated throughout the supply chain of the engineering and construction industry in the energy sector. This has mainly translated into higher prices for equipment and materials and significant instability of suppliers' offers.

As a result of restrictions imposed by the European Union and other international bodies, the project to refurbish the Moscow refinery that Técnicas Reunidas was building for Gazprom, for a total amount of EUR 234 million, was cancelled.

The world economy will be affected in the coming months by the conflict in Ukraine, the pace of the return to pre-conflict prices of the main raw materials and the increase in interest rates to combat inflation.

The World Bank's January 2023 forecast indicated growth estimates of 3.4% in 2022 (2.7% in advanced economies and 3.9% in emerging markets), 2.9% in 2023 (1.2% and 4.0%, respectively) and 3.1% in 2024 (1.4% and 4.2%, respectively).

Regarding the inflationary effect, the World Bank expects global inflation to fall from 8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024, still above pre-pandemic (2017-19) levels of around 3.5%.

The energy sector

The energy sector has significantly recovered pre-pandemic demand levels, even in this scenario of conflict between Russia and Ukraine. Demand for liquid fuels reached 100.8 million barrels per day by the end of December 2022, 4.8% above the demand in December 2021.

As for natural gas, the International Energy Agency, in its October 2022 Gas Market Report, forecast global demand of 4,083 bcm worldwide in 2022, 0.5% lower than in 2021. This drop in demand was caused by falling consumption in Europe. Aside from Europe, the increase in world demand in 2022 will be 1%.

Natural gas will continue to play a very important role in the decarbonisation of energy, replacing other more polluting fossil fuels. Recently, the inclusion of natural gas among the energy sources contemplated in the European Union's taxonomy was approved.

Energy commodity prices are returning to normal after the volatility caused by the conflict in Ukraine. Oil rose from USD 50 per barrel at the end of 2020 to USD 123 in July 2022, returning to USD 81 per barrel at the end of 2022. As for natural gas, the Henry Hub price closed in December 2022 at USD 3.5 per MBtu, down from USD 3.8 per MBtu at the end of 2021. The price has been highly volatile, reaching highs of USD 9.9 per MBtu in August. The main analysts and institutions that monitor the evolution of energy commodities foresee a sustained scenario of high prices for energy and its derivatives.

The scenario arising from the conflict in Ukraine is implying important decisions in Europe regarding the diversification of its energy supply, oil and natural gas, which will translate into additional investments to supply European energy demand, replacing supplies originating from Russia.

Even before the disruption caused by the conflict in Ukraine, the main companies in the sector, both private companies and state-owned companies, were already pointing to a strong investment cycle stemming from the lack of investment since the mid-2010s and supported by a scenario of high crude oil and natural gas prices.

These three factors (geopolitical scenario, lack of recent investment and a scenario of high prices) herald significant investment activity in the energy industry in the coming years, even against a backdrop of lower economic growth.

Técnicas Reunidas

This macroeconomic environment in general and in the energy industry in particular has had a major impact on Técnicas Reunidas' activity.

In operations, COVID continues to have a certain impact, which is decreasing, on the speed of project completion. Thus, from quarterly turnover levels above EUR 1.2 billion prior to the pandemic, turnover remained at an average of EUR 700 million per quarter for more than six quarters. Throughout 2022, turnover recovered to EUR 4,233 million (an average of EUR 827 million quarterly).

As a positive effect, the recovery of investment in the sector has translated into a significant volume of contract awards, which from the beginning of 2021 to the end of 2022 amounts to around EUR 4.8 billion. This is a set of projects diversified by products and geographies, with a very attractive risk profile due to the different execution strategies, and in which Técnicas Reunidas has significantly reduced the risk associated with construction.

Main financial figures

In 2022, revenues increased by 51%, from EUR 2,806 million in 2021 to EUR 4,233 million. The operating earnings were EUR 8.7 million and the net result recorded a loss of EUR 34.4 million.

The start-up of projects that had been rescheduled, as well as the entry into implementation of projects awarded since the beginning of 2021 explain this half-year increase in sales compared to the previous half-years. In addition, as described below, the deterioration of the situation in Algeria, as well as the impact of the war, are reflected in the result, with a provision for possible risks and expenses of around EUR 45 million.

2022 ended with a net cash position of EUR 157 million. With the slowdown in project execution since the onset of the crisis almost two years ago, project-by-project cash management is proving key to ensuring the continuity of the supply chain, both for the teams and for subcontractors.

Access to EU funds for strategic companies and solvent companies

In mid-2020, the European Union launched mechanisms to help companies that were solvent before the appearance of COVID and that had been severely impacted by the pandemic. In Spain, these funds are managed by the Spanish State-Owned Industrial Holding Company (SEPI).

Throughout 2021, Técnicas Reunidas worked on getting access to this financing instrument, given its status as a strategic company in the Spanish engineering sector. The result of this initiative was the granting in February 2022 of a financial package of EUR 340 million, structured into a participating loan of EUR 175 million and an ordinary loan of EUR 165 million.

These amounts were paid by SEPI at the end of February.

Enforcement of guarantees on the Touat Gaz project

On 8 June, the consortium formed by Neptune Energy and Sonatrach requested the enforcement of the performance bonds for the Touat Gaz plant in Algeria.

In August 2013 Técnicas Reunidas announced the award of the Touat Gaz project for a contract value of USD 1 billion to develop the facilities for a hydrocarbon complex in southwest Algeria. The project included engineering, procurement, construction and commissioning of the gas processing facilities, with an estimated gas production capacity of thirteen million cubic metres per day.

In September 2019 the client began exporting the gas processed by the plant and in June 2020 the client issued the Provisional Acceptance Certificate for the plant, publicly expressing a high level of satisfaction.

In October 2020, Técnicas Reunidas began claiming compensation from the client for the additional costs incurred, initiating a negotiation process that extended throughout 2021 and 2022. Within the general context, on 8 June the client requested the enforcement of the performance bonds for an amount of EUR 80 million.

Efforts by Técnicas Reunidas to reopen the talks were unsuccessful and the guarantees were enforced. Técnicas Reunidas has initiated arbitration to enforce its rights under the contract and recover the costs incurred in excess, and to seek damages for the actions by its client that have injured it or may injure it in the future.

Main projects awarded to Técnicas Reunidas

During the first half of 2022, EUR 1,200 million in contracts were awarded. The main projects comprising this amount were: the four combined cycle plants in Mexico for the Federal Electricity Confederation (CFE), the sulphur treatment plant for QatarEnergy in Qatar and the project management, engineering, procurement, supervision and construction services for an ethylene plant in Europe for INEOS.

The four combined cycle plants in Mexico for the CFE were awarded to the consortium formed by TR and TSK and include the engineering, supply, construction and commissioning of the combined cycle plants. The total value of the contract for Técnicas Reunidas is close to USD 675 million. Two of these combined cycle plants will be located on the Yucatan Peninsula, in Valladolid and Mérida (with gas turbines and heat recovery boilers supplied by Mitsubishi); and the other two will be located in San Luis Rio Colorado and González Ortega (with gas turbines and heat recovery boilers supplied by Siemens). All of them will contribute to the improvement and decarbonisation of the Mexican electricity sector.

The sulphur treatment plant for QatarEnergy was awarded to a consortium formed by Técnicas Reunidas (70%) and the Chinese company Wison Engineering Ltd. (30%) for more than USD 600 million. The project involves building new sulphur handling, storage and loading facilities to process and export sulphur from the existing expansion of the LNG plant in the industrial city of Ras Laffan. These new plants will process an average of 5,000 tonnes of molten sulphur per day. The contract also includes an option for a subsequent expansion to process the sulphur production in the two additional LNG trains of the North Field South Project and the supporting infrastructure for these future additional trains.

The project for INEOS involves the award of project management, engineering, procurement, supervision and construction services for a world-scale ethylene plant. INEOS will invest between EUR 3 and 4 billion in this project. It will be the largest capital investment made by the European chemical industry in the last 20 years. The facility, to be built in the Belgian port of Antwerp, will have a production capacity of 1.5 million tonnes per year and is scheduled to come on stream in 2026.

Energy transition

During 2021 and 2022, Técnicas Reunidas continued to intensify its positioning in energy transition technologies: green and blue hydrogen (and their derivative, ammonia), biofuels and biochemicals and carbon capture. Técnicas Reunidas' supply covers 52% of the demand forecast for 2050 to meet the emissions reduction required to achieve the International Energy Agency's zero emissions scenario.

To help add projects in these technologies to Técnicas Reunidas' portfolio, the Energy Transition Unit was created in the first months of 2022, reporting directly to the CEO, which will coordinate the actions of the entire company in this area, accelerate activity and take advantage of the existing appetite for investment in the market.

Técnicas Reunidas' strategy with respect to the energy transition involves:

- Offering its technologies and services to large companies in the oil and gas industry, energy-intensive industries and infrastructure funds.

  Large companies in the energy sector, clients of Técnicas Reunidas, have announced ambitious plans for the decarbonisation of their activities. Técnicas Reunidas is providing services to these companies to achieve their decarbonisation objectives.

  The cement and steel industries account for 14% of global carbon dioxide emissions. Técnicas Reunidas wants to take advantage of its capabilities to export them to these industries and is in the process of offering and developing projects with companies in this sector.

  Infrastructure funds have ambitious investment objectives in decarbonisation projects. Técnicas Reunidas is in talks with several of these institutions to follow up on opportunities and currently has lines of work open for several projects that Técnicas Reunidas is structuring.

  The main energy transition projects that Técnicas Reunidas is working on are as follows:

  - HyDeal, the company behind Europe's largest investment in green hydrogen, which awarded Técnicas Reunidas a basic engineering study for a green hydrogen production plant.
  - A partnership of the Norwegian company Equinor and the English company SSE awarded the consortium formed by Mitsubishi Power Systems, Worley and Técnicas Reunidas a basic and detailed engineering project for a 900 MW combined cycle plant with a carbon capture unit.

  - Técnicas Reunidas has completed the detailed engineering for a plant to produce biomethanol from wood, domestic and commercial waste, located in Amsterdam.
  - Other projects Técnicas Reunidas is working on include engineering services for a biomethanol plant in Spain, the feasibility study and technology selection for a blue hydrogen plant and the feasibility study of a carbon capture unit for a biomass electricity generation plant.
- Identifying and structuring investment opportunities in key energy transition technologies.

  Técnicas Reunidas has configured the project structuring activity with the aim of promoting projects associated with the energy transition that attract third-party investment and are implemented in the FEED and EPC phase by Técnicas Reunidas.

  It currently has the following projects in the development phase:

  - A green ammonia production project in Carboneras, Almeria.
  - A project to produce second-generation bioethanol from agricultural and forestry waste in Aragón.

  Técnicas Reunidas is leading the structuring of all these projects and is in talks with major companies interested in participating as investors, operators or purchasers of the plants' products.
- Identifying and structuring recurring services associated with the energy transition. Técnicas Reunidas is currently working on two lines of business:
  - Outsourcing the management of carbon captured in processes at large industrial plants.
  - Identification, measurement and management of methane emissions. Técnicas Reunidas is providing the first services to define methane emissions management frameworks.
- Building a differential knowledge hub in technologies and processes to implement energy transition projects.
- Intensifying energy transition communications to convey to the various stakeholders the capabilities of Técnicas Reunidas and its commitment to the new energy environment.

2. Research and development activities

Técnicas Reunidas continues with its firm commitment to research, development and scaling of new technologies.

At its José Lladó Technology Center, where more than 70 people work between graduates and doctors of different disciplines, Research and Technological Development projects are implemented. In addition, the centre provides development and scaling technology 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 cooperative research programmes between companies.

Técnicas Reunidas' R&D expenditure in 2022 was more than EUR 6 million. In 2022 Técnicas Reunidas continued its work on the following national and European technology and research and development projects:

Circular Economy

- HALOMET^{TM} technology: waste treatment technology for the incineration of urban waste to recover zinc and other metals.
- SEA4VALUE Project: European project (HORIZON 2020) to develop valuable metal recovery technologies from brine produced in desalination plants.
- DUST Project: development of technology for the treatment and direct reuse of steel dust, with the main objective of recovering the zinc present in it.
- ECOTRON project: recycling of electronic devices, the organic substrates and valuable metals present in them.
- ECLIPSE project: recycling and recovery of complex polymeric waste to obtain new polymers.
- Plastics2Olefins project: participation in a consortium to design a Plastics Recycling Demo plant to obtain high-value products. TR participates in engineering development, process optimisation and technology integration.

Hydrogen and CO_2 Capture

- SHINEFLEET project: covers the entire hydrogen value chain, from production to end use, including the development of compact renewable and blue hydrogen generators for the heavy transport industry.
- ZEPPELIN Project: study and development of innovative and efficient technological solutions for the production and storage of green hydrogen based on the circular economy. Técnicas Reunidas is working on producing hydrogen from waste using catalytic and thermochemical techniques.

- UNDERGY Project: studies technologies for the development of seasonal storage of renewable energy with green hydrogen integrated into a smart grid. The main axes are: study of underground storage of renewable energy using green hydrogen and creating an efficient energy management system.
- HYMET Project: development of new technologies applicable to the decarbonisation of the iron and steel industry and reusing its by-products. Técnicas Reunidas is studying how to recover waste by means of a reduction reactor; the generation of green hydrogen, and how to reuse captured carbon dioxide.
- **EFISOEC project**: Development of technology for the production of green hydrogen using SOEC (Solid Oxide Electrolyzer Cell) technology.
- **HY2DEC project:** Development and validation of new emerging technologies for the production and use of hydrogen and green oxygen, as well as CO2 capture, and their integration in intensive Spanish industrial processes with the aim of advancing in their decarbonisation.

Critical Raw Materials

- PHOS4LIFE™ Technology for the production of technical grade phosphoric acid from wastewater sewage sludge.
- RARETECH™ Technology: technology for the production of rare earth concentrates from monacite-type minerals.
- REMSELAN project: technology for obtaining rare earths (cerium, neodymium, praseodymium, lanthanum and europium) by separation and purification of lanthanum.
- RECYCLION project: development of technology for the recycling of end-of-life batteries for electric vehicles with special emphasis on their sustainability, economic viability and integration into the circular economy of the value chain of lithium-ion battery manufacturers.
- BIORECOVER project: recovery of rare earths and platinum from primary and secondary sources.
- **PERTE VEC FUTURE project: FAST FORWARD:** In which Técnicas Reunidas will develop the 'RELOAD' project for the recovery of critical raw materials and high-value metals from batteries, motor supermagnets and electronic components of electric vehicles.
- **SUNRISE PV:** Técnicas Reunidas participates as a technologist and engineer for the development of new processes for the recovery and reuse of critical materials and components in the solar photovoltaic value chain, increasing their value and improving the environmental impact of the technology.
- **MINETHIC project:** Development of technologies for the recovery of critical raw materials such as rare earths, cobalt, lithium, nickel, manganese, phosphorus, etc., essential for the success of the energy transition from various by-products and waste.

Biorefining

- LEVAPLUS project: development of technology to reuse raw materials rich in C6 sugars for the production of carboxylic acids to obtain chemical products, polymers or pharmaceuticals, among others.

Nuclear fusion

- FUSION FUTURE project: research into new materials, processes and advanced technologies that contribute to addressing the main issues on the road to nuclear fusion energy.

Chemical Processes

- **POWER2HYPE project:** Development and demonstration of a new process for producing hydrogen peroxide, changing the established energy-demanding chemical route to a sustainable electrochemical route.

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

3. Capital structure.

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

Significant shareholdings are as follows:

	2022	2021
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%
Francisco García Paramés	5.15%	5.15%
Álvaro Guzmán de Lázaro Mateos	5.04%	3.49%
Ariel Investments. L.L.C.	3.01%	3.01%
Columbia Management Investment Advisers LLC	-	3.12%
Cobas Selección F.I.	3.00%	0.00%
Other shareholders (including free float)	39.75%	41.11%
Treasury shares	3.96%	4.03%
TOTAL	**100.00%**	**100.00%**

4. Restrictions on voting rights.

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

5. Shareholder agreements.

There are no agreements of this type.

6. Rules applicable to the appointment and replacement of Board members and to amendments to the Company's Articles of Association.

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

Articles 17 to 22 of the Board Regulations regulate the appointment and removal of the directors of Técnicas Reunidas; establishing that:

1. The Directors will be appointed, following a report by the Appointment and Remuneration Commission, by the General Meeting or by the Board of Directors in accordance with the provisions of the Corporate Enterprises Act.

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

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

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

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

6. Directors must place their offices at the disposal the board of directors and, at the board’s discretion, formalise the resignation in the following cases:

   - 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 receive any serious reprimand from the Board of Directors for failing to have carried out their duty as Directors.

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

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

The Board of Directors has the usual management and representation powers, in accordance with the powers envisaged by the Corporate Enterprises Act, and it is the Company's highest decision-making body except in matters reserved to the General Meeting.

The Chair also holds the same powers as the Board of Directors (except for those established by Article 25 relating to the election of the Chair and the Vice Chairs, or those that cannot be delegated in accordance with the law or internal corporate regulations) and is the top executive at the Company by virtue of Article 28 of the bylaws.

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

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

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

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

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

No agreements of this type exist.

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

There are agreements with one senior executive who, in the event of unfair dismissal, would be 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 2,728 thousand.

10. Average period of payment to suppliers.

The average period of payment is as follows:

	Thousands of euros	
	2022	**2021**
Average period of payment to suppliers	100	110
Ratio of transactions paid	85	85
Ratio of transactions payable	134	144

	Thousands of euros	
	2022	**2021**
Total payments made	3,563,604	2,181,864
Total payments pending	1,094,533	929,262

These figures relate to projects in multiple regions. With respect to Spanish suppliers, the Group may, as an exception, exceed the stipulated due dates in cases of invoices that do not comply with the terms of the agreement because they are not officially fulfilled, due to guarantees not being received or due to breach of other obligations of suppliers under the signed service agreement or order, or other reasons related to the normal performance of the transaction.

The calculation is made considering the date of registration of the invoice in the system. On that date, not all the invoices are due since they may not comply with the contractual requirements established. In addition, this debt is not enforceable in accordance with ‘paid when paid’ clauses.

In accordance with the new regulations under section 9 of Law 18/2022 of 28 September, in addition to the above information, the following information is provided:

Number (units)	**2022**
Invoices paid prior to compliance with the maximum legal period for payment to suppliers	47,855
Percentage of the total number of supplier invoices	67%
Volume (thousands of euros)	**2022**
Invoices paid prior to compliance with the maximum legal period for payment to suppliers	1,693,240
Percentage of the total number of supplier invoices	46%

11. Significant events after the reporting period.

After year-end, the National Appellate Court ruled in favour of Técnicas Reunidas in relation to its corporate income tax assessments for 2008 to 2011 (Note 26)

Also, after year-end, the Company's Board approved a new remuneration plan for share rights of the Company (the 'Plan') granted to the Group's management, with the aim of retaining and incentivising them and consisting of giving them options on shares of the Parent. The duration of the plan is 3 years, although it may be extended if considered appropriate. The number of shares allocated to the plan is 143,193 shares. The Company's stock option plan will be exercisable within the established duration period, each time one of the target prices is reached and subject to the following terms and conditions:

- Possible acquisition of one third of the shares of the Company subject to the Plan if a share price per share of EUR 14 is reached before the end of the Plan.
- Possible acquisition of another third of the shares of the Target Company if a share price of EUR 18 per share is reached before the end of the Plan.
- Possible acquisition of the last third of the shares of the Target Company if a share price of EUR 22 per share is reached before the end of the Plan.
- The Beneficiary must hold these shares for at least 1 year.
- If, after the 3-year period agreed in the Plan, the targets set are not achieved, the Beneficiary will lose any rights to the shares covered by the Plan.
- If applicable, and only in the event that each and every one of the conditions established in the Plan are met, the Company will activate the process, through the agent and mechanisms deemed most appropriate and in accordance with the applicable regulations, in particular Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on Market Abuse and its implementing regulations.

At the date these consolidated financial statements were authorised to be issued, no subsequent significant events had taken place, in addition to those already mentioned in the previous paragraphs, that would need to be broken down.

12. Treasury shares

At 31 December 2022, treasury shares represented 3.96% of the Parent’s share capital (2021: 4.03%), and totalled 2,213,972 shares (2021: 2,250,434 shares), with an average acquisition price of EUR 32.93 per share (2021: EUR 32.56 per share).

13. Financial instruments

See Note 10 of the appended notes to the consolidated financial statements.

14. Alternative Performance Measures

In addition to the financial information presented in this document and prepared under EU-IFRS, the Group includes certain alternative performance measures as defined in the guidelines issued by the European Securities and Markets Authority ('ESMA') on 5 October 2015 on alternative performance measures (the 'ESMA Guidelines' and the 'MARs'). The Group believes that the presentation of the MARs included in this document complies with the ESMA Guidelines and the ESMA 'Questions and Answers on the Guidelines on Alternative Performance Measures' issued on 17 April 2020 (the 'ESMA Questions and Answers').

Management uses these APMs when making financial, operating and planning decisions and to assess the Group's performance. Management presents the following APMs that it considers useful and appropriate for investor decision-making and that are most reliable about the Group's performance.

EBITDA

EBITDA is used as an indicator of the Group's capacity to generate profits, considering only its productive activity, eliminating amortisation and depreciation, as well as the effect of financial results and income tax. It is calculated by deducting depreciation and amortisation expense and impairment charges for the year from operating profit.

EBITDA is used to monitor the Group's performance and profitability and to set operational and strategic targets. It is also a measure widely used by the investment community to assess the performance of companies.

Given the above limitations, EBITDA should not be viewed as a measure of discretionary cash available for the Group to invest or as a measure of cash that will be available for the Group to meet its obligations.

The following table provides a reconciliation of our revenue to EBITDA for the years indicated:

		Millions of euros	
		Year ended 31 December	
		2022	2021
Revenue	Sales, other gains or losses and other operating income	4,248.2	2,827.2
Operating expenses*	Procurement costs, staff costs, other operating expenses, depreciation and amortisation, and impairment	(4,239.5)	(2,983.9)
Profit from operations	**Income - Operating expenses**	**8.7**	**(156.6)**
Depreciation and amortisation charge and impairment	Depreciation, amortisation and impairment	25.9	27.4
EBITDA	**Profit from operations, excluding depreciation and amortisation**	**34.6**	**(129.2)**

The Group's Management also confirms that there has been no change in the definition, reconciliation or use of this indicator with regard to that used in the previous year

EBIT

Earnings before interest and taxes (EBIT) is an indicator of the Group's operating result without taking into account financial and tax results. It is used as a supplement to EBITDA in comparison with other companies in the sector that have few assets. EBIT is equivalent to 'operating profit'.

The following table provides a reconciliation of our revenue to EBIT for the years indicated:

		Millions of euros	
		Year ended 31 December	
		2022	2021
EBITDA	Profit from operations, excluding depreciation and amortisation	34.6	(129.2)
Depreciation and amortisation charge and impairment	Depreciation, amortisation and impairment	(25.9)	(27.4)
EBIT	**Profit from operations**	**8.7**	**(156.6)**

Group management confirms that there has been no change in the definition, reconciliation or use of this indicator with regard to that used in the previous year.

Net cash

Net cash is the alternative performance measure used by management to measure the Group's level of net liquidity for the purpose of complying with covenants related to financial debt. It is calculated as the difference between 'cash and cash equivalents' plus 'financial assets at fair value through profit or loss' minus ‘borrowings’ (excluding ‘borrowings associated with rights of use of leased assets’ and ‘participating loans’). Cash and cash equivalents include cash on hand, demand deposits in banks and other highly liquid short-term investments originally maturing within three months or less.

The following table provides a reconciliation of our cash and cash equivalents to net cash for the years indicated:

		Millions of euros	
		2022	2021
Cash and cash equivalents	Cash on hand, demand deposits in banks and other short-term highly liquid investments maturing within three months or less	959.7	666.9
Borrowings	Non-current and current bank borrowings	(802.13)	(742.9)
Net cash	**Cash and cash equivalents, plus financial assets at fair value, less borrowings, not including the participating loan**	**(157.57)**	**(76.0)**

Group management also confirms that there has been no change in the definition, reconciliation or use of this indicator with regard to that used in the previous year.

Portfolio

The Group calculates its backlog as the estimated amount of contracted revenue that the Group expects will result in future revenue from existing contracts, adjusted to reflect changes in the scope of the contract and fluctuations in the exchange rate of currencies other than the euro applicable to the projects. The Backlog calculation also includes the estimated amount of revenue from contracts that have been signed, but for which the scope of services and therefore the price has not yet been determined. In this case, the Group makes a downward revenue estimation and includes it as an item in the backlog.

The Group considers its order book to be a relevant indicator of the pace of development of its activities and monitors it so that it can plan its needs and adjust its expectations, budgets and forecasts. The volume and timing of work execution in the Group's backlog are relevant for the purpose of anticipating the Group's operating and financing needs, and its ability to execute its backlog is dependent on its ability to meet such operating and financing needs.

Based on the above, the order backlog amounts to EUR 9,514.85 million as at 31 December 2022 (31 December 2021: EUR 8,719 million).

15. Statement on Non-Financial Information

15.1. Business model

15.1.1. Description of the business model

The Técnicas Reunidas Group (individually, 'TR', 'Técnicas Reunidas', or the 'Company') is dedicated to providing all types of value-added engineering and construction services for industrial plants for the sustainable production of fuels, natural gas and chemical products, services that range from feasibility studies or basic and conceptual engineering, to the complete execution of large and complex turnkey projects, including engineering and design, management of procurement and delivery of equipment and materials, construction of facilities and other related or linked services, such as technical assistance, construction supervision, site management, project management, commissioning and training, and offering technical solutions linked to the energy transition, the circular economy and decarbonisation (renewable hydrogen, biofuels, waste recovery, CO_2 sequestration and capture, etc.).

These technical solutions enable its clients to develop their sustainability policies and meet their emission control targets through the construction and modernisation of highly energy-efficient industrial plants, thereby complying with regulatory requirements and voluntary commitments in this area.

The Company's business model is based on three fundamental principles that demonstrate TR's commitment to the development of its activity:

- The quality of the plants built by the Group, which makes TR one of the Groups with the best reputation in the market and guarantees a recurring flow of business from its regular clients.
- The flexibility manifested in its capacity to work under very different contractual structures, in diverse geographical environments and in plants of a very different nature. Along these lines, TR's capacity to penetrate new markets is excellent.
- It can constantly adapt to new environments, which in current times allows its rapid incorporation into technologies that require the transition to clean energy, as well as an immediate response to the change in the operating scenario driven by the digital transformation.

Another aspect of great importance in TR's business is the energy transition, an area in which the Company wants to play a central role in the sector. In this regard, with its Energy Transition Division and its Energy Transition Committee, TR is working to become increasingly involved in projects with a clear positive impact related to decarbonisation and to do so as quickly and fairly as possible, supporting its clients on their path towards decarbonisation. To this end, TR draws on its 60 years of experience as a company specialising in advanced engineering and its solid knowledge of a wide range of industrial processes, combined with its technological and innovative capacity.

In this context, Técnicas Reunidas is committed to directing all its present and future projects toward meeting the objectives of decarbonisation and energy transition, both in terms of its traditional business and the new areas in which it is present, through all types of work schemes

15.1.2. Organisation and structure

Appendices I and II to the financial statements contain the corporate structure of the Company.

15.1.3. Business Areas

Técnicas Reunidas, within its engineering and construction services activity, operates through different business lines. Its refining production and petrochemicals business lines are included in its sustainable growth activity, while its natural gas, circular economy, hydrogen and carbon capture and storage business lines are included in its decarbonisation activity.

- **Refining**: the refining business line provides management, engineering, procurement, construction and commissioning services for facilities throughout the value chain for the production of fuels that meet the highest specifications (Euro V / Euro VI). These facilities convert waste streams into high quality fuels, optimising the use of natural resources. In addition, the Company has extensive experience in the design and construction of the most advanced technologies for refining production processes. Similarly, TR offers its clients the possibility of modernising existing plants with the aim of improving their efficiency and making progress in the sustainability actions and commitments that they have decided to implement.

  The Hassi Messaud project has not yet been launched and the client, Sonatrach, and the contractor, JV

Tecncias Reunidas and Samsung, are analysing the way forward for relaunching the project or other possible alternatives.

- **Natural Gas:** This line provides direction, management, engineering, procurement, construction and commissioning services for facilities throughout the supply chain, from natural gas production to regasification terminals, as natural gas is a key fuel for advancing toward decarbonisation objectives. In this regard, the Group has designed and built all types of facilities, from production facilities in natural gas fields, to treatment and processing plants, compressor stations, liquefaction, storage tanks and final regasification facilities.

- **Petrochemical:** This area provides direction, management, engineering, procurement, construction and start-up services for facilities dedicated to the production of basic chemical materials used in water distribution, pharmaceuticals, health, food, energy efficiency in buildings and transport systems, among others. Clean fuel production plants are being integrated with petrochemical operations, supplying both markets in an efficient and flexible manner and optimising the consumption of natural resources.

- **Low-Carbon Technology**: the Low-Carbon Technology line encompasses all of the Company's greenhouse gas reduction capabilities and services, including the following:

  - **Hydrogen**: through the Hydrogen line’s activities, the Company provide similar services to the other lines for the production of hydrogen, considered one of the cornerstones of a future clean, safe and affordable energy system. Técnicas Reunidas is actively involved in structuring projects for green hydrogen (produced by electrolysis of water with renewable energies), blue hydrogen (produced by capturing carbon in the reforming of natural gas) and green ammonia from green hydrogen. Green ammonia is used in fertiliser production and will be used as a fuel in shipping.

  - **Circular economy and bioproducts**: through the circular economy and bioproducts lines, TR provides similar services to the other lines for the production of biomethane and the conversion of biomass and waste into fuels (biodiesel, bio-kerosene) and chemical products (bioethanol, biomethanol), electricity and steam. Técnicas Reunidas is actively involved in structuring projects in these technologies for their integration into existing value chains.

  - **Carbon Sequestration and Storage**: the Carbon Sequestration and Storage line allows the Company to provide similar services to the other lines for carbon capture in industrial processes in energy-intensive activities, such as refining production, the chemical industry, the cement industry and the iron and steel industry. Técnicas Reunidas implements carbon capture plants in these industrial processes. The captured carbon is subsequently taken to specialised infrastructures for final storage or converted into synthetic fuels. Significant activity is expected in this market, as other decarbonisation alternatives are not easy to implement in these energy-intensive plants.

- **Other**: This segment provides direction, management, engineering, procurement, construction and commissioning services for facilities related to activities outside the Group's business lines. The main activities are water treatment, port infrastructures and oil production. Also included in this segment are those projects whose completion was not achieved as a result of customer termination of the contract, through the enforcement of guarantees. The purpose of this inclusion is to avoid distorting the analysis of the remaining segments.

The diversification of business areas allows for a well-distributed project portfolio.

This commitment to segmentation and innovation has enabled the Company to implement projects of different scopes in multiple regions, including those related to conceptual studies, basic engineering, FEED, PMC, EPC OBE and LSTK, among others.

15.1.4. Business environment and markets

Técnicas Reunidas operates in a constantly changing environment, marked by rising energy demand in emerging countries, continuous adaptation to new environmental standards and the evolving needs of refineries towards more complex and profitable configurations.

In turn, this work context is increasingly demanding, due to there being increasingly stricter standards including environmental ones, the development of new technologies, and growing competition from Asia. In this regard, TR takes on increasingly complex projects, highly demanding in terms of technical specifications, deadlines, scope of work and performance conditions.

Diversification by product and geographic area allows TR to address new opportunities that may arise in connection with its activities.

To supply a growing demand for energy, clients need to make investments, and TR is well-positioned and has the credentials demanded by investors and proven with over sixty years of worldwide experience and in particular, in regions where most of the investments are likely to be made.

In 2022, market conditions were influenced by the Covid-19 pandemic to a lesser extent than in 2021, except in Southeast Asia due to China's 'zero Covid' policy, which continued to have an impact, mainly in terms of logistics and inspections. Another key event was the outbreak of the Russia-Ukraine conflict, which has led to a significant increase in energy commodity prices and exacerbated global inflationary pressures. In addition, the prolongation of the military conflict (with the progressive shutting out of Russia's oil and gas exports) and the persistence of high inflation rates have adversely affected global economic activity, which has slowed down more than expected. In addition, the influence of the external trade embargo between Spain and Algeria from June 2022 must also be considered. As a result, the growth prospects for 2023 have worsened in almost all areas, mainly in advanced economies.

In line with the situation described above, in the case of Técnicas Reunidas, the political instability and volatility of the macroeconomic environment in the first half of the year caused clients to put off final investment decisions. After the summer period, however, commercial activity was substantially higher and there has been an acceleration in tender processes. As a result, TR is currently managing an order book of EUR 9.4 billion with a lower risk profile. It should be noted that the impact of the Russia-Ukraine conflict has also led to the adoption of alternative solutions for affected customers, such as expanding suppliers, changes in strategy to avoid cost increases, promoting work in prefabrication workshops, measures to offset losses, etc.

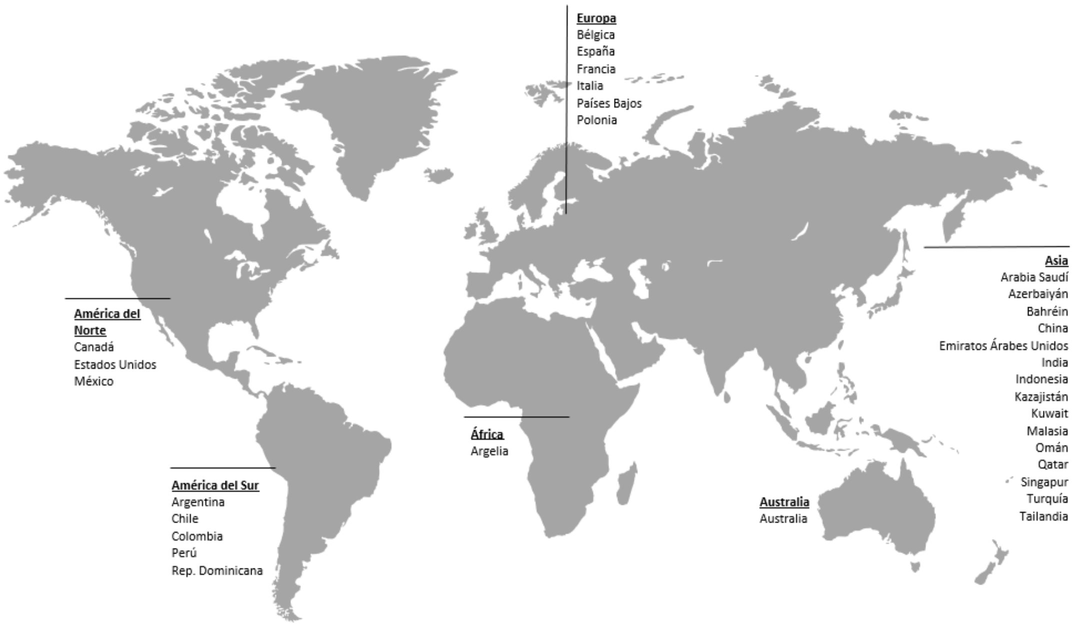
On the other hand, it should be noted that significant growth in all of the Company's business lines is expected by 2023. In this regard, the Russia-Ukraine conflict has led to the acceleration of the Companies' strategic investment plans in the short term and an exacerbation of investments to improve self-sufficiency and make up for the energy shortages resulting from the impact of the war, as well as accelerating the energy transition.

To supply a growing and environmentally sustainable demand for energy, investments must be made in establishing, upgrading and improving the efficiency of existing facilities, where TR is well positioned and has the credentials required by investors, the technical capacity and over sixty years of proven experience worldwide, particularly in those geographies where most of the investments are expected to take place. In this regard, the Company expanded its workforce in 2022 and plans to continue to grow in 2023, including in other important geographic areas due to its proximity to customers.

Likewise, TR is well positioned, thanks to its leadership in the face of climate change, the diversification of its activities, and its adaptation to new trends that go beyond just legal matters. This enables the Company to take advantage of the opportunities that will arise from increased regulatory pressure on environmental issues, as it has the technology and solutions to help its clients meet these growing environmental demands. This diversification of activities focuses on collaboration with the client in terms of the environmental improvement of its facilities: production of refining, natural gas and chemical products, low-carbon technology (hydrogen CO_2 sequestration and storage, circular economy and bioproducts) and, therefore, the reduction of greenhouse gas emissions.

In 2022, it is worth highlighting the market's consolidation of the contracts Técnicas Reunidas was awarded in the field of renewable energies and energy transition, mainly services. The Company was awarded 20 Energy Transition projects (feasibility studies, basic engineering and FEEDs), including important strategic projects in the circular economy, decarbonisation, biomethanol, green ammonia and the production, transport and compression of green hydrogen both in Spain and abroad. In this sense, TR has managed to position itself strategically to carry out the future phases of these projects, some of which are planned for 2023, as well as being a benchmark company in the sector.

LIST OF MARKETS WHERE TÉCNICAS REUNIDAS OPERATES



15.1.5. Factors and trends that may affect the Company's evolution

Apart from market developments, the Company may be affected by factors related to other areas of its business. Therefore, Técnicas Reunidas detects and analyses emerging factors that could have an impact on its management model in order to take action in this regard and adapt its business strategy.

	FINANCIAL ENVIRONMENT	OPERATING ENVIRONMENT	SAFETY REQUIREMENTS	ENVIRONMENTAL REQUIREMENTS
TRENDS	Models of Contracting and execution models that spread client chargers (milestone billing rather than progress payments, reduction in prepayments, delays in resolving claims and high level of warranties). Increased tax burden from governments to offset deficits. Volatility of certain emerging market currencies.	Uncertainty regarding the evolution of oil prices, with knock-on effect for investment decisions and execution of projects. Decreased uncertainty due to higher raw material prices, energy and transport costs. Geopolitical uncertainty: Middle East, Russia, the United States, China, Latin America and North Africa. Increased competition in turnkey projects. Increased client and subcontractor litigation. New demands from clients in the execution structure of projects (e.g.:	Adaptation to occupational safety requirements established by the countries where construction projects are carried out. Increased demand from clients regarding the qualifications and requirements of onsite personnel with health and safety responsibilities. Need for highly practical on-site training programmes on occupational safety. Incorporation of new technologies for improved performance and monitoring of safety and health projects.	Growing concern from clients regarding the sustainability requirements of projects. Stricter environmental and social requirements from entities such as clients, World Bank, financial institutions or accredited certification bodies. Assessments by financial institutions with increasingly stringent environmental requirements. Increased regulatory pressure. Commitment to process units with highly efficient designs, oriented towards carbon capture, minimisation of emissions and reuse of waste, supporting the circular economy.

	FINANCIAL ENVIRONMENT	OPERATING ENVIRONMENT	SAFETY REQUIREMENTS	ENVIRONMENTAL REQUIREMENTS
TRENDS	Evolution of the USD, TR's reference currency. Increased perception of risk by financial institutions with regard to the engineering sector. Uncertainty regarding the evolution of the economic cycle. OECD regulation on taxation (BEPS). Cash preservation policies for clients.	joint ventures or revamping). Postponement of critical negotiations with customers and suppliers to the final stages of the project. Preference of certain clients for early engagement of contractors prior to tenders Need for clients to find financing for their projects. Focus on process units with highly efficient designs, oriented towards carbon capture, minimisation of emissions and reuse of waste. Trend toward prioritising gas use over oil. Commitment in many markets to petrochemicals. Major developments in everything related to energy transition projects (hydrogen,		

	FINANCIAL ENVIRONMENT	OPERATING ENVIRONMENT	SAFETY REQUIREMENTS	ENVIRONMENTAL REQUIREMENTS
TRENDS		ammonia, biofuels) Creation of tax incentives for generating green hydrogen Greater use of digital technologies as a more efficient alternative to traditional physical presence.		
HOW IS TR PREPARED?	Maintenance of available lines of financing. Customer and supplier management (collection and payment periods, discounts, confirming). Development of policies for allocation of profits to the countries where they are generated (BEPs). Currency hedging policy by using forwards. Development of a highly diversified pool of banks, with greater presence of local banks. Rescheduling of project execution schedules and margin generation.	Continuing to monitor the streamlining and improving efficiency actions arising from the efficiency plans. Geographical diversification of products and projects Experience in sustainable markets. Selective management of potential projects. Closer integration with clients from the initial phase onwards. Technical capacity and proven experience carrying out highly complex designs. Consolidated know-how and work procedures. Implementation of the 2022-2024 TR-	Implementation of a Compliance System that covers, among others, environmental, health and occupational safety and criminal liability risks. Training in international health and safety standards aimed at project managers. Stronger collaboration between human resources and the departments involved in the construction phases. Acquisition of specific software and migration of periodic reports for internal health and occupational	Sustainable supply chain management: strengthening the system for evaluating the social and environmental compliance of local suppliers. Internal audits on environmental and social matters and due diligence on integrity aspects. Identification of ESG risks and monitoring of environmental risks and opportunities. Linking 10% of the variable remuneration of the executive director to environmental aspects. Leading the way in the area of sustainability and climate change trends.

	FINANCIAL ENVIRONMENT	OPERATING ENVIRONMENT	SAFETY REQUIREMENTS	ENVIRONMENTAL REQUIREMENTS
HOW IS TR PREPARED?	Extension and diversification of liquidity sources. Obtaining mechanisms to strengthen the Company's capital and liquidity structure (SEPI).	ansforma Plan to make the Company more efficient, reducing the costs of implementing the projects and adapting to the digital transformation. Knowledge of the local markets where the Company carries out its projects, including relevant suppliers and providers. Alliances with competitors for specific projects. Leverage based on proprietary technologies. Strengthening of legal team and involvement in the various project implementation stages. Providing support to clients in finding sources of financing for project implementation, including bank financing covered by export credit insurance provided by Export Credit Agencies (ECAs). Flexibility and responsiveness in adapting to local requirements for carrying out projects, as well as changes in scheduling. Adaptation of its commercial and operational	safety management. Linking 10% of the executive director's variable remuneration to health and safety aspects.	Diversification of activities focused on decarbonisation. Comprehensive compliance with current local, national and international law and international environmental standards. Procuring materials locally and hiring locally. Implementation of the circular economy strategy: efficiency in the use of natural resources, waste reduction and reuse.

	FINANCIAL ENVIRONMENT	OPERATING ENVIRONMENT	SAFETY REQUIREMENTS	ENVIRONMENTAL REQUIREMENTS
HOW IS TR PREPARED?		structures to optimise the likelihood of being awarded contracts and immediately starting project implementation. Recasting of the Company's Risk Control System in order to have Predictive Analytics for key execution decisions. Strengthening the economic focus of the operation and its projects by reinforcing the Business Control and Management unit. Simplification and adaptation of Reporting and Management Control to the new reality of Técnicas Reunidas, monitoring the economic performance of the projects with key P&L and cash reports. Creating specific management control products for each project, including reports with aspects of economic planning, results, cash and general expenses, with ratios and alerts. These reports are issued 8 times a year. Reducing construction risk through service projects and		

	FINANCIAL ENVIRONMENT	OPERATING ENVIRONMENT	SAFETY REQUIREMENTS	ENVIRONMENTAL REQUIREMENTS
HOW IS TR PREPARED?		partnerships with other companies. Growth plan in specific country offices, where the Company believes it can gain commercial, operational or strategic advantages.		

	SUPPLY CHAIN AND OUTSOURCING	INNOVATION AND NEW TECHNOLOGIES	GOVERNANCE AND SUSTAINABILITY	HUMAN RESOURCES
TRENDS	Growing geopolitical uncertainty. Volatility of commodities and currencies. Selection of competitive construction and assembly companies. Protectionism of companies towards local staff. Increased supplier litigation. Risk of return of difficulties in the global supply chain. Reduced financial strength of subcontractors. Tightening of global measures restricting the movement of labour. Increased energy and industrial production process costs.	Importance of digitisation and the use of new technologies to increase efficiency, ensure swifter client responses and reduce costs, among other reasons. Focus on raw materials and especially on certain critical or strategic raw materials for relevant sectors such as telecommunications, defence and aeronautics, and energy. Sustainability, environmental, circular economy etc., legislation as new business opportunities to develop technologies related to waste management. Emission reductions in the nitric acid plant regulations for greenhouse gases (NOx, N_2O). Improved recovery of effluents with high nitrate content in ammonium nitrate plants in order to minimise soil contamination risks.	Quantitative and qualitative increase in non-financial and sustainability disclosures due to new sustainability regulations (Due Diligence Directive, CSRD). Classification of economic activities under EU Taxonomy criteria. Development and updating of European Taxonomy regulations. Increased compliance requirements, including anti-corruption, anti-fraud, anti-money laundering and countering of terrorist financing. Impact on diversity in the management bodies of companies. Increased relevance of Human Rights issues for stakeholders. Intensifying activity of corporate governance bodies and need to strengthen internal control and risk management systems, including criminal risks.	Demand from clients for increasingly skilled human resources to master not only the technical aspects but also management, monitoring, safety and quality assurance skills. Consolidating the internationalisation of the Company's business. Increasingly high demand for maintaining criteria on flexible work hours and work/family balance. Widespread loss of talent in the labour market due to the resignation of workers who, in the current environment, decide to change business, sector or even stop working. The need to have highly technically qualified resources with strong management skills, client orientation capacity and results.

	SUPPLY CHAIN AND OUTSOURCING	INNOVATION AND NEW TECHNOLOGIES	GOVERNANCE AND SUSTAINABILITY	HUMAN RESOURCES
TRENDS		Establishing lines of collaboration with clients, partners, suppliers and subcontractors. Increasing importance of technologies aimed at energy transition (e.g. green hydrogen and green ammonia and their derivatives and decarbonisation). Use of by-products derived from energy transition technologies such as hydrogen-derived green ammonia and ammonia by-products such as nitric nitrate. Growing client requirements due to the emergence of the 'digital twin' concept and its implicit data standardisation.	Ensuring equitable treatment of shareholders and taking the expectations of other stakeholders into consideration. Increased relevance of sustainability issues for significant stakeholders. Special consideration of sustainability in decision-making. Increased requirements in the fight against corruption and fraud, including anti-money laundering and countering of terrorist financing. Supervision of the implementation of the Criminal Compliance Management System by the Audit and Control Committee.	

	SUPPLY CHAIN AND OUTSOURCING	INNOVATION AND NEW TECHNOLOGIES	GOVERNANCE AND SUSTAINABILITY	HUMAN RESOURCES
HOW IS TR PREPARED?	Strengthening synergies report with greater focus on the supplier's financial situation. Maximising the use of insurance to minimise commodities volatility. Expanding and updating the Company's worldwide database of subcontractors. Conducting technical and physical analyses to ensure subcontractors' abilities to perform construction works. Analysis of subcontractor cash flow in new contracts. Models of subcontracts and contracts with lower risk derived from the increase in the costs of production processes.	In-house developments in all areas of work and in relation to the energy transition (e.g. green hydrogen, CO_2 capture and recovery, Circular Economy and Critical Raw Materials). Strategy in the field of digitisation to strengthen competitiveness, adapt to client demands and optimise processes. Specialists in the management of R&D+i and know-how in the development areas. Offering optimal technical solutions for the development of efficient industrial plants that enable clients to implement their sustainability and emission control and reduction strategies. Strengthening of the José Lladó Technology Centre, with specialised capabilities and resources in strategic lines of research. Case-by-case contracts with suppliers of catalysts to implement	Adoption of new regulatory compliance policies. Creation of a multidisciplinary European Taxonomy Committee, reporting to the Sustainability area, which classifies all the Company's activity in accordance with the criteria of the regulations. Implementation of the Company's Sustainability Policy and deepening of the principles of responsible action. Implementation of the Sustainability Plan and monitoring of the various specific and coordinated actions between the various areas. Reviewing the Policies and procedures that make up the Criminal Compliance Management System. Development of new policies and commitments such as the Human Rights Policy, the Business Secrets and Confidentiality Policy and the Group's Corporate Governance and Definition Policy.	Increased emphasis on training geared towards management skills and competences and leadership. Continuous training in technical aspects, innovation and know-how. Globalisation of Human Resources management hand-in-hand with the departments and projects concerned. Multi-country management: adaptation of internal policies to local labour and tax regulations, as well as to the culture in the target country. Development of tools to continuously analyse the labour market and locate availability of highly-qualified professionals. Allocation of key personnel during the implementation phase of the project design. Continuing analysis of the national and international labour market to attract and retain the best professionals in the sector. Making working hours flexible to allow better

	SUPPLY CHAIN AND OUTSOURCING	INNOVATION AND NEW TECHNOLOGIES	GOVERNANCE AND SUSTAINABILITY	HUMAN RESOURCES
HOW IS TR PREPARED?		treatments for minimising greenhouse gases in nitric acid plants. In-depth analysis of projects to plan their management throughout the implementation period. Introduction of virtual reality into the design and implementation of projects for management over the implementation period. Continuous technological surveillance and economic intelligence in strategic development areas with a focus on detecting new business opportunities. Participation by Técnicas Reunidas in the development of projects related to green ammonia derivatives and decarbonisation, both in Spain, Europe and the rest of the world, with conceptual phases during 2022, while promoting the subsidiary ESPINDESA's own technologies for green ammonia derivatives such as nitric acid, ammonia nitrate, ammonium-calcium	Consolidation of the role of the Board committees, mainly in non-financial information and sustainability. Continuous development and adaptation of internal documents aligned with best practices of corporate governance. Supervision by the corporate governance bodies of tax and information security risks. Reinforcing communication channels with key stakeholders. Reporting and verification of sustainability information in accordance with the highest standards. Creation of a Sustainability Area. Ongoing adaptation of the Regulatory Compliance Management System and the prevention of criminal risks, and its supervision by the Audit and Control Committee. Incorporation of parameters linked to sustainability into	reconciliation of personal and working life, as well as personalised treatment of requests for adapted working hours for family reasons. Framework agreements with universities to recruit new engineering graduates.

	SUPPLY CHAIN AND OUTSOURCING	INNOVATION AND NEW TECHNOLOGIES	GOVERNANCE AND SUSTAINABILITY	HUMAN RESOURCES
HOW IS TR PREPARED?		nitrate and nitrosulphate. Agreements with electrolyser and ammonia technologists to complete the production chain with proprietary nitric and nitrate ammonia-derived technologies, while maintaining an active presence in the industrial ammonia plant business.	the CEO's variable remuneration. Reviewing third parties to determine whether they have a culture of regulatory compliance, especially in the area of corruption and fraud prevention. Third-Party diagnosis of the suitability of the existing Criminal Compliance Management System with proposals for improvements where appropriate, especially in the area of corruption and fraud prevention.	

15.1.6. Objectives and strategy

TR's strategy is structured around four essential pillars: methodology, diversification, quality and safety.

a. Methodology:

The methodology is based on the development, systemisation and proper use of all the know-how that TR has acquired since 1960 executing projects around the world. This commitment to the methodology makes it possible to develop the efficiency of the work processes, an aspect that TR has been emphasising in recent years. In this pillar, both the excellent human capital of TR, with highly qualified professionals, and the innovation and digitalisation of work methodologies are essential. These aspects are part of TR's DNA, which allow it to have the necessary technical solutions and human capital to provide its clients with high added value services that enable them to meet their sustainability objectives, in particular those related to reducing the emissions from their production centres.

b. Diversification:

TR diversifies its client bases, products and geographical areas, contributing to sustainable growth and an effective energy transition. In turn, the Company has clients of recognised prestige who assist in consolidating its presence in the market and their business is highly recurring.

c. Quality:

TR’s emphasis on the quality of all its processes (which requires selecting the right suppliers and subcontractors) guarantees the execution of every project in accordance with client’s needs and requirements, especially with regard to sustainability aspects.

d. Safety:

TR fosters the creation of a specific corporate culture in occupational health and safety, introducing training processes for staff and encouraging their participation in prevention efforts and improving working conditions, promoting shared responsibility at various levels of the organisation.

TR's annual objectives are established at department level. This allows objectives to be adapted to the Company’s strategy while at the same time including the specific needs of each areas. As a result, the objectives are defined ad hoc, which facilitates both their adaptation to each specific case and their traceability and comparability. The objectives established by TR for each area are detailed below:

General Secretariat objectives - Sustainability - Non-financial information	- Complete the implementation of the 2021-2023 Sustainability Plan, in particular those actions to be carried out in the short term. - Continue approving policies for the development of the Company's Corporate Governance system. - Maintain a high percentage of votes in favour of the items on the agenda of the General Meeting of Shareholders of the Company. - Develop and approve a new Sustainability Plan for 2024-2026. - Achieve validation by SBTi (Science Based Target Initiative) of emission reduction targets - Carry out the necessary actions to respond to the development and implementation of the European Taxonomy regulations. - Development of the Sustainability Area integrated into the General Secretariat, expressly assigning the competences in this area to a Board committee.
Objectives for H R	- Provide coverage from all aspects of HR and General Services to the needs of Operations in the different projects and countries, with special attention to the new countries and strategic projects (India, Abu Dhabi, Turkey, Chile). - Attract and retain talent to cover staffing needs in all areas of the Company and to respond to the significant workload in 2023. - Sustainable integration of new hires, both nationally and internationally, adapting corporate policies and the different management, training and development tools to the needs of operational growth and local realities. - Development of new work-life balance policies to improve the quality of life of the workforce. - Improve internal communication by launching a new intranet and various applications. - Implement management tools to improve productivity control and resource efficiency. - Launch of the new START ICEX VIVES international internship programme to recruit and train interns in international subsidiaries. - Implement Equality Plans in all TR companies, negotiated and agreed with employee representatives. - Space optimisation plan, by means of management tools for on-site spaces and obtaining licences that allow greater use to be made of the available space.
Environmental Objectives	- Improve the energy efficiency of office buildings in Spain. - Implementation of new measures following the Company's ESG risk diagnosis. - Implementation of the action plan to reduce emissions. - Implement the Integrated Management System for ISO 45001 and ISO 14001 certifications. - Continue to develop a circular economy strategy within the framework of the company's Sustainability Policy.
Energy Transition Objectives	- Develop Técnicas Reunidas' proposal for energy transition, taking advantage of the opportunities offered by decarbonisation and the growth of investment in low-emission technologies. - Take advantage of Técnicas Reunidas' industrial presence to structure projects in decarbonisation technologies: hydrogen value chain, bioproducts, carbon and methane capture. - Diversify Técnicas Reunidas' services towards other industries (cement, steel, etc.) and strengthen its implementation in energy transition in certain geographical areas (United States and Europe). - Configure new services and business models for the decarbonisation of production chains, such as carbon management and methane management. - Enhance TR's development and scaling capacities at industrial level for low-emission or circular economy technologies. - Move forward and increase the number of research projects in the field of energy transition and present projects for funding in the tenders for PERTE, Horizon, Innovation Funds, etc. - Position Técnicas Reunidas as a benchmark company in the field of energy transition and increase the external and internal visibility of its capabilities in this area.

Objectives of R&D+i	- Continue with the development of the Swiss Zinc project for the future urban waste recycling complex in Switzerland that will include the ZINCEX™ and ECOLEAD™ technologies for the recovery of Zn and Pb by contracting the technological package that includes Basic Engineering, the licensing of the technologies and the supply of proprietary equipment. - Continue with the development of technologies in the circular economy strategic line (solid urban waste, electronic components, plastics, industrial effluents, etc.) to obtain and/or recover critical raw materials essential for the energy transition, such as lithium, cobalt, rare earths, etc.; development of green hydrogen production technologies using AEM (Anionic Exchange Menbrane), SOEC (Solid Oxide Electrolyzer Cell), PCEC (Protonic Ceramic Electrolysis Cell) and alkaline electrolysers and CO_2 capture and recovery technologies. - Consolidate the development of projects related to green ammonia and its derivatives with a project at a more advanced stage than the conceptual project and understanding ammonia plants as 'Green', based on the electrolysis of water with green energies instead of those based on the reforming of natural gas. - Continue to develop technologies for obtaining and recovering critical raw materials essential for the energy transition such as lithium, cobalt, rare earths, etc. - Development of products associated with the decarbonization of combustion equipment. - Strengthen digital innovation lines by creating workshops to identify challenges and solutions, as well as working in an ecosystem to co-innovate and seek synergies. - Creation of a data and artificial intelligence area to work with the business areas and put the operating model into practice. - Development of the methane monitoring platform in a strategic partnership with Google. - Development of PC MAKER purchasing terms management tool. - Development and implementation of unique risk management tool, uRisk. - Completion of development and implementation in projects of the CostApp cost control tool. - Development of version 2 of the Smart Construction 360 on-site progress capture tool. - Implementation of Taski construction task control system in project war-rooms. - Development and implementation of the economic dimension variant of the PCS application.
Financial Objectives	- Follow up on the previous agreement implemented with the Tax Administration. - Maintain active participation in the Large Taxpayers Forum. - Obtain liquidity mechanisms associated with EU plans and the energy transition. - Continue to negotiate bilateral and syndicated lines of guarantee for the execution of ongoing projects whose execution deadlines are affected by the pandemic or the conflict in Europe and the Company's new businesses. - Reinforce proactive communication with the market. - Monitor the process of implementing the Company's efficiency plan. - Continue to seek investors and financial products linked to the energy transition and sustainability. - Continue to seek mechanisms to strengthen the Company's lines of credit.
Procurement Objectives	- Continue to develop new applications and improve and update existing ones to further reduce analogue processes and enable greater traceability and efficiency in the monitoring and execution of processes. - Implement new actions linked to the Procurement Area within the framework of the Sustainability Plan. - Continue with the implementation of the TR-ansforma Plan, extending its scope. - Consolidation of growth and optimisation of local entities in UAE, Saudi Arabia and India. - Consolidate Multi-Project Teams: expansion and right-sizing. - Optimisation and updating of the electronic archiving of project procurement information, integrating accessibility, cybersecurity and confidentiality requirements. - Continue to reinforce cybersecurity through training and specific updated training of users on cybersecurity. - Implementation of the methodology for the Close-Out of metallic structure supplies.

	- Have the Close-Out Department reinforce the implementation of the new functionalities in PCO (Close-Out application) in the Projects through an exhaustive training programmes in 2023. - Continue with the consolidation of the Prefabrication Workshops Group. - Consolidation of the Auctions application. - Work on employee loyalty and motivation to reduce turnover by conducting personal interviews and establishing career plans. - Promote the use of the internal Vendor App application for the management and optimisation of supplier technical assistance. - Remote supplier inspections: study the standardisation of 'virtual shop tours' to determine the possible revision of the frequency of workshop inspection/activation; as well as the active participation of staff in remote inspections as a training activity.
Construction Objectives	- Continue digitisation of processes and procedures. - Explore new robotic process automation (RPA) developments. - Explore new framework agreements and partnerships with subcontractors. - Start the process of assessing subcontractors in the area of cybersecurity and privacy through e-Supplier. - Continue the unification of work procedures and methodologies following the merger of Initec with Técnicas Reunidas. - Implement digitalised on-site staff evaluation systems.
Health and Safety Objectives	- Continue to fulfil the objectives set out in the Sustainability policy in relation to safety on site. - Continue to promote the health and safety culture plan, including campaigns to raise awareness among employees. - Give greater visibility to good occupational health and safety practices on construction sites within the company and promote the TR brand to the outside world, including optimisation of the on-site HSE auditing process. - Provide project managers training on the legal liabilities associated with health and safety during the construction phase. - Implement, as a pilot project, the new IT tool for recording health and safety observations during the construction phase - Implement the Integrated Management System for ISO 45001 and ISO 14001 certifications. - Study and contracting of Employee Assistance Programme in relation to psychosocial risk assistance. - Develop a health and wellness space on the new intranet. - Integration of Heymo's Prevention Service in SP Mancomunado Grupo TR.
Regulatory Compliance Unit Objectives	- Maintain the UNE19601 Criminal Compliance Management Systems Certification. - Alignment of Policies, Procedures and system elements with standard ISO37001, Anti-Bribery Management Systems. - Implementation of a general fraud prevention policy. - Update the Corporate Code of Conduct based on best practices in the organisation's sector of activity, especially with regard to HR and sustainability. - Continue with the deployment of the regulatory compliance function in those geographic areas that, due to their volume, continued business or new business, require it.
Social Objectives	- Ensure a high percentage of local procurement and outsourcing. - Continue to contribute to the economic and social development of local communities. - Strengthen dialogue with stakeholders. - Train and increase the hiring of local personnel in those regions where the Company is carrying out projects. - Analyse the Group's adherence to national and international sustainability initiatives. - Promote human rights training.
Commercial Objectives	- Further contracting of services in the field of renewable energies and energy transition. - Reopen the office and new projects in the US. - Procurement in Central Asia (Kazakhstan). - Entry into the ammonia and urea-based fertiliser market.

	- Strengthen and expand partnerships with customers for the provision of services within framework agreements. - Pursue alliances with process technologists to add value to TR's offerings. - Continue to enhance collaboration with construction contractors to further hedge construction risk.

15.2. Risk factors (non-financial) associated with the business

Técnicas Reunidas has the necessary tools and procedures to help it identify, prevent, minimise and manage the risks associated with its activity. In this regard, the Company has a comprehensive methodological risk management framework covering all areas and projects in which it is involved.

Using this comprehensive framework, TR prepares a catalogue of the key risks identified in accordance with the COSO 2013 methodology.

To manage these risks, the Company has developed various procedures and management policies, including the following:

- Procedures related to the nature of the projects, such as their selection, geopolitical risk diversification policies and policies to preserve the technical capacity necessary to execute the projects, and to share the risks in their execution with third parties, contracting insurance, ways of contracting quality suppliers, etc.
- Procedures related to the financial management of projects: management of foreign currency risk, liquidity and tax risks.
- Procedures related to Health and Safety Management Systems.
- Procedures related to the Criminal Compliance Management System

The Company's main operating risks are listed below, including non-financial areas such as environment, health and safety, personnel, integrity and reputation. The main operating risks and the management mechanisms available to TR are set out below.

Risk	Description	Main risk management and mitigation mechanisms
Changes in project costs.	Several factors may give rise to a change in project cost estimates in turnkey projects (the complete price is closed at the start while execution costs may change), such as the volatility of raw material prices, changes in project scope, performance by construction and assembly subcontractors on time and with required quality, litigation by clients or suppliers, geopolitical decisions with an immediate impact or weather conditions, among others. The post-Covid environment and the Russia-Ukraine conflict have increased the impact of all these factors. Indeed, the cost of energy has made constructive solutions such as heating and hoarding and the like no longer viable. The assessment of all these factors implies a high level of judgement and estimates. Failure to comply with delivery deadlines may result in having to pay compensation to clients.	- Development of new contracting methods to mitigate risks. - Inclusion of indemnity clauses in contracts with suppliers and subcontractors. - Intense acquisition during the first few months of execution of key equipment with a high level of price sensitivity for raw materials. - Use of derivatives that allow the acquisition of certain essential raw materials and equipment in instalments. - Distribution of execution of work among several subcontractors from an early stage of the project. - Inclusion of contingencies for deviations in budgets. - Reliance on opinions of external consultants in the preparation of estimates and judgements. - Close monitoring of project execution deadlines to detect delays, which allow acceleration and penalty risk mitigation mechanisms to be implemented. - Design of cost control strategy with the Procurement area and negotiation of commodities by price and availability to avoid impacts on projects.
Variations in the price of oil and hydrocarbons.	The price of crude oil and gas, in addition to other factors, affects the investment, award and execution decisions of the Group's clients and suppliers, competitors and shareholders. In 2022, oil price variations contributed to the reactivation of part of TR's activities.	- Predomination of NOCs (national oil companies) over IOCs (independent oil companies) in the portfolio (which include factors beyond purely financial considerations in their decision-making, such as geopolitical and social criteria). - Diversification of products and geographical areas. - Mitigation of negotiation risks with clients and suppliers by the early detection of those matters that may represent a change in the contractual price. - Consortia working schemes and others, in order to minimise construction risk.

Risk	Description	Main risk management and mitigation mechanisms
Execution of projects in multiple geographical areas.	TR's projects are developed in multiple geographies, each of which presents a different risk profile to mitigate: political and social tensions, locations with limited access, limited legal certainty, local content requirements, potential double taxation due to execution from several jurisdictions simultaneously, increasing tax burden in all geographies where the Group operates, or complexity of the margin allocation process in projects developed simultaneously in multiple geographies, etc. Performance of projects for the first time in a certain geographical area increases the risk of deviations in margins.	- Project selection based on a detailed analysis of the client and country (establishing a local presence prior to bidding), and other aspects such as project-specific margins and risks. - Analysis of the tax implications of the projects, always with the advice of reputable top-level firms, and monitoring of the regulations and VAT position of the projects. - Use of modular construction methods in locations with limited labour availability or where the site conditions allow for savings compared with other options. - Where possible, TR includes the resolution of disputes at courts or in arbitration in countries where it has prior experience. - Where possible, the Group's contracts include clauses that allow prices to be changed in the event of amendments to laws. - Flexibility to adapt ourselves to domestic content requirements. - Development of BEPS policies. - The Internal Group Tax Risk Manual that establishes the Group's tax strategy and internal tax risk management procedures, which includes training actions and internal investigation plans. - In the bidding phase, tax strategies are defined that minimize risk with local advisers, including in the Group's usual markets. - In the execution phase, the tax settlements presented were monitored, with the support of local advisers and events or deviations from the initial strategies were identified with the aim of correcting them with the support of the Operations area. - Framework of seconding policies at TR Group level, which regulate the seconding conditions that will apply to those who move to new projects that will be performed in the future outside Spain.
Concentration in a low number of clients.	At certain times the portfolio may feature a high concentration in a low number of clients and suppliers in certain countries.	- Concentration only in markets in which the Group has sufficient prior experience. - Diversification policy that allows TR to access very different markets. - Deployment of relevant commercial action with new clients in markets in which TR does not yet have a presence. - Atomisation and diversification strategies for construction with local and international suppliers.

Risk	Description	Main risk management and mitigation mechanisms
Environmental and safety requirements.	TR carries out projects where incorrect performance entails high risks of impact on the environment or health and safety risks. The Company works to control and minimise those risks by collaborating with its clients, subcontractors and suppliers in this area.	- The existence of a Sustainability Policy and Plan and the implementation of measures consistent with it. - The existence of an Environmental and Safety Management System at TR in accordance with ISO 14001 and 45001 certification. - Assurance of environmental management from the engineering phase. Extension of this assurance to suppliers and subcontractors through audits and training. - Reinforcement of the safety of processes from the project design phase. - Promotion of occupational safety at suppliers and subcontractors. - Health, safety and environment policy (ISO 45001 and ISO 14001), introducing the concepts of sustainability, consultation and engagement, and well-being and health.
Economic variables.	Certain economic circumstances (changes in exchange rates, interest rates, availability of financing, taxes, etc.) can have an impact on TR's business and profits. Period of geopolitical tensions with high impact on economic variables (high levels of inflation). Worsening growth outlook in 2023 in almost all areas, mainly in advanced economies and persistent inflationary pressures. High weight in our clients' decisions of the entities or organisations that finance their investments. Financial institutions have increased their perception of risk in the sector in recent years, and they are now more conservative in their support for it. In addition, in general, the application of tighter global monetary policies has led to tighter financial conditions in emerging economies. Potential corporate income tax changes in the countries where the Company carries out its projects could lead to delays in the DTA recovery plan.	- Continuous monitoring of the risks associated with currencies and the arrangement of foreign currency hedges. - Management of a solid balance sheet and availability of adequate financing lines, including those supporting strategic companies managed by SEPI. - Mitigation of the risk of lack of liquidity of clients through active involvement in their financing processes, through banks that support the transactions in which TR participates, as well as through the use of export insurance through banks that support the transactions in which TR participates, and direct contact with the institutions financing its clients, as well as through the use of export insurance. - Growth plan in offices in different specific geographical regions, which makes it possible to control the impact of inflation and not become less competitive. - Continuous monitoring by TR's tax advisors of changes in corporate income tax in the different jurisdictions where it operates.
Information technology.	With the Group's increased digitalisation and teleworking, the risk of intrusion into its systems by cybercriminals has increased (increase in the perimeter of attacks, cyber threats and cyber attacks).	- Information Security Management System certified in accordance with ISO 27001:2013. - Information Security Policy and Privacy Policy, oriented to the Zero Trust model and aligned with international standards such as NIST, CIS, National Security Scheme and ISO27001:2013. - Employee training on cybersecurity matters.

Risk	Description	Main risk management and mitigation mechanisms
		- An Information Security Committee has been created to analyse the development of the Strategic Cybersecurity Plan, the results of the audits and the main risks faced and measures taken. - Incorporation of second layer of email filtering for the prevention of CEO fraud, malicious mail ('phishing').
Retention of key personnel and adaptation of resources to the workload.	The loss of key personnel, as well as gaps in their training, may increase the risk of not executing projects adequately. Furthermore, the excessive concentration of projects or delays may give rise to inefficiencies in personnel management. On the other hand, the Company is faced with fewer available qualified personnel due to the increased demand worldwide in areas such as renewable energy and infrastructure.	- Procedures to identify essential employees that must be retained and the application of policies that contribute to their retention. - Implementation of a flexible human resource structure to adapt swiftly to market changes. - Global management of human resources to unify the criteria applied at the various subsidiaries. - Staff expansion plan, including growth strategy in relevant geographies due to their proximity to clients.
Integrity and reputation.	Improper or irresponsible behaviour by employees or other third parties with which the Group collaborates (suppliers and subcontractors) may negatively affect the reputation and results obtained by TR.	- Internal regulations and training to guarantee the proper behaviour of professionals and the availability of a Code of Conduct, Criminal Compliance Policies and Procedures and a whistleblower channel. - Accreditation of UNE19601 certification in Criminal Compliance Management Systems. - Requirement for suppliers and subcontractors to comply with environmental, human rights, health and safety, anti-corruption and anti-fraud requirements. All this included in the Supply Chain Code of Ethics.
Suppliers and subcontractors	Tensions between countries limit access to suppliers and subcontractors. The pandemic and the conflict between Russia and Ukraine have created an atmosphere of instability and uncertainty that makes it difficult to plan and manage projects efficiently. Increased risk of non-compliance and abandonment of projects due to the implications of the pandemic and the Russia-Ukraine on the construction sector.	- Expanded lists of suppliers and subcontractors that meet client requirements. - Subcontractor evaluation processes including compliance and sustainability criteria, and improved financial and HSE evaluation criteria. - Implementation of payment plans with subcontractors to minimise impacts on projects due to non-payment and reinforcement of collaboration with subcontractors in order to establish plans in accordance with the payment possibilities of the projects.

Risk	Description	Main risk management and mitigation mechanisms
Quality of execution.	Quality in the execution of the works ensures not only the successful completion of the project, but also obtaining projects of a similar nature or with the same client.	- Quality supervision mechanisms in all project phases. - Creation of databases recording the Group's know-how and best practices. - Quality procedures are drawn up by all the departments concerned, minimising the possibility of lack of knowledge, and reviewed by the Knowledge Management Department. - TR has renewed, for 25 years without interruption (since 1997), the certification of its Quality Management System by AENOR in accordance with standard ISO 9001.
Climate Change.	Climate change requirements can impact clients' needs and the way in which TR implements its projects. In addition, one of the most relevant risks in relation to the environment is compliance with the European Union's plan for complete decarbonisation by 2050.	- The Company has excellent technical engineering capabilities to provide clients with solutions that enable them to develop their sustainability activities and emission reduction initiatives through, for example, retrofitting existing industrial facilities. - The Company has advanced technical procedures that enable it to execute projects in extreme environmental conditions, as it has demonstrated in locations such as Saudi Arabia and Canada.
Corporate governance and sustainability.	The growing requirements in these areas require TR to have the structure and resources necessary to respond to them.	- The Company has set up a Sustainability Area that reports to the Secretariat of the Board and provides a specific response to these growing requirements. - For its part, the Secretariat of the Board itself has strengthened its composition to respond to the new corporate governance requirements. - In 2022, the Company worked on developing various policies such as (i) a Business Secrets and Confidentiality Policy that establishes the general framework for action at the level of the Company and its Group to guarantee the confidentiality and consequent protection of its information and know-how with business value, particularly those that may constitute business secrets; and (ii) a Corporate Governance and Group Definition Policy, with the aim of establishing the principles, criteria and guidelines that should govern the organisation and operation of the governing bodies of Técnicas Reunidas, as well as those that should serve as the basis for defining the structure of its Group, all based on applying compliance with the good governance recommendations generally recognised in international markets, adapted to the particularities of Técnicas Reunidas and its Group. These policies are expected to be approved in the first half of 2023. - In 2022, the Company approved specific regulations for each of its three Board

Risk	Description	Main risk management and mitigation mechanisms
		Committees, i.e. the Audit and Control Committee, the Appointments and Remuneration Committee and the Management and Risk Committee, which include the basic principles and rules regarding their composition, operation and competencies. Approving these regulations allows the Company's corporate governance model to be further developed, providing these committees with their own internal regulations to recognise their internal relevance and facilitate the exercise of their functions.
New energy scenario	The energy transition is a new reality to which both TR's clients and the Company itself must adapt themselves so as to meet the decarbonisation budgets and deadlines to which their countries have committed.	- The Company is dedicating more and more resources to the execution of projects in the field of energy transition, helping its clients to adapt to regulatory changes and new market trends. - Técnicas Reunidas has launched a financing framework, called Harvest, with the aim of financing its commitment to decarbonisation and energy transition.

In addition to the operational risks mentioned above, TR evaluates other potential non-financial contingencies of minor impact to the Company with the aim of always ensuring the maximum performance levels in terms of sustainability. The details of the procedures applied by the Company to manage these risks may be found in each of the related chapters of this document.

On the other hand, it is worth mentioning the special circumstances that have taken place over the last three years (2020, 2021 and 2022) as a result of the emergence of Covid-19, in particular the Delta and Omicron variants, and the outbreak of the Russia-Ukraine conflict and the commercial embargo against Algeria in 2022, which have had an impact on various aspects of the Company's operations:

- First, the impact of Covid-19 has required excellence in the health protection of its employees, including keeping the extraordinary measures in place both on site and in the offices, including the extensive development of teleworking, including a second teleworking day in 2022 in the Madrid and Cartagena offices. On the other hand, it has also meant a slowdown or delay in the final investment decisions of customers, which has led to a slowdown in accrued sales, with an immediate impact on cash flow. It has also meant the need to adapt resources to the needs of the projects. However, it should be noted that, during the second half of 2022, commercial activity was substantially higher and there was an acceleration in tender processes.

- Second, the impact of the Russia-Ukraine conflict and the situation in Algeria led to the cancellation of business opportunities in the Russian market, mainly related to ammonia and fertiliser projects, as well as the suspension of projects in the conflict zones and/or the enforcement of contract guarantees, and a slight delay in the receipt of materials needed to continue the works.

- Lastly, these special circumstances have led to higher costs, which are reflected in the notes to the Consolidated Financial Statements. The Group's resilience has been demonstrated by its capacity to adapt to clients' schedules, identifying specific financing alternatives for this situation.

The Company also uses all the available tools to assess, manage and mitigate any non-financial risks present in its immediate environment. However, the uncertainty associated with the Russia-Ukraine conflict and the situation with Algeria has given rise to the following significant impacts:

- Changes in the price of crude oil.
- Changes in economic variables.
- Changes in project cost and deadlines.

This new scenario has only reinforced TR's commitment to sustainability as a key element of its future business development. In this context, the Company approved the Group's Sustainability Policy in 2020, and it approved a Sustainability Plan in 2021 that is in line with the principles of the Policy and the implementation of the initial actions set out in it. In 2022 it continued to implement the actions envisaged in the Sustainability Plan. These advances represent a milestone in TR's relationship with its main stakeholders, as well as a manifestation of the Company's commitment in this area.

The implementation of this Sustainability Policy and its Development Plan has achieved greater coordination of the Company's activity in the area of Sustainability (addressing key issues such as the environment, innovation, development and protection of intellectual capital, labour, compliance and responsible taxation), as well as the establishment of a reference framework containing the Company's principles of action with respect to its stakeholders.

In this regard, it is worth highlighting the Company's commitment to regulatory compliance and particularly to criminal compliance, a fact that has been corroborated by the achievement of the UNE 19601 Certification 'Criminal Compliance Management System' granted by AENOR, an entity accredited by ENAC to audit this standard.

It should be noted that throughout 2022, the Company continued deepening its system of internal control of non-financial information (SCIINF) in various ways, including special consideration in the sessions of the corporate bodies responsible for this matter and the consolidation of the assignment of this competence to the Board (with regard to the approval of the policy of communication of economic-financial, non-financial and corporate information) and to the Audit and Control Committee. Similarly, the Company has consolidated the integration of ESG factors into internal decision-making processes in multiple areas and procedures. In this regard, the Company carried out an in-depth ESG risk identification and assessment exercise in 2022, which will be formally concluded in 2023, to elaborate this issue.

As proof of the Company's good sustainability performance, Técnicas Reunidas obtained a score of 59/100 (corresponding to the 97th percentile,[1] as the average score for the sector is 24/100) in its first participation in the S&P Global Corporate Sustainability Assessment (CSA), placing it among the companies with the best ESG performance in the industry. The CSA is an annual assessment of corporate sustainability practices, based on a methodology that focuses on both industry-specific and financially meaningful sustainability criteria. More than 10,000 companies worldwide are rated using this assessment.

Finally, it should be noted that for the rest of the non-financial issues, Técnicas Reunidas has not identified any additional significant impacts in the year.

15.3. Information on environmental matters

15.3.1. Corporate environmental policy and management systems applied for the identification and management of impacts on the Company in this area

For Técnicas Reunidas, environmental management is a priority integrated into the company's strategy, responding to both its own operations and the activities of its value chain, establishing environmental requirements in all its facilities and projects, and based on the corporate policy in this area.

In recent years, TR has progressively adapted its Environmental Management System to legislative requirements and stakeholder demands. This system is implemented and certified in accordance with ISO 14001:2015 for all Group companies, including TR Sagemis in Italy and TR Engineering in India.

Once again this year, as a result of the set of tools and policies applied, TR had no 'non-conformities' in the external assessment of this certification carried out by AENOR (the Spanish Standards Association), which is valid until July 2023. AENOR is the certification body with which TR has been working since obtaining the certificate for the first time. These excellent results demonstrate the maturity of the management system and the Company's commitment to applying the best available practices in environmental matters.

In 2023, the Management Systems corresponding to the ISO 45001 and ISO 14001 certifications will be integrated to optimise processes, reduce time and costs, while ensuring the correct implementation of both Management Systems.

TR develops products, systems and services with the aim of obtaining energy that is more affordable and reliable and that meets current environmental requirements. All the Company's projects are conditioned by new and increasingly stringent environmental requirements, which must comply with, among others, climate change initiatives focused on reducing CO_2 emissions and improving the waste management system, focusing on waste reduction from a circular economy perspective. To this end, TR has implemented methodologies that ensure the

[1] TR ranks in the 97th percentile overall, 96th percentile in Governance, 95th percentile in Environmental and 97th percentile in Social.

monitoring and verification of environmental information in 100% of its projects. At the corporate level, internal environmental audits of environmental performance indicators and carbon footprint are carried out, among others.

On the other hand, in line with its commitment to the fight against climate change and in line with EU and Spanish environmental legislation, in 2022 TR continued with the implementation of the Sustainability Policy and monitoring of the action plan for the Environment Area, carrying out actions to meet the objectives and goals set by the Company to help protect the environment and combat climate change by developing technical solutions that allow the construction of sustainable and efficient plants for customers, and compliance with the Company's Quality, Safety, Health and Environment Policy.

In this context, the Company is also subject to the Spanish Climate Change and Energy Transition Act 7/2021, of 20 May [*Ley de cambio climático y transición energética*] under which Spain is seeking to achieve neutrality in greenhouse gas emissions by 2050. In addition, the European Parliament and Council Directive on corporate sustainability due diligence and amending Directive (EU) 2019/1937 is expected to enter into force (be transposed), which will strengthen the processes in place in companies. This rule requires companies to establish processes to identify, prevent and remedy adverse human rights and environmental impacts that may be caused by the company itself, its subsidiaries and entities in its supply chain.

In line with the Company's sustainability strategy, the Sustainability Policy and the commitment to contribute to the fulfilment of the United Nations Sustainable Development Goals (SDGs), TR joined the Spanish Group for Green Growth (*Grupo Español para el Crecimiento Verde*, GECV) in 2021. GECV is an association that brings together 50 companies with the aim of promoting public-private partnerships to overcome the environmental challenges that currently threaten our society and promote a sustainable, circular and efficient economy. In this way, the Company contributes to the generation and dissemination of the knowledge necessary for sustainable development and the creation of favourable conditions to achieve a low-carbon economy. In 2022, it collaborated in various campaigns related to climate change and energy transition and participated in several working groups.

One of the Company's strengths is the systematic identification and monitoring of environmental risks and opportunities, identifying and implementing specific actions, both on site and in offices.

Currently, the main environmental risks are those related to climate change (see section 15.3.2) in the geographical areas where TR's projects are developed, and those arising from changes in design limits or applicable legislation during project development. In fact, in the Company's ESG risk diagnosis carried out in 2022, it was noted that, in relation to the environment, the most significant risk is compliance with the European Union's plan for complete decarbonisation by 2050.

There are also great opportunities in environmental matters, including a competitive advantage due to a high degree of knowledge of applicable legislation and standards, which gives the Company great flexibility when developing projects anywhere in the world, and waste management within the framework of the circular economy.

The impact of TR's activities on the environment derives mainly from greenhouse gas emissions, energy consumption, waste generation and material consumption, which are detailed in each of the following sections. Going forward, it is expected that the material environmental aspects will remain the same. However, given TR's activity as an engineering company, it undertakes different projects each year in different phases of action, so a detailed forecast in quantitative terms would not reflect the reality of its performance for the coming years. The environmental KPIs are subject to the degree of progress of the projects underway, the volume of personnel at peak times, the execution phase and the new projects that may be awarded during each year. Given these circumstances, future estimates associated with environmental KPIs do not represent a reliable view of the Company's actual situation.

Throughout 2022, in order to broaden and improve the scope of its activities, TR focused its efforts on monitoring and analysing the information in detail. In this regard it should be recalled that in 2020, TR homogenised the perimeter of calculation of the statistics on the different environmental indicators, which are now calculated per million euros of revenue, and assimilating it into the perimeter of reporting of the Company's financial information. In 2021 it also established 2019 as the base year for setting environmental targets.

It is important to highlight that, depending on the progress of each project, these ratios may vary significantly from year to year. Not surprisingly, the execution of turnkey projects such as the ones performed by Técnicas Reunidas involves different phases with highly variable workloads, supply phases and staff levels.

The monitoring and analysis of all this information allows Técnicas Reunidas to design multiple actions to improve its environmental performance.

Within the scope of the Sustainability Policy, since 2022 Senior Management has been implementing a strategy that it developed aimed at creating value in a sustainable manner and providing high added value services that enable the Company to design and build efficient, sustainable and environmentally friendly industrial plants. The aim is for them to contribute to combating climate change and the transition to a low-carbon economy, taking advantage of the business opportunities derived from their high technological qualifications and demonstrating its commitment to the Sustainable Development Goals (SDGs). In this regard, in 2022, the Company carried out a detailed analysis of the projects with the aim of reporting on good environmental practices and its commitment to the SDGs.

Specifically, the Environment Area contributes to the following SDGs:

- **SDG 7: Affordable and clean energy**: related to the diversification work being developed, as well as the search for new business opportunities related to energy transition, clean energy and new technologies.

- **SDG 9: Industry, innovation and infrastructure**: explanation linked to the above objective.

- **SDG 13: Climate action**: calculation and action plan on Técnicas Reunidas emissions to contribute to decarbonisation.

In 2021, Técnicas Reunidas launched a financing framework, called Harvest, with the aim of financing its commitment to decarbonisation and energy transition. This framework is the first of its kind in the sector in which the Company operates, and its methodology has been designed following the most demanding international references, with the collaboration of Enea Consulting. In addition, the investor services company ISS-ESG provided an independent opinion on the alignment of the framework with decarbonisation and the energy transition.

Harvest includes an internal methodology that assesses whether or not a new project is aligned with decarbonisation and energy transition objectives. Those that are will be included in the various financing instruments associated with the energy transition that the company uses in the development of its business. Currently, projects eligible under this framework represent almost 40% of the Company's revenues. The objective of this methodology is for part of the financing from markets to be based on this financing framework.

This methodology will be applied to TR projects in low-carbon technologies, such as blue and green hydrogen, CO_2 capture and storage, activities along the natural gas value chain (as a transitional energy source), biofuels and biomass electricity production facilities, as well as other activities related to the circular economy.

Lastly, it should be noted that, during 2022, in the context of COVID-19 it was possible to relax the measures adopted the previous year, and there were no notable negative impacts on the Society's Environmental Management.

15.3.2. Climate Change

The main sources of greenhouse gases associated with TR's activity correspond to the consumption of fossil fuels in the Company's vehicle fleet and facilities and offices (Scope 1), electricity consumption in these same facilities (Scope 2) and emissions from company travel (Scope 3).

In 2022, scope 1 emissions decreased by around 10 % compared to 2021, as TR continued with lower fuel consumption due to, among other factors, the slowdown or completion of some projects.

In scope 2, there was a 53% increase compared to 2021 due to the opening of new subsidiaries abroad whose electricity consumption has no guarantee of origin certificate. Since 2019, all Técnicas Reunidas offices in Spain have been consuming energy exclusively from 100% renewable sources (with certified guarantee of origin). This renewable energy consumption represents 77 % of the total electricity consumed, thanks to which the Company managed to prevent the emission of 1,098.72 tonnes of CO_2 equivalent into the atmosphere in 2022.

In scope 3, there was an increase of 1% compared to 2021, due to the return to normality in terms of corporate travel and the company's strong commercial work during the year.

Emissions generated*	2021	2022
Scope 1 emissions (tCO_2eq)	33,942.85	30,536.96
Scope 2 emissions (tCO_2eq)	669.35	1,022.49
Scope 3 emissions (tCO_2eq)	25,863.24	26,171.94
TOTAL	**60,475.44**	**57,731.39**

**An estimate was made of the emissions associated with the last quarter of the year. For scopes 1 and 3, the estimate consisted of projecting the months of October to December based on the average emissions of the first 9 months.*

However, for Scope 2, since electricity consumption is mainly in offices and depends to a large extent on the time of year, the last quarter was estimated on the basis of the consumption recorded from October to December of the previous year. Furthermore, the sources used for the calculation of emissions were: Scope 1 (IPCC 2006), Scope 2 (CO_2 Emissions from fuel combustion-International Energy Agency, 2019), Scope 3 (UK Government GHG Conversion Factors for Company Reporting, 2022).

In 2021, within the framework of the Sustainability Plan, Técnicas Reunidas took on various environmental objectives, including implementing measures to promote energy efficiency, developing new projects related to the energy transition, establishing circular economy plans on site and in the office, and hitting its emission reduction objectives.

To meet its environmental objectives, the Company is working continuously to identify and implement measures, the most important of which were as follows in 2022:

- In terms of energy efficiency, the lighting was changed, installing LED bulbs to save energy, and we have also begun to install solar panels in the office buildings in Madrid, with Gorbea being the first installation to be carried out.
- The use of collaborative and digital platforms has been promoted in the processes, for example, in the collection of data on site/project and the recording of observations.
- In 2022, an additional day of teleworking was allowed for employees, allowing fuel savings and consequently less pollution.
- As part of the Sustainable Mobility plan, TR maintained the timetables of the shuttles available to employees that connect its offices with the city of Madrid, and it has continued to improve access to them through a mobile application. The aim is to encourage the use of collective transport over individual transport, adopting all the necessary safety and hygiene measures.

In relation to emission reduction targets and climate neutrality, TR has applied to join the SBTi (Science Based Target initiative), a global initiative through which Técnicas Reunidas undertakes to establish emission reduction targets in the short term and climate neutrality targets in the long term, both based on science. Accordingly, the Company has submitted its internally approved decarbonisation targets to SBTi for validation.

To keep all its objectives and strategies in line, the Company continuously monitors all issues related to climate change.

TR is highly aware of the potential impact that climate change may have on its business, and it has developed a Climate Risk and Opportunity Matrix together with the relevant adaptation plan, transparently reporting its climate change performance through participation in initiatives such as the Carbon Disclosure Project (CDP) in which TR has participated for several years. In 2022, the Company improved its rating by obtaining an A- in the Climate Change category. This was the highest score in the industry in 2022 and places TR among the leading companies worldwide in terms of climate change. In this regard, TR stands out positively in the following categories: scope 1, 2 and 3 emissions, as well as emissions reduction, strategy, scenario planning and analysis, governance, risk management and disclosure.

In governance, TR has assigned the Board to supervise its sustainability matters, including climate issues.

The Secretary of the Board of Técnicas Reunidas is responsible for coordinating the activities of the Board of Directors and other areas of the Company in matters of sustainability. This facilitates the implementation of resolutions on climate issues, which is TR's main governance mechanism in relation to climate change.

TR identifies the main climate change risks affecting the Company. In this context, the Company is mainly exposed to transition risks, in particular those dependent on regulatory developments that could have an impact on various customers, an increasingly demanding regulatory environment, which can translate into significant reputational risk at corporate level. In fact, in the Company's ESG risk diagnosis carried out in 2022, it was noted that, in relation to the environment, the most significant risk is compliance with the European Union's plan for complete decarbonisation by 2050. Another risk to be taken into account is the introduction of new taxes that could lead to higher energy prices.

The physical risks particularly include the geographic location of some clients, which are subject to extreme temperatures (for example, the Middle East or Canada), which can lead to changes in working conditions during the performance of projects. Also noteworthy is the increase in extreme weather phenomena, such as rising sea levels or water stress in some of the regions where the Company operates and the impact this may have on projects.

On the other hand, in the area of climate change opportunities, TR is well positioned, thanks to its leadership on climate change, the diversification of its activities, especially in fields related to the energy transition, and its adaptation to new trends, which go beyond legal issues. This enables the Company to benefit from the opportunities that will arise from increased regulatory pressure on environmental issues, as it has the technology and solutions to help its clients meet these growing environmental demands.

This diversification of activities focuses on working with clients to improve the environmental performance of their facilities: production of clean fuels, natural gas and chemical products, biomass and solutions linked to the energy transition, the circular economy and decarbonisation (renewable hydrogen, biofuels, waste recovery, CO_2 capture and storage) and, therefore, the reduction of greenhouse gas emissions. Below are some of the most relevant projects in this field awarded in 2022.

Técnicas Reunidas, through its Internal Technology Development Division, achieved an excellent result in 2022 in the use of funds from the European Recovery Plan (Next Generation Eu).

The Centre for Technological Development and Innovation (CDTI), which reports to the Spanish Ministry of Science and Innovation, awarded Técnicas Reunidas 4 projects that it submitted to the call for the MISSIONS Programme, integrated within the State Programme to catalyse Innovation and Business Leadership of the 2021-2023 State Plan for Scientific, Technical and Innovation Research, within the framework of the **Recovery, Transformation and Resilience Plan (PRTR)**, according to the Final Resolution published by the CDTI.

The Missions 2022 projects awarded, all of them located within the field of energy transition, are:

- The **MINETHIC MISSIONS** project, a project led by Técnicas Reunidas and based on the development of technologies for obtaining Critical Raw Materials essential for the success of the energy transition.

  The **MISSIONS EFISOEC** project, led by REPSOL, in which Técnicas Reunidas participates as technologist and engineer for the development of technology for the production of Green Hydrogen by means of SOEC (Solid Oxide Electrolyzer Cell) technology.

- The **HY2DEC MISSIONS** project led by ACERIAS DE ALAVA and Técnicas Reunidas is participating as a technologist and engineer for the development and validation of new emerging technologies for the production and use of hydrogen and green oxygen, as well as CO_2 capture, and their integration in intensive Spanish industrial processes with the aim of making progress in their decarbonisation.

- The **MISSIONS SUNRISE** project led by MAGTEL Técnicas Reunidas participates as a technologist and engineer for the development of new processes for the recovery and reuse of critical materials and components in the solar photovoltaic value chain, increasing their value and improving the environmental impact of the technology.

In this MISSIONS 2022 call, in which more than 140 projects were submitted and 32 were awarded to large companies, the **MISSIONS MINETHIC** project came in first with a score of 90 out of 100 points, the **MISSIONS EFISOEC** project came in second with a score of 87 points and the **MISSIONS HY2DEC** project came in third with 87 points, which gives an idea of the quality of the proposals in which Técnicas Reunidas participated.

In short, Técnicas Reunidas is the Spanish company with the most projects awarded in this call for proposals, and it is also the company with the highest total grants awarded.

- On the other hand, the Ministry of Industry and Trade awarded the **PERTE VEC (Electric and Connected Vehicle)** '**FUTURE:FAST FOWARD**' project led by SEAT and in which Técnicas Reunidas participates as a partner in the RELOAD project included in it. It is an initiative led by the VOLKSWAGEN and SEAT group, in which 62 companies from 11 autonomous regions are participating. It has a EUR 10 billion budget, making it the largest industrial investment in Spain, with the aim of 'electrifying Spain' and making Spain a hub for electric vehicles in Europe.

- The **RELOAD** project is part of the multidisciplinary block of the Circular Economy, in the R&D&I line and as an Industrial Research project. It aims to contribute to the supply of high-value metals in the VEC industrial value chain, reducing dependence on imports and promoting a sustainable, circular industrial model with a smaller environmental footprint. To this end, research will be carried out into the recovery of metals from vehicle components, such as lithium-ion batteries and electric motors, at the end of their useful life, thus achieving the reuse of metals and therefore reducing the waste produced by electric vehicles.

In short, the aim is to achieve new models of circular economy, improving the competitiveness of Spanish industry and promoting new models of production and consumption.

Another milestone for 2022 is the Company's participation in multiple projects for the conceptual development of green ammonia and its derivatives in the world of fertilisers, both in Europe and the rest of the world.

With regard to climate scenarios, the Company takes into account those designed by leading organisations such as the International Energy Agency (IEA), the World Energy Outlook and BP Energy Outlook. In all scenarios, the structure of demand changes, with fossil fuels becoming less important in 2050, while renewable energies gain a greater share. All of the projected scenarios call for a drop in oil demand due to increased efficiency and the electrification of transport, while gas consumption will benefit from increased demand until the 2030s. On the other hand, wind and solar energy are leading the rapid growth of renewable energies and hydrogen use will increase starting in the 2030s.

Based on these scenarios, Técnicas Reunidas has defined its short-, medium- and long-term horizons, the objective of which is to adapt to the challenges posed by climate change, to meet the needs of its clients and ensure it retains its technical advantage, a key factor for competing successfully in the future:

- **Short term (0-2 years)**: the Company will continue with its current strategy in the planning and construction of industrial plants, taking advantage of its technological leadership and the context of growing climate sensitivity to help its clients produce energy more cleanly and efficiently, reducing the carbon footprint in the projects in which it participates and adapting to current legislation.

- **Medium term (2-6 years)**: this time horizon will include the progressive adaptation of the Company's current strategies, adapting them to the new regulatory requirements, which are expected to be more restrictive in relation to the reduction of emissions and the objective of decarbonisation. The Company will also advise its clients on the need to produce energy in a cleaner way, offering the best available solution in each case.

- **Long term (6-30 years)**: current strategies will be combined with the implementation of new ones to maximise the use of climate opportunities and minimise the Company's exposure to the different risks derived from climate change. To this end, TR bases the development of its future scenarios on the three reference organisations mentioned above. In this regard, TR will increase its efforts and technical capacity to provide solutions that match the needs of its clients in each of the three scenarios, seeking to anticipate the confirmation of the scenario as far in advance as possible so that the appropriate operational, technical and financial measures can be taken.

A more comprehensive climate scenario analysis is planned for the near future which, taking into account the best available climate scenarios (including at least one aligned with the objective of limiting the global temperature increase to 1.5°C), will allow TR to obtain greater detail in its estimate of the financial impacts of the risks and opportunities related to climate change.

15.3.2.1. Information on the EU Taxonomy for climate change mitigation and adaptation targets

a) Introduction

The Taxonomy Regulation[2] (Regulation 2020/852) is a key component of the European Commission's action plan to redirect capital flows toward a more sustainable economy and represents a fundamental step toward achieving the EU's stated goal of achieving GHG neutrality by 2050.

The Taxonomy Regulation also envisages the creation of a classification system for environmentally sustainable economic activities throughout the EU. It thus creates a common language that companies, investors and policy makers can use to identify projects and economic activities with a positive and substantial impact on the climate and the environment, based on the recommendations of experts and scientists. The taxonomy also introduces reporting obligations for companies and financial market participants.[3]

A first step in shaping this classification system ('European Taxonomy') was the enactment of Delegated Regulation 2021/2139,[4] which sets out the economic activities eligible under climate change mitigation and adaptation

[2] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

[3] Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation.

[4] Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

objectives, as well as the criteria for determining whether those activities are aligned with the Taxonomy. After that, a Supplementary Delegated Act to the Climate Taxonomy on climate change mitigation and adaptation was published, covering a number of activities related to gas and nuclear energy.[5]

Following the publication of those technical criteria, Delegated Regulation 2021/2178 was enacted, which describes the quantitative and qualitative information relating to the EU Taxonomy to be disclosed by the different types of companies, including companies subject to the obligation to publish non-financial information statements (NFI), in accordance with articles 19(a) and 29(a) of Directive 2013/34.

Therefore, Técnicas Reunidas, in response to Article 8 of Regulation 2020/852, reports in this section of its statement of non-financial information the proportion of eligible, aligned and non-eligible activities according to the taxonomy in terms of its turnover (billing), its investments in fixed assets (CapEx) and its operating expenses (OpEx). These indicators have been obtained at a consolidated level, i.e. at the Técnicas Reunidas Group level.

The **eligible economic activities** of a company according to the taxonomy are defined as those that comply with the description set out in the regulation, which includes activities that substantially contribute to one or more environmental objectives, regardless of whether the activity complies with any of the technical criteria established in the regulation. The **economic activities aligned** with the taxonomy are those eligible activities that meet the technical selection criteria set out in the regulation (Delegated Regulation 2021/2139 and Delegated Regulation 2022/1214) and the minimum safeguards, in accordance with Article 3 of the Taxonomy Regulation:

- Meets the criteria of substantial contribution to one or more environmental objectives.
- Does no significant harm to any of the environmental objectives.
- Is carried out in compliance with the minimum safeguards.

Finally, **ineligible economic activities**, according to the taxonomy, refer to any economic activity that is not described in the delegated acts supplementing the Taxonomy Regulation.[6]

b) The activity of Técnicas Reunidas

The Técnicas Reunidas Group is dedicated to providing all types of value-added engineering and construction services for industrial plants for the production of clean fuels, natural gas and chemical products, while also offering its clients a wide range of solutions linked to the energy transition, the circular economy and decarbonisation (renewable hydrogen, biofuels, waste recovery, CO_2 sequestration and capture, etc.). Therefore, and according to the taxonomy, a relevant part of the Company's technical capabilities have the potential to contribute substantially to climate change mitigation, and are therefore categorised as eligible. In this regard, TR is developing a set of energy transition projects whose impact on the taxonomic indicators of turnover, OpEx and CapEx will be gradually reflected in the coming years, as their presence in the Company's portfolio becomes more significant in percentage terms.

1. Eligibility

To identify eligible activities, an exhaustive analysis of each of the Group's project types was first carried out as the basis for identifying the activities carried out by TR that could be linked to the taxonomy. After this, and to confirm the eligibility of each of the activities identified as 'presumably eligible', these were cross-checked against the definitions in Delegated Regulation 2021/2139 and Delegated Regulation (EU) 2022/1214. Thus, as a conclusion of this analysis, the following table lists the eligible activities for the climate change mitigation objective.

Table 1. TR's economic activities analysed in accordance with the environmental taxonomy

Economic activity in accordance with Taxonomy	Description of the activity	Eligibility	Alignment
3.2 Manufacture of equipment for the production and use of hydrogen	Design projects for green H_2 production facilities, developed by the Energy Transition area[7]	✓	✗

[5] Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities.

[6] Given the complexity of this classification system, the European taxonomy is under construction; currently the technical criteria regulation for climate change mitigation and adaptation objectives has been published. However, the remaining four objectives covered by the taxonomy are in draft form. Furthermore, it should be noted that, in its current configuration, the taxonomy does not consider all economic activities.

[7] Técnicas Reunidas designs and assembles green H_2 production facilities. Although it does not manufacture the equipment for these facilities, its activity, insofar as the Company designs and assembles the equipment, is essential for performing eligible activity 3.2. For this reason, and also considering the FAQs documents published by the European Commission on Taxonomy regulation, this activity is considered eligible.

Economic activity in accordance with Taxonomy	Description of the activity	Eligibility	Alignment
4.13 Production of biogas and biofuels for transport and production of bioliquids	Projects for the construction of biofuel (biomethanol) production plants, developed by the Energy Transition area.	✓	✓
4.25 Production of heat/cooling from residual heat	Construction and assembly projects for shell and tube heat exchangers, waste heat recovery boilers, air coolers and cooling towers	✓	✓
4.29 Power generation from gaseous fossil fuels	Projects for the construction or operation of installations for the generation of electricity from gaseous fossil fuels (natural gas)	✓	✗
5.3. Construction, extension and operation of sewage collection and treatment systems	Projects for the construction of networks of oily effluent collection collectors and associated treatment plants	✓	✓
5.11. CO_2 transport	Projects for pipelines designed to transport CO_2 for subsequent underground injection	✓	✗
6.10. Maritime transport of goods, vessels for port operations and ancillary activities	Modular maritime transport activities	✓	✗
7.1. Construction of new buildings	Building construction projects	✓	✗
7.2 Renovation of existing buildings	Building Renovation Projects	✓	✗
9.1 Research, development and innovation close to the market	Implementation of applied research projects in the area of Energy Transition.	✓	✗

Legend

✓	Eligible or aligned (according to column)
✓	Partially eligible or aligned (according to column)
✗	Not eligible or not aligned (according to column)

Additionally, no activities have been identified that could be eligible in relation to the climate change adaptation objective.

2. <u>Alignment</u>

Based on the eligible economic activities indicated above, in a second step TR conducted a detailed analysis to assess compliance with the technical selection criteria relating to the climate change mitigation objective, as set out in Delegated Regulation 2021/2139 and Delegated Regulation 2022/1214, in terms of substantial contribution to one or more environmental objectives and not significantly harming any of the other environmental objectives, as well as compliance with the minimum safeguards.

The actions taken in each case are detailed below.

i. <u>Substantial contribution to climate change mitigation criteria</u>

The first criterion requires that the economic activity **makes a substantial contribution to one or more of the environmental objectives**. To determine this, each activity[8] and its technical characteristics were analysed to determine whether it meets the criteria for substantial contribution to climate change mitigation specified in Regulation 2021/2139.

These substantial contribution criteria were assessed for each of the eligible activities listed in the table above (see the 'Eligibility' section). Following this assessment, TR made the calculations and gathered the necessary information to demonstrate the substantial contribution of the activities in Taxonomy 4.13 'Production of biogas and biofuels for transport and production of bioliquids' and 4.25 'Production of heat/cooling from waste heat',[9] as well

[8] Compliance with the technical criteria is only analysed in those projects in which Técnicas Reunidas exercises effective control over the project.
[9] Activity 4.25. itself has no substantial contribution criteria applicable (its substantial contribution criterion coincides with the activity description).

as, in certain cases, of activity 5.3. ‘Construction, extension and operation of sewage collection and treatment systems’. The main methodological considerations of this assessment are presented below:

- 4.13 'Production of biogas and biofuels for transport and production of bioliquids': the evaluated project (BIONER-COFUSA, Uruguay) uses agricultural or forestry biomass that complies with the criteria set by Directive (EU) 2018/2001. Also, the type of biomass used (wood chips) and the proximity to timber areas guarantees not exceeding the limit of 65% GHG emission reduction, based on Directive (EU) 2018/2001, as well as its Annex V.
- 5.3. 'Construction, extension and operation of wastewater collection and treatment systems': the substantial contribution criteria established by the Taxonomy have been re-expressed in terms of COD (Chemical Oxygen Demand), as this pollutant is the most characteristic one in the effluents of most of the facilities in which TR carries out its activity. In this way, the net energy consumption limits established by the Taxonomy (re-expressed in terms of COD) were contrasted with the energy consumption recorded in the eligible treatment plants.

Furthermore, in relation to activity 4.29. 'Generation of electricity from gaseous fossil fuels), the substantial contribution criteria required by the Taxonomy were assessed, concluding that none of the projects meet the established criteria.

For the remaining activities of the Taxonomy (with codes: 3.2., 5.11., 6.10., 7.1., 7.2. and 9.1.), although it is likely that either part or even, in certain cases, all of these activities may be provide a substantial contribution, it was decided to choose not to carry out the assessment against the substantial contribution criteria of application due to a lack of availability of information to test this type of criteria. TR will continue to work in subsequent years to gather the necessary information and effectively assess compliance with the substantial contribution criteria for this group of eligible activities.

ii. Does no significant harm to any of the environmental objectives

The second criterion requires that the economic activity **does no significant harm to any of the other environmental objectives** (DNSH).

In this regard, TR carried out the following analysis of compliance with this set of criteria:

- First, TR demonstrated, across its operations as a whole, compliance with the DNSH criterion relating to adaptation to climate change. Compliance with this criterion at the corporate level implies compliance across all potentially aligned Taxonomy activities.
- For all economic activities where TR could demonstrate a substantial contribution to climate change mitigation, the compliance with the respective DNSH criteria in relation to the other four remaining environmental objectives was analysed in more detail.

The analysis for each of the two points above is set out below:

- **Compliance with DNSH criteria relating to climate change adaptation**

To assess compliance with DNSH, an assessment of the material physical climate risks was carried out in accordance with Appendix A of Annex I for compliance with the DNSH relating to adaptation to climate change.

In this regard, and in some cases from the proposal stage onwards, physical climate risks that may affect the expected project duration are identified in each project and prioritised (qualitatively and/or quantitatively) for possible further analysis or action plans. These risks and opportunities are recorded in a register (with criticality, probability, necessary actions, responsible parties, etc.) that is monitored and updated throughout the life of the project.

- **Compliance with DNSH criteria relating to the sustainable use and protection of water and marine resources; transition to a circular economy; pollution prevention and control; and protection and restoration of biodiversity and ecosystems**

For this group of DNSH criteria, TR studied the characteristics of the Taxonomy activities for which it has proven they substantially contribute to mitigating climate change:

- In relation to activity 4.13 'Production of biogas and biofuels for transport and production of bioliquids', it took into account the fact that the project is at a preliminary stage (pre-feasibility studies have already been carried out), so the technological solutions on the basis of which to contrast the DNSH criteria with respect to the objectives of 'Sustainable use and protection of water and marine resources' and 'Pollution prevention and control' have not yet been developed. TR will work in the coming years to ensure compliance with these criteria in the development of this project, selecting the necessary systems for this purpose.
- In relation to activity 4.25 'Production of heat/cooling from waste heat', all this equipment is dimensioned by TR using specific software, which guarantees the highest levels of quality and maximum efficiency of the system in terms of heat transmission. Therefore, TR complies in all cases with the DNSH criterion established for the case of 'Pollution prevention and control'.

- In relation to activity 5.3. 'Construction, extension and operation of wastewater collection and treatment systems', TR assessed, where applicable, the wastewater discharge parameters, ensuring lower levels of COD than those established by regulation,

TR also conducted an EIA (Environmental Impact Assessment) of the facility in all its engineering projects, including those corresponding to the activities already analysed (codes: 4.13., 4.25. y 5.3.).

iii. Compliance with minimum safeguards

Finally, the third requirement involves demonstrating that the economic activity is conducted in compliance with the **minimum safeguards** (MS). The MS include all the procedures implemented in the company to ensure that its activities are carried out in accordance with the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights, including the principles and rights established in the eight fundamental conventions referred to in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work and the International Bill of Human Rights (Article 18 of Regulation 2020/852).

To assess compliance with the MS, Técnicas Reunidas analysed the four dimensions into which compliance with these minimum safeguards is divided (human rights, including labour rights; corruption and bribery; taxation and fair competition).

In general, TR has a **Code of Corporate Conduct**, which shows the Company's commitment to the highest standards of ethical conduct, establishing the principles and values that the TR Group and all its professionals must observe at all times in the performance of their activities. This Code includes general principles relating to human rights, respect for free competition, rejection of child, forced or compulsory labour, prevention of money laundering and terrorist financing, among others. **Training** is also provided to ensure the upright behaviour of its professionals. The company also has a **Code of Ethics for the Supply Chain**[10] through which it reinforces the integrity of the supply chain. Moreover, Técnicas Reunidas has been a signatory of the United Nations **Global Compact** since 2011.

In addition to these preventive measures, TR has a **whistleblower channel** in accordance with the strictest standards of confidentiality and in compliance with the EU Directive on whistleblower protection.[11]

- **Human rights (including labour and consumer rights).**[12] As a complement to the above documents, TR is developing a **Human Rights Policy** that is expected to be approved by 2023. As a result of policies and procedures implemented in this area, a total of 5 reports were received in 2022, which were processed and closed due to a lack of substantiation. These complaints dealt with labour relations/labour rights issues.

- **Fight against corruption and bribery.**[13] The Group has a **Criminal Compliance Management System** (SGCP) certified in accordance with **UNE 19601**, which is reinforced through various integrity policies. In 2022, the Company continued to implement the Criminal Compliance Management System in new geographical areas and updated the policies, training and effectiveness of the system to adapt it to the certification. It has also implemented an **Internal Due Diligence procedure** and strengthened the procedure for applying the **Due Diligence Policy on third parties**.[14]

- **Responsible taxation.**[15] Since the Company operates in several countries, it is aware of its tax responsibility and the complexity of its operations and has an **Internal Tax Risk Manual** as well as a **Tax Model based on the BEPS criteria** (OECD regulation on taxation). Among other mechanisms, in the bidding phase, tax strategies are defined that minimise risk with local advisers, including in the Group's usual markets.

- **Fair competition**
  To reinforce the Criminal Compliance Management System, and as a result of the development of the principles of the Code of Conduct, the Group has a **Competition Policy**, of mandatory global application, which sets out the guidelines in relation to compliance with the regulations on protecting and defending competition in markets.

c) Taxonomic indicators and accounting policy

The following are the turnover, CapEx and OpEx indicators in terms of eligibility and alignment, formulated and reported in accordance with the applicable regulations for 2022, indicating in each case the accounting policy applied.

[10] For more information, see section 15.7.3, Subcontracting and suppliers.
[11] For more information, see section 15.5. Information on respect for Human Rights.
[12] For more information, see section 15.5. Information on respect for Human Rights.
[13] For more information, see section 15.6. Information related to the fight against corruption and bribery.
[14] For more information see section 15.7.3, Subcontracting and suppliers.
[15] For more information, see section 15.7, Tax information.

1. Turnover

The key indicator referring to turnover is calculated as the proportion of revenues derived from aligned or taxonomy-compliant activities, as well as the proportion derived from eligible activities that do not meet the technical selection criteria (numerators) over the company's total revenues (denominator). This revenue corresponds to revenue recognised in accordance with International Accounting Standard (IAS) 1, paragraph 82(a), as adopted by Commission Regulation (EC) No 1126/2008. The denominator of this KPI is provided in the Notes to the 2022 Financial Statements (note 22: 'Ordinary income and other operating income', see 'Total revenue').

On the other hand, the numerator referring to revenues, first, the calculation of the revenues derived from the eligible activities set out in Table 1 was computed by analysing each of the Group's projects from which ordinary revenues were recorded in 2022. In doing so, an exhaustive breakdown of the different activities carried out in the projects was performed and those that meet the eligibility criteria established by the Taxonomy were identified. Projects were considered individually, as were their activities, thus avoiding any possible double counting of information.

Subsequently, the costs derived from each of the activities identified as eligible were extracted. These costs comprise both direct calculation costs, mainly linked to the costs associated with the purchase orders of equipment linked to the eligible activity, as well as the costs of subcontractors, who carry out the site work for the fine-tuning of the industrial processes linked to the eligible activity; and also passed-on costs, referring to costs of activities linked to the project as a whole which, although not specifically destined to a particular eligible activity, contribute to the development and execution of the eligible activities of the project within the framework of the work process as a whole. For these latter items, a different allocation criterion has been established, adjusted to the particularities of each of them.

Lastly, following the models for allocating ordinary income from projects in the Group's consolidated financial statements, the costs linked to eligible activities per project were multiplied by the degree of progress of work in 2022 per project, obtaining the cost incurred in 2022 associated with eligible activities. In turn, this cost incurred per project was increased by the profitability (sales/cost) assigned to each project at year-end, thus obtaining the sales accrued in the year associated with eligible activities (the numerator used in the key indicator).

Next, the numerator relating to income from aligned activities (environmentally sustainable activities, categorised as 'A.1' in table 1) was determined. In this case, based on the breakdown of eligible activities in the projects, those that meet all the technical selection criteria and minimum safeguards and can therefore be considered aligned were identified. The calculation of revenues follows the same methodology as for eligible activities.

According to the calculations performed, the numerator of taxonomically eligible but not environmentally sustainable activities (eligible activities that do not comply with the taxonomy, categorised as 'A.2' in table 1), is the result of the numerator relating to revenues derived from eligible activities minus the numerator of revenues associated with aligned activities.

Thus, the following table presents the proportion of TR's turnover associated with aligned activities on the one hand and eligible, non-aligned activities on the other hand, following the requirements of Delegated Regulation 2021/2178, as well as its Annex II.

As a result of the calculations performed, 10.51% of the Group's turnover in 2022 is eligible, and 4.76% of the Group's turnover in 2022 is aligned. It is further reported that the proportion of eligible turnover in 2021, as reported in the previous year[16] was 7.93%, which is a year-on-year increase (2021 vs. 2022) of 2.58 percentage points. This increase is mainly due to the inclusion of activities as eligible activities that are linked to generating electricity from non-fossil renewable sources (natural gas) that were not categorised as eligible for 2021, but that are eligible for 2022.[17]

[16] In 2021, only information on eligibility was reported, in line with the Taxonomy regulation (Delegated Regulation 2021/2178).

[17] In line with Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors.

Template: Proportion of turnover from products or services associated with economic activities that comply with the taxonomy-disclosure for 2022 (Regulation 2021/2178)

				Substantial contribution criteria[18]						Criteria of no significant harm ('does no significant harm')										
Economic activity	**Code[19]**	**Absolute turnover (thousands of EUR)**	**Share of turnover (%)**	**Climate change mitigation (%)**	**Adaptation to climate change (%)**	**Adaptation to climate change**	**Circular economy (Y/N)**	**Pollution (Y/N)**	**Biodiversity and ecosystems (Y/N)**	**Climate change mitigation (Y/N)**	**Adaptation to climate change (Y/N)**	**Adaptation to climate change**	**Circular economy (Y/N)**	**Pollution (Y/N)**	**Biodiversity and ecosystems (Y/N)**	**Minimum safeguards (Y/N)**	**Proportion of turnover that complies with the Taxonomy, 2022**	**Proportion of turnover that complies with the Taxonomy, 2021**	**Category (F: facilitating activity)**	**Category (T: transition activity)**
A. Eligible activities according to taxonomy (%)																				
A.1. Environmentally sustainable activities (complying with the taxonomy)																				
Biogas and biofuels production for transport and bioliquids production	4.13	60	0.00%	100%	0%	NA	NA	NA	NA	-	Y	Y	Y	Y	Y	Y	0.00%	NA		
Production of heat/cooling from residual heat	4.25	168,494	3.98%	100%	0%	NA	NA	NA	NA	-	Y	Y	Y	Y	Y	Y	3.98%	NA		
Construction, extension and operation of sewage collection and treatment systems	5.3	33,149	0.78%	100%	0%	NA	NA	NA	NA	-	Y	Y	Y	Y	Y	Y	0.78%	NA	F	
Turnover from environmentally sustainable activities (which comply with the Taxonomy) -Total A.1.	-	**201,703**	**4.76%**	**100%**	**0%**	**NA**	**NA**	**NA**	**NA**	-	Y	Y	Y	Y	Y	Y	**4.76%**	**NA**	-	-
A.2. Eligible activities according to the taxonomy, but not environmentally sustainable (activities that do not comply with the taxonomy)																				
Manufacture of equipment for the production and use of hydrogen	3.2.	1,072	0.03%																	
Power generation from gaseous fossil fuels	4.29	166,831	3.94%																	
Construction, extension and operation of sewage collection and treatment systems	5.3	12,958	0.31%																	
CO_2 transport	5.11	3,481	0.08%																	
Maritime transport of goods, vessels for port operations and ancillary activities	6.10	8,348	0.20%																	
Construction of new buildings	7.1	49,555	1.17%																	
Renovation of existing buildings	7.2	143	0.00%																	
Research, development and innovation close to the market	9.1	784	0.02%																	
Turnover from eligible activities according to the taxonomy, but not environmentally sustainable (activities that do not comply with the taxonomy). Total A.2.	-	**243,171**	**5.74%**																	
Total (A.1+A.2)	-	**444,875**	**10.51%**														**4.76%**	**NA**		
B. Activities not eligible under the taxonomy																				
Turnover from ineligible activities according to the Taxonomy (B)	**-**	**3,788,495**	**89.49%**																	
TOTAL (A+B)	-	**4,233,370**	**100%**																	

[18] Only climate targets have been included for the substantial contribution analysis, as they are the only ones approved at the date of publication of this report.
[19] The code assigned to each of the economic activities is the one listed in Annex I of Delegated Regulation (EU) 2021/2139.

Template 1 Activities related to nuclear energy and fossil gas (Delegated Regulation 2022/1214)

Row	**Activities related to nuclear energy**	
1	The company conducts, finances or has exposures to research, development, demonstration and deployment of innovative power generation facilities that produce energy from nuclear processes with minimal fuel cycle waste.	No
2	The company carries out, finances or has exposures to the construction and safe operation of new nuclear facilities to produce electricity or process heat, including for district heating purposes or industrial processes such as hydrogen production, as well as their safety upgrades, using the best available technologies.	No
3	The company carries out, finances or has exposures to the safe operation of existing nuclear installations producing electricity or process heat, including for district heating purposes or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	No
	Activities related to fossil gas	
4	The company carries out, finances or has exposures to the construction or operation of electricity generation facilities that produce electricity from gaseous fossil fuels.	Yes
5	The company carries out, finances or has exposures to the construction, refurbishment and operation of combined hot/cold and power generation facilities using gaseous fossil fuels	No
6	The company carries out, finances or has exposures to the construction, renovation and operation of heat generation facilities producing heat/cooling from gaseous fossil fuels.	No

Template 2 Economic activities that comply with the Taxonomy (denominator) (Delegated Regulation 2022/1214)

Row	Economic activity	Revenues (thousands of euros)					
		(CCM + CCA)		Climate change management		Climate change adaptation	
		Amount	%	Amount	%	Amount	%
4	Amount and proportion of the activity that complies with the taxonomy referred to in section 4.29 of Annexes I and II of the Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	166,831	3.94%	166,831	3.94%	-	-
7	**Amount and share of other economic activities conforming to the taxonomy not mentioned in row 4 above in the denominator of the applicable KPI**	**4,066,539**	**96.06%**	**4,066,539**	**96.06%**	-	-
8	**Total applicable KPI**	**4,233,370**	**100%**	**4,233,370**	**100%**	-	-

Template 3 Economic activities that comply with the Taxonomy (numerator) (Delegated Regulation 2022/1214)

Row	Economic activity	Revenues (thousands of euros)					
		(CCM + CCA)		Climate change management		Climate change adaptation	
		Amount	%	Amount	%	Amount	%
4	Amount and proportion of the activity that complies with the taxonomy referred to in section 4.29 of Annexes I and II of the Delegated Regulation (EU) 2021/2139 in the numerator of the applicable KPI	-	-	-	-	-	-
7	**Amount and share of other economic activities conforming to the taxonomy not mentioned in row 4 above in the numerator of the applicable KPI**	**201,703**	**100%**	**201,703**	**100%**	-	-
8	**Total amount and share of economic activities that conform to the taxonomy in the numerator of the applicable KPI**	**201,703**	**100%**	**201,703**	**100%**	-	-

Template 4. Economic activities eligible according to the taxonomy but that do not conform to the taxonomy (Delegated Regulation 2022/1214)

Row	Economic activity	Revenues (thousands of euros)					
		(CCM + CCA)		Climate change management		Climate change adaptation	
		Amount	%	Amount	%	Amount	%
4	Amount and proportion of economic activity eligible according to the taxonomy but not conforming to the taxonomy referred to in section 4.29 of Annexes I and II of the Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	166,831	68.61%	166,831	68.61%	-	-
7	**Amount and share of other economic activities eligible according to the taxonomy but not conforming to the taxonomy not mentioned in row 4 above in the denominator of the applicable KPI**	**76,340**	**31.39%**	**76,340**	**31.39%**	-	-
8	**Amount and share of economic activities eligible according to the taxonomy but that do not conform to the taxonomy in the denominator of the applicable KPI**	**243,171**	**100%**	**243,171**	**100%**	-	-

Template 5. Economic activities not eligible under the Taxonomy (Delegated Regulation 2022/1214)

Row	Economic activity	Revenues (thousands of euros)					
		(CCM + CCA)		Climate change management		Climate change adaptation	
		Amount	%	Amount	%	Amount	%
4	Amount and share of the economic activity referred to in row 4 of Template 1 that is not eligible according to the taxonomy under section 4.29 of Annexes I and II of the Delegated Regulation (EU) 2021/2139 in the denominator of the applicable KPI	-	-	-	-	-	-
7	**Amount and share of other economic activities not eligible according to the taxonomy not mentioned in row 4 above in the denominator of the applicable KPI**	**3,788,495**	**100%**	**3,788,495**	**100%**	-	-
8	**Total amount and share of ineligible economic activities according to the taxonomy in the denominator of the applicable KPI**	**3,788,495**	**100%**	**3,788,495**	**100%**	-	-

2. CapEx.

This indicator is obtained as the ratio of fixed assets invested in taxonomy-compliant economic activities and eligible economic activities that do not meet the technical selection criteria (numerators) to the total assets that were acquired in 2022 (denominator).

That denominator (total CapEx) is obtained as the additions to tangible and intangible assets before depreciation, amortisation, revaluations and impairments excluding changes in fair value.

Total CapEx thus covers costs that are accounted for in accordance with:
a) IAS 16 Property, Plant and Equipment, paragraph 73 (e) (i) and (iii);
b) IAS 38 Intangible Assets, paragraph 118 (e), point (i);
c) IAS 40 Investment Property, paragraph 76, points (a) and (b) (for the fair value model);
d) IAS 40 Investment Property, paragraph 79 (d), points (i) and (ii) (for the cost model);
e) IAS 41 Agriculture, paragraphs 50 (b) and (e);
f) IFRS 16 Leases, paragraph 53, point (h).

In accordance with TR's consolidated financial statements, the total CapEx is included in Notes 6: 'Property, plant and equipment', 7: 'Intangible assets' and 8: 'Rights of use on leased assets' in the notes to the 2022 consolidated financial statements, in the row corresponding to 'increases'. In total, in 2022 these items amounted to EUR 17,899 thousand (kEUR), while in the previous year they amounted to EUR 14,174 thousand.

Técnicas Reunidas' business model, mainly based on providing its clients with engineering services, implies minimal CapEx additions compared to turnover or total expenses. Furthermore, the Group's assets linked to the projects mentioned in the section referring to the turnover KPI are not allocated to eligible activities (and therefore not to activities that comply with the Taxonomy either), but are of a more corporate, interdepartmental or sector-specific nature not covered by the Taxonomy (for example, additions associated with long-term office leases, R&D activities not linked to reduction of GHG emissions or development of solutions for the aerospace industry). Therefore, it has been decided to take a conservative approach and not consider these items in the calculation of the numerator of the CapEx indicator. In addition, an exercise has been carried out to identify other CapEx items that could be eligible, such as those referring to energy efficiency and the installation of renewable energy systems in buildings, and no relevant CapEx additions have been found in this respect. All of the above implies that the Taxonomy-eligible CapEx ratio is close to 0%; in turn, the Taxonomy-adjusted CapEx ratio would also be 0%, the same as in 2021.

Template: Proportion of CapEx from products or services associated with economic activities that comply with the taxonomy-disclosure for 2022 (Regulation 2021/2178)

				Substantial contribution criteria						Criteria of no significant harm ('does no significant harm')										
Economic activity	**Code**	**Absolute CapEx (thousands of euros)**	**Proportion of CapEx (%)**	**Climate change mitigation (%)**	**Adaptation to climate change (%)**	**Adaptation to climate change (%)**	**Circular economy (Y/N)**	**Pollution (Y/N)**	**Biodiversity and ecosystems (Y/N)**	**Climate change mitigation (Y/N)**	**Adaptation to climate change (Y/N)**	**Adaptation to climate change (%)**	**Circular economy (Y/N)**	**Pollution (Y/N)**	**Biodiversity and ecosystems (Y/N)**	**Minimum safeguards (Y/N)**	**Proportion of CapEx that complies with the Taxonomy, 2022**	**Proportion of CapEx that complies with the Taxonomy, 2021**	**Category (F: facilitating activity)**	**Category (T: transition activity)**
A. Eligible activities according to taxonomy (%)[20]																				
A.1. Environmentally sustainable activities (complying with the taxonomy)																				
CapEx of environmentally sustainable activities (which comply with the Taxonomy) -Total A.1.	-	**-**	**-%**	-	-	-	-	-	-	-	-	-	-	-	-	-	**-%**	**NA**	-	-
A.2. Eligible activities according to the taxonomy, but not environmentally sustainable (activities that do not comply with the taxonomy)																				
CapEx of eligible activities according to the taxonomy, but not environmentally sustainable (activities that do not comply with the taxonomy). - Total A.2.	-	**-**	**-%**																	
Total (A.1+A.2)	-	**-**	**-%**														**-%**	**NA**	-	-
B. Activities not eligible under the taxonomy																				
CapEx of activities not eligible under the taxonomy (B)	-	**17,899**	**100%**																	
TOTAL (A+B)	-	**17,899**	**100%**																	

[20] All the investments (CapEx) made by TR are either of a transversal nature (corporate) or specific to a sector not included in the Taxonomy. In view of TR's business model, the CapEx of eligible activities is considered to be insignificant for the Company.

3. OpEx.

This indicator is defined as the ratio of taxonomy-adjusted taxonomic OpEx and the ratio of taxonomy-eligible taxonomic OpEx that does not meet the technical selection criteria (numerators) to total taxonomic OpEx (denominator).

This denominator reduces total operating expenses to non-capitalised direct costs that relate to research and development, building renovation measures, short-term leases, maintenance and repairs, as well as other direct expenses related to the day-to-day maintenance of tangible fixed assets by the company or a third party to whom activities are outsourced and that are necessary to ensure the continuous and efficient operation of these assets. The first numerator, on the other hand, includes the operational expenditure included in the denominator that is allocated to eligible activities that meet the technical eligibility criteria set out in the regulations and the minimum safeguards. The second numerator, in turn, includes operational expenditure included in the denominator for eligible activities that do not meet the technical eligibility criteria set out in the regulations.

In the case of TR, the non-capitalised direct costs covered by the EU Taxonomy, i.e. those included in the denominator, represented less than 5% of the firm's total operating expenses in 2022 (see Table 2). In 2021 they represented less than 5%. Therefore, their value is considered non-material and, in accordance with section 1.1.3.2 of Annex I of the Delegated Regulation 2021/2178, the numerator of the OpEx key indicator is reported as zero. Also, in compliance with this Delegated Regulation, the denominator of this indicator is shown in the following table.

Table 2 - Ratio of EU Taxonomy OpEx to total OpEx of the company

	Total (kEUR)	Proportion of total OpEx (%)
Non-capitalised expenses[21]	4,212,741	
Non-capitalised expenses covered under the Taxonomy (indicator denominator)	66,184	**1.97%**

(*) EUR 65,059 thousand and 2.2% in 2021

However, it is worth mentioning that Técnicas Reunidas is committed to corporate initiatives to reduce the Group's GHG emissions, which involve certain expenses not contemplated by the OpEx definition of the EU Taxonomy Regulation, such as the use of carbon footprint management or remote technical attendance tools to reduce the number of trips made by its employees.

Técnicas Reunidas constantly monitors the development of the evolution of Taxonomy regulations and carries out numerous activities that contribute to the development of sustainability policies, the fight against climate change and decarbonisation also in countries outside the European Union, where its main market clients are located, in accordance with the best international practices in this area, improving the requirements of local regulations and being pioneers through our activity in contributing to the energy transition and sustainable development.

15.3.3. Circular economy and waste prevention and management

Técnicas Reunidas showed again this year that it is strongly committed to implementing an environmental strategy base on circular economy principles to minimise the potential impacts of its activities.

Within the framework of the Sustainability Policy, TR is developing a circular economy strategy for both offices and projects through which it intends to materialise the actions already being carried out, as well as establish new objectives in this area.

In offices, it is committed to waste segregation, and to recycling different materials and water:

- Collection of plastic caps for the social cause 'Caps for a new life' managed by the SEUR Foundation. In 2022, 945 kg of plastic caps were collected, which represents 1.42 t of CO_2 equivalent avoided.
- Bottled water is supplied by AUARA, which supplies 100% recycled plastic bottles and in turn

[21] Non-capitalised expenses include procurement and other operating expenses (see note 23 of the consolidated financial statements), employee benefits expenses (note 24) and rent and lease expenses.

provides containers for recycling the packaging of its bottles, with a social purpose related to access to drinking water in the world. In 2022, 11,880 bottles were collected, avoiding 360 kilos of waste.

- Caritas has provided containers to collect clothes and shoes so that they can be given a second chance or recycled.
- Reuse of water not used in meetings, which is poured into bottles and used for watering the plants in the offices. In 2022, 1,235 litres were reused.

The Company is also committed to the circular economy in its projects, as a way of avoiding waste generation and reusing materials, as well as optimising the management of hazardous and non-hazardous waste, through systems implemented by setting objectives and targets on, among other aspects, waste reduction, observance of good practices and the use of recycled materials.

For their management, TR takes actions such as promoting prevention, reusing and recycling rather than generation and dumping, along with waste mitigation and control through the integration of cutting-edge environmental design techniques in the processes at its plants and conducting awareness campaigns at its offices and worksites.

To this end, an internal multidisciplinary group was set up in 2022 to collect, classify and systematise all the activities that are or can be carried out in the implementation of circular economy projects.

The Company is currently committed to three main lines of work in this area: optimisation of consumption, use of recycled materials and correct management of waste to promote its conversion into raw materials. This has resulted in the following initiatives:

Reuse of waste and treated wastewater on site:

- Use of excavated soils and land for backfilling foundations and trenches, levelling of land or similar.
- Use of concrete demolition rubble for the improvement of roads used during the construction of the project.
- Use of waste water after on-site treatment for irrigation required in construction, dust control of roads and paths, and irrigation of landscaped areas.
- Reuse of wood, metal and other waste to make information panels, handrails, pedestals, road barriers and other support elements.

Reuse of off-site waste:

- Sale to material management companies of reusable waste materials, such as cable drums, scrap metal, pallets, cable scrap and barrels that will go back into the supply chain.
- Selection or replacement of waste managers according to the final destination of the waste, promoting the search for managers that ensure the reuse and revaluation of waste.

TR's project-related activities generate a variety of waste types, both hazardous and non-hazardous. The waste generated by the Company in 2022 is shown in the table below. The evolution of total waste generated compared to 2021 decreased by around 14%, mainly due to the degree of progress of many projects compared to the previous year, which has reduced the generation of non-hazardous waste.

Generation of waste*	Amount generated in 2021* (t)	Amount generated in 2022* (t)
Hazardous waste (including oils, filter materials and other categories)	23.95	2,490.98 **
Non-hazardous waste (including wood, household equivalent waste and other categories)	22,263.28	16,645.17
TOTAL	**22,287.23**	**19,136.15**

** An estimate was made of the waste associated with the last quarter of the year. The estimate consisted of projecting the months of October to December based on the average waste from the first three quarters.*
*** The increase in hazardous waste is related to an operation carried out in one of the TR projects for which chemical water was used (2,472.00 t). Given that this data is a one-off consumption, it is added separately to the projected data.*

Finally, in relation to Covid-19, it has been possible to relax the measures adopted in the previous year, the number of tests and, therefore, the amount of waste generated has been considerably reduced.

15.3.4. Actions to combat food waste

Aside from the waste from its operations, in recent years Técnicas Reunidas has implemented various measures to prevent food waste at subcontracted canteens, actively promoting its environmental commitments with responsible conduct at work sites.

Given that most of the works performed by the Company are located at sites far away from urban centres, the measures are aimed at preventing waste and promoting the responsible use of food, including aspects relating to transportation, storage, handling, processing and consumption. The following preventive measures have been implemented in the management of these services:

- Planning purchases and calculating portions adapted to staff histograms, while also ensuring a balanced diet.
- Managing stock rotation to plan food preparation.
- Preference for quality ingredients from local markets to serve fresh, locally-sourced meals.
- Transportation, management and adequate storage of food, respecting the conditions that each item requires based on its type, in order to take full advantage of its preservation and use.
- Facilities designed and adapted to best provide the service, also using kitchen equipment and utensils that ensure proper storage, handling and preparation processes, to ensure the safety, conservation and consumption of meals in adequate conditions.
- Optimal conditions of hygiene to avoid contamination and the subsequent need to discard deteriorated products.

In the offices, food waste is minimal, but in the event of a failure or rupture of a refrigerator, the Food Bank is contacted to take advantage of its content.

15.3.5. Sustainable use of resources

Energy is one of the main resources needed for all the Company's operations. In 2022, the Group consumed 438,443.30 GJ of energy in its activities (mainly in the form of diesel, petrol, electricity and electricity), 11 % less than the preceding year. This reduction is due to the degree of progress or completion of some projects, where more or less fuel consumption is generated depending on the needs and the reduction of electricity consumption in the offices in Spain (where most of the electricity consumption is concentrated), due to the closure of some offices and the energy efficiency measures adopted.

Energy consumption*	Amount consumed in 2021 (GJ)	Amount consumed in 2022 (GJ)
Diesel	404,228.53	293,088.93
Petrol	57,520.85	119,571.85
Fuel oil	0	0
Total electricity consumption	29,327.49	25,782.51
Total consumption of electricity from renewable sources**	25,697.74	19,856.33
TOTAL	**491,076.88**	**438,443.30**

** An estimation of fuel consumption for the last quarter was carried out. For fuel, the estimate consisted of projecting the months of October to December based on the average fuel consumed in the first three quarters. For electricity, however since its consumption is mainly in offices and depends to a large extent on the time of year, the last quarter was estimated on the basis of the consumption recorded from October to December of the previous year.*

***Renewable energy supply has been implemented in all the Spanish offices: Adequa 3, 5 y 6, Gorbea, Centro Tecnológico and the Cartagena office.*

To ensure the correct management of this consumption, in 2022 TR continued carrying out the various actions initiated in previous years, such as the adoption of energy efficiency plans and the implementation of awareness raising campaigns.

TR has also worked on optimising the use of material resources in all phases of the value chain and the recovery of materials through R&D+i activities. Steel, copper and paper were the main materials consumed by Company as shown in the following table. The variations from one year to the next in these indicators depend on the degree of progress of the projects, so that depending on the phase and the purchases made, they can undergo high variations. This was the case in the evolution of copper and steel consumption between 2021 and 2022. In the case of paper, the increase is mainly due to the recovery of normal activity in offices after the end of the restrictions caused by the pandemic.

Raw materials consumption*	Amount generated in 2021* (t)	Amount generated in 2022* (t)
Steel	27,656.88	42,641.83
Copper	161.11	258.92
Paper	29.43	35.75
TOTAL	**27,847.41**	**42,936.50**

**To calculate the reported data, an estimate was conducted of the materials consumption associated with the last quarter of the year. The estimate consisted of projecting the months of October to December based on the average materials consumed in the first three quarters.*

Furthermore, although water consumption is outside the Company's material scope, TR endeavours to make responsible use of this resource at all times, both at work sites and office buildings.

In relation to its offices, water consumption is outside the scope of TR, given that it is the responsibility of the building owners. Nevertheless, the Company conducts campaigns to reduce water consumption in all its offices based on a commitment to savings and efficient consumption.

In the case of its projects, TR is responsible, within the scope of the contract, for providing potable water for site and office activities, together with the construction works.

15.3.6. Other forms of pollution

Técnicas Reunidas does not just focus its efforts on minimising greenhouse gas emissions, reducing its consumption of materials and generating less waste. The Company uses all resources at its disposal to identify the environmental circumstances existing on each occasion and to establish the most appropriate preventive and, where appropriate, mitigation measures in accordance with the best available techniques. In addition to emissions, spills etc., these limits include other forms of contamination, like noise and lights for example. In relation to light pollution, the office buildings have automatic night shutdown systems between 8:00 pm and 6:00 am. In the case of the works, they are illuminated in accordance with the safety and energy efficiency standards corresponding to each country.

For the proper management of all environmental issues, the Company has a wide range of support documents–including the Environmental Management Plan and Construction Environmental Management Plan–which identify the limits of mandatory compliance, along with the actions to be implemented at all times. It also has specific Environmental Management Manuals for each certified Environmental Management System.

15.3.7. Protection of biodiversity

One of the principles of action of the Environmental Sustainability Policy is to preserve and promote the biodiversity of the ecosystems, landscapes and species in the territories in which the Company operates.

Técnicas Reunidas carries out all its projects on industrial land, which is why biodiversity is not among the Company's material aspects. In this regard, the Técnicas Reunidas' activities during 2022 did not give rise to any impact on biodiversity or protected areas. TR carries out its projects in accordance with the environmental impact studies developed by its clients, which take into account the Equator Principles and take into account aspects such as environmental protection and the diversity of plant and animal species living in the environment.

In biodiversity matters, Técnicas Reunidas implements the measures required by the client's contractual scope, offering, when necessary, specific consulting services for client advice and support. When protection of biodiversity is assumed by Técnicas Reunidas in the contractual scope, the Company develops several initiatives, such as planting trees, aimed at offsetting the CO_2 emissions from these projects, hence reducing its carbon footprint and generating great benefits for the environment.

15.3.8. Provisions and guarantees for environmental risks

The environmental expenses, assets, provisions and contingencies of the Group companies are considered immaterial in relation to their equity, financial position and results. However, the Company identifies these items for each office/subsidiary, as well as for each project through the various applicable accounting items; this facilitates the monitoring of environmental indicators since, based on a sustainable management concept, the verification documents are the invoices that support them.

TR also has a risk management system that includes an analysis of both offices and projects (from the bidding phase to completion) for potential environmental impacts. This analysis includes the identification of measures addressing the precautionary principle and reduction of undesirable effects.

In addition to environmental expenditures and provisions, all projects include a contingency account to cover possible unforeseen events that may arise in the project on situations where environmental issues may be included and which are activated if necessary.

The Company is also insured under an environmental third-party liability policy that guarantees coverage of potential environmental damage arising from Técnicas Reunidas' activities, including environmental liability at its own facilities and offsite, liability for pollution or liability during transport to and from third-party facilities.

15.3.9. Resources assigned to prevention of environmental risks

The HSE department is responsible for prevention and management of environmental risks in projects. The HSE team has interdisciplinary professionals who work in a cross-cutting manner throughout the group's companies/divisions, implementing a common methodology in all projects.

15.4. Information on social and personnel issues

15.4.1. Employment

Técnicas Reunidas' professionals are the Company's main asset. This workforce has increased in 2022 to 7,053 employees (an increase of 8.24% compared to 2021), which represents a major management challenge, to which must also be added the need to adapt to the complex scenario arising from the various challenges present on an international level.

Thanks to various tools and strategies, TR efficiently manages the relationship with its professionals and promotes their professional development. The tools available to the Company include policies, procedures and bodies that stipulate the principles, guidelines and decisions related to human resources. This framework enables the appropriate management of human resources, offering a safe and dependable environment that reinforces their commitment to the Company.

Técnicas Reunidas is aware of the main HR risks to which it is exposed. In 2022, these were mainly the following: subcontracting of external personnel (with the risk of transferring workers, as well as the subsidiary liability for TR derived from possible breaches by these employees' main employer), management of expatriate personnel contracts (due to the fact of having employees regulated under two contracts subject to different legislations), hiring of local personnel (risks regarding compliance with local legislation and requirements), international labour taxation (difficulty in applying tax benefits or exemptions in Spain on many occasions, as well as difficulties in obtaining certain documents in the destination country that allow benefiting from these deductions), talent drain (associated with the difficulties that the sector is currently experiencing) and possible risks to the safety of workers due to its proximity to the Russia-Ukraine conflict zone.

However, TR is prepared to face all these possible contingencies through a flexible and globalised HR structure, which facilitates the adoption of solutions to prevent and mitigate the risks associated with its activity. Specifically, some of the most noteworthy measures to address the main risks have been: the creation of a specific team in the HR Department to manage the hiring and departure of external personnel, introducing new flexibility measures for the staff, the drafting of specific contractual clauses in the contracts of expatriate personnel, analysis of the legal requirements for hiring local personnel and the implementation of policies that help keep on essential employees.

In line with the above, throughout 2022, the Company continued to monitor the evolution of new pandemic waves that could force it to limit in-person work at its facilities and has adopted specific health measures in the different projects/countries, protecting the most vulnerable groups and guaranteeing the continuity of operations, which has prevented significant impacts from materialising in this regard. Likewise, as a result of the Russia-Ukraine conflict, the personnel in Russia have been repatriated. Also, for security reasons and to minimise the risks of a possible conflict with Poland, an Evacuation Plan has been designed for all our personnel in the Orlen project in Poland. The appropriate procedure has been implemented and the necessary resources have been organised to have an immediate response from all the teams involved and external agents if necessary.

This global management of human resources is in accordance with its strategy to promote diversification in both services and geographical regions. This approach enables the Group to implement more comprehensive control of all sections related to human resources, increasing the reliability of information, offering a series of basic conditions to all employees, and optimising time and cost in their management.

In this area, TR has implemented a software tool (SAP Success Factors), which enables better management of aspects such as administration, remuneration plans, evaluations of employee performance and absenteeism, and training schemes. In relation to this last point, Técnicas Reunidas has an access control system based on the Company's clocking-in regulations, which reflect the work schedules and the different reasons for clocking in. Through this system, the Personnel Administration team can monitor any irregularities that may occur with time sheets. In addition, each employee uploads weekly work reports that must be approved by the heads of each department. In the event of any absenteeism, the person must justify it to the HR department. Depending on the irregularity, the company may issue a verbal or written warning or impose a penalty that could lead to dismissal.

The Group's workforce at 31 December 2022 had 7,053 internal employees and 795 subcontracted workers and freelancers, who have a contract with the Company. In addition, Técnicas Reunidas has an average of more than 33,830 subcontracted workers on its projects in construction (see section 15.7.3). However, the Company does not have a direct relationship with these professionals as they are not direct employees of TR. For this reason, as opposed to the financial statements, the reporting scope of this report only covers Técnicas Reunidas' own employees. In 2022, there was an increase of around 8.24% in the workforce, due to the fulfilment of the strategic objectives of growth in the number of employees, in line with the needs of the business in the technology centres in Spain (Madrid and Cartagena), India, Turkey, Abu Dhabi and Chile. In addition, in coordination with Operations, organisational support is being provided to respond to the staffing needs of the various subsidiaries.

In relation to the review and implementation of the integrated organisational structure, it should be noted that in 2022 the integration of the different companies and divisions into a transversal unification of internal categories was continued and closed, allowing the business to easily identify profiles, detect needs and offer proposals to homogeneous groups.

In addition, in 2022 the Company implemented its internal mobility programme 'MuéveTRe', which allows employees to find out about and apply for different open positions through the corporate intranet, thus facilitating the personal and professional enrichment of the workforce, as well as interdisciplinary integration and the retention of talent, knowledge and internal experience.

Furthermore, it should be noted that the workforce growth strategy, designed and implemented in 2022 in line with business needs, will continue in 2023.

The following tables show the breakdown of the indicators on TR’s workforce. It should be noted that the applicable perimeter is 100% of the internal workforce in Spain and subsidiaries.

- **Distribution of staff by gender, age, country and professional category:**

In 2022, the workforce increased by around 8.24% compared to 2022 as a result of the implementation of the growth strategy. The gender distribution shows that 74% of the employees are men and 26% are women. By professional category, the majority of TR employees, 90%, are graduates, technicians and administrative staff. In turn, by age, the bulk of the workforce, more specifically 70%, is concentrated between 30 and 49 years of age; although in 2022 there was also a slight increase in the number of employees under 30 and over 50 years of age. In terms of geographical distribution, Spain, Saudi Arabia, India and the UAE account for 81% of its employees.

	2021		2022	
Distribution of staff by gender	**No.**	**%**	**No.**	**%**
Men	4,798	**73.63%**	5,254	**74.49%**
Women	1,718	**26.37%**	1,799	**25.51%**
TOTAL	**6,516**	**100%**	**7,053**	**100%**

	2021		2022	
Distribution of staff by professional category	**No.**	**%**	**No.**	**%**
Executive Directors	1	0.02%	1	0.01%
Senior executives	10	0.15%	9	0.13%
1st Management Level	81	1.24%	87	1.23%
2nd Management Level - Middle Managers	435	6.68%	399	5.66%
Graduates, other line personnel and clerical staff	5,813	89.21%	6,372	90.34%
Supervisors	142	2.18%	162	2.30%
Sales staff*	34	0.52%	23	0.33%
TOTAL	**6,516**	**100%**	**7,053**	100.00%

**The decrease in the number of sales staff is due to the diversification and integration of the Sales strategy in different key areas of the Company*

	2021		2022	
Distribution of staff by age	**No.**	**%**	**No.**	**%**
<30 years old*	312	4.79%	442	6.27%
30-50 years old	4,761	73.07%	4,954	70.24%
50 years old and over	1,443	22.15%	1,657	23.49%
TOTAL	**6,516**	**100%**	**7,053**	**100%**

**The increase observed between periods for this figure is explained by the reactivation of the Young Professionals Plan (PJP)*

	2021		2022	
Distribution of TR staff by country*	**No.**	**%**	**No.**	**%**
TR SPAIN	4,218	64.73%	4,108	58.24%
TR OMAN	197	3.02%	173	2.45%
TR CHILE	108	1.66%	103	1.46%
TR INDIA	132	2.03%	528	7.49%
TR SAUDI ARABIA	610	9.36%	647	9.17%
TR KUWAIT	106	1.63%	52	0.74%
TR PERU	182	2.79%	153	2.17%

TR MALAYSIA	98	1.50%	9	0.13%
TR UAE	486	7.46%	462	6.55%
TR TURKEY	34	0.52%	70	0.99%
TR ALGERIA	11	0.17%	9	0.13%
TR AZERBAIJAN	179	2.75%	85	1.21%
TR MEXICO	9	0.14%	10	0.14%
TR CANADA	19	0.29%	25	0.35%
TR SINGAPORE	14	0.21%	111	1.57%
TR POLAND	23	0.35%	53	0.75%
TR ITALY	9	0.14%	9	0.13%
TR BAHRAIN	6	0.09%	4	0.06%
TR RUSSIA	12	0.18%	9	0.13%
TR USA	2	0.03%	2	0.03%
TR COLOMBIA	56	0.86%	77	1.09%
TR THAILAND	5	0.08%	230	3.26%
TR ARGENTINA	-	-	12	0.17%
TR QATAR	-	-	112	1.59%
TOTAL	**6,516**	**100%**	**7,053**	**100%**

**The significant changes in some of the subsidiaries are due to fluctuations in the needs of the Company's various projects in the regions in which it operates projects.*

- **Total number and distribution of employment contract types:**

With regard to the composition of the workforce by hiring model, in 2022 there was an increase in permanent contracts to 81% of employees (an increase of 7% with respect to the total, compared to 2021), which has led to a decrease in temporary contracts, representing 19% of the workforce. On the other hand, 100% of the workforce is employed on a full-time basis, although 9% of the workforce has reduced working hours.

	2021		2022	
Distribution of employment contract types	**No.**	**%**	**No.**	**%**
Permanent*	4,850	74.43%	5,747	81.48%
Temporary	1,666	25.57%	1,306	18.52%
TOTAL	**6,516**	**100%**	**7,053**	**100%**

** The increase in the number of fixed employees in the year is due to the key employee retention policy.*

	2021		2022	
Distribution of employment contract types	**No.**	**%**	**No.**	**%**
Total employees	6,516	100%	7,053	100%
Full time*	6,020	91.76%	6,426	91.11%
Reduced workday	496	8.24%	627	8.89%

**100 % of TR's contracts are 'full time'; the Company does not have part time contracts. This table includes those employees who have full-time contracts and those that also have a reduction in working hours.*

- **Annual average of contracts by contract type, gender, age and professional category:**

Average contracts by gender*	2021			2022		
	Men	Women	TOTAL	Men	Women	TOTAL
Permanent	3,477	1,552	5,029	3,884	1,601	5,485
Temporary	1,546	191	1,738	1,067	153	1,220
TOTAL	**5,023**	**1,744**	**6,767**	**4,951**	**1,754**	**6,705**
	6,767			**6,705**		

Average contracts by age*	2021			2022		
	<30	>=30, <50	>=50	<30	>=30, <50	>=50*
Permanent	160	3,749	1,121	175	3,964	1,346
Temporary	237	1,210	290	168	831	221
TOTAL	**397**	**4,959**	**1,411**	**343**	**4,795**	**1,567**
	6,767			**6,705**		

Average contracts by professional category*		Executive Directors	Senior executives	1st Management Level***	2nd Level Management-Middle Management	Graduates, other line personnel and clerical staff	Supervisors	Sales staff
2021	**Permanent**	1	11**	74	353	4,442	115	33
	Temporary	0	0	2	90	1,607	37	1
	TOTAL	**1**	**11**	**77**	**444**	**6,049**	**151**	**34**
2022	**Permanent**	1	9	88	358	4,889	118	23
	Temporary			3	47	1,132	36	1
	TOTAL	**1**	**9**	**91**	**405**	**6,021**	**154**	**24**

**The average was calculated from the average of the employees at the end of the four quarters of 2021 (March, June, September and December).*

***The average number of Senior Executives for 2021 reflects differences from the year-end employee distribution data due to the inclusion of a Senior Executive who left the Company in August for a large part of the year.*

**** The increase between periods is due to organisational changes to adapt the organisational structure to the growth of the Company.*

- **Number of dismissals by gender, age and professional category:**

In 2022 there was a 29% decrease in dismissals. The reason for the reduction in this rate is the completion of the workforce restructuring that took place in 2021 and the reactivation of projects that had been delayed or postponed due to the impact of Covid-19. By gender, there was a decrease in the number of dismissals among women to the detriment of men. By age, the bulk of the dismissals (around 45%) were concentrated among employees between 30 and 49 years of age, who make up the majority of the workforce. However, there was also an increase in the number of dismissals of employees under age 30. In terms of professional category, the dismissals were concentrated among graduates, other line personnel and clerical staff, who represent a large part of TR's workforce.

	2021		2022	
No. of dismissals	**No.**	**%**	**No.**	**%**
Distribution by gender				
Men	92	73.6%	73	82.95%
Women	33	26.40%	15	17.05%
TOTAL	**125**	**100%**	**88**	**100%**

	2021		2022	
Distribution by age	**No.**	**%**	**No.**	**%**
<30 years old	8	6.40%	23	26.14%
30-50 years old	73	58.40%	39	44.32%
50 years old and over	44	35.20%	26	29.55%
TOTAL	**125**	**100%**	**88**	**100%**
Distribution by professional category	**No.**	**%**	**No.**	**%**
Executive Directors	0	0.00%	0	0.00%
Senior executives	0	0.00%	0	0.00%
1st Management Level	0	0.00%	4	4.55%
2nd Management Level - Middle Managers	9	7.20%	1	1.14%
Graduates, other line personnel and clerical staff	107	85.60%	82	93.18%
Supervisors	9	7.20%	1	1.14%
Sales staff	0	0.00%	0	0.00%
TOTAL	**125**	**100%**	**88**	**100%**

- **Total average compensation (fixed and variable wages) of the workforce at year's end, broken down by gender, age and professional category or equivalent value:**

Average remuneration by gender (EUR)	**2021**	**2022**
Men	51,141.48	52,594.60
Women	42,440.44	42,321.88
TOTAL	**46,790.96**	**49,978.02**

	2021		**2022**	
Average compensation by professional category* (€)	**Men**	**Women**	**Men**	**Women**
Senior executives	456,264.56	441,377.10	511,005.04	415,071.82
1st Management Level	180,159.65	175,330.11	173,594.96	172,259.02
2nd Management Level - Middle Managers	91,336.41	70,530.27	95,761.96	71,801.91
Graduates, other line personnel and clerical staff	45,361.89	39,776.26	46,850.38	39,298.58
Supervisors	19,470.23	17,199.27	20,191.92	16,430.42
Sales staff	100,026.47	70,957.34	93,756.15	69,943.03

Average remuneration by age (€)*	**2021**	**2022**
<30 years old	26,711.80	20,202.61
30-50 years of age	45,295.17	46,390.42
50 years old and over	67,005.91	67,168.91

**Remuneration calculated on a cash basis.*

- **Wage gap:**

In 2022, the average gender pay gap was 20%, although there are differences by professional category, and it is higher in Middle Management and Sales (25%) and below or equal to the average in the other professional categories. The differences in the salary gap with respect to the previous year are mainly due to the increase in the number of employees in subsidiaries, where men have a greater presence in the markets in which the company operates.

Wage gap by professional category*	2021	2022
Senior executives	3.37%	18.77%
1st Management Level	2.68%	0.77%
2nd Management Level - Middle Managers	22.78%	25.02%
Graduates, other line personnel and clerical staff	12.31%	16.12%
Supervisors	11.66%	18.63%
Sales staff	29.06%	25.40%

** The gap was calculated as follows: 1- (average remuneration of women by professional category/average remuneration of men by professional category)*

- **Directors' remuneration:**

Total average directors' remuneration by gender (€) - executive directors*	2021	2022
Men	**894,132.00**	**897,928.04**
Women	**N/A**	**N/A**
Total average directors' remuneration by gender (€) - non-executive directors*	**2021**	**2022**
Men	**174,477.37**	**176,657.00**
Women	**147,670.00**	**130,214.66**

** Directors' remuneration is broken down in detail in the Company's Annual Director's Remuneration Report. In this report, it was calculated on an accrual basis and the fixed and variable salary was considered.*

With regard to the remuneration of the Company's directors, in 2022 Técnicas Reunidas submitted the 2023-2025 Directors' Remuneration Policy for to its shareholders for their consideration, with the aim of obtaining their approval before the end of the previous policy's validity. The Policy, approved by 89.25% of the shareholders present and represented at the Ordinary General Meeting held on 28 June 2022, aims to ensure that the remuneration of all the directors is aligned with Técnicas Reunidas' strategies and with the interests of the Company and its shareholders, having taken into consideration the market standards of comparable companies, the remuneration and employment terms of the Company's employees and sustainability aspects. In particular, in the case of the executive director, his annual variable considers sustainability criteria, given that 20% of it is linked to safety (10%) and environmental (10%) objectives.

15.4.2. Work organisation, measures to encourage work-life balance and implementation of disconnection from work policies

The disconnection policies reflect the new needs of a society that is more aware of the need to reconcile work and personal life. Although the Company has not formally addressed its commitment in this area, work-life balance is one of its priorities in human resources management. For many years, the Company has been committed to establishing a flexible working hours model in its offices in Spain, based on trust and commitment to its employees. This model allows workers to manage their time and perform their professional activities while enjoying a better quality of life.

On the other hand, since the beginning of the pandemic, the Company has implemented a series of measures in relation to the organisation of work.

Since then, this option has opened up a way to facilitate the reconciliation of work with family responsibilities, resulting in the extension of the Group's work-life balance policies, allowing employees greater flexibility in their working hours (the possibility of starting the working day between 7:00 and 10:00 am, lunch time of between half an hour and two hours, and departure from 4:45 pm from Monday to Thursday and from 1:30 pm on Fridays).

Gradually, from November 2020, TR began to increase the number of personnel incorporated in person at the offices, ensuring a maximum of 50% until October 2021, establishing on 4 October the return of 100% of the workers to the Company's central offices. However, on 21 December 2021, with the arrival of the Omicron strain, and the consequent increase in cases, a maximum of 50% of staff working in person at the offices was reintroduced, and the 6 + 2 working system was introduced, allowing 6 hours in person and 2 hours of remote work for all employees. In 2022, the reduction of the impact of Covid, as well as the maintenance of extraordinary hygiene measures to prevent the staff from contagion in the facilities, as well as reminders of measures to be adopted in the personal environment, finally allowed the return of 100% of the workers to the central offices.

On the other hand, the following measures were adopted in 2022 to favour the reconciliation of employees' personal and working lives:

- Teleworking agreement with the Workers' Representatives at global level under which staff at the Madrid and Cartagena offices are allowed to voluntarily take up two days of teleworking per week. This measure improves the work-life balance, as well as protecting the environment by reducing the emissions associated with travelling to the offices.
- Greater time flexibility by extending, in the Madrid and Cartagena offices, the possibility of leaving 15 minutes earlier from Monday to Friday while maintaining the working day and, therefore, productivity.
- Possibility of a continuous working day from 15 June to 15 September. A target has been set for 2023 to be able to have an intensive 7-hour working day during this period.

Another milestone in 2022 in this area is the implementation of a Compensatory Rest Break Policy for Recurrent Travellers that includes compensation for days spent travelling at weekends.

In the new context after the pandemic, in which telecommuting has become essential for the development of the activity, cybersecurity has become a critical priority for TR. For this reason, in addition to all the existing measures, new ones have been approved since the start of the pandemic to reinforce its IT systems and prevent any type of breach in this regard. These include the following: browsing protection, anti-information leak protection for non-corporate services and equipment, implementation of two-factor authentication, user awareness and training, segmentation of IT assets into layers, improved monitoring of equipment, establishment of on-site IT teams throughout the pandemic, etc.

15.4.3. Disabled employees

As part of its commitment to employment insertion, development and effective integration, during 2022 Técnicas Reunidas had 25 employees with disabilities among its staff, compared to the 27 recorded in 2021, offering them quality and stable employment. TR's commitment to people with disabilities was reinforced in 2022 by including a clause in the renovation of the catering service for its Adequa headquarters, under which a high percentage of the service provider's staff has disabilities.

With regard to accessibility to its buildings, TR complies with the regulations in force in each country where it operates. In addition, with regard to the Company's corporate website, one of the main objectives is accessibility without difficulty, regardless of any physical or technical disability. To this end, TR adheres to the Web Accessibility Initiative (WAI) of the World Wide Web Consortium (W3C). This organisation developed the Web Content Accessibility Guidelines (WCAG) 1.0 aimed at making web content accessible to people with disabilities.

15.4.4. Training

Developing talent and appropriate skills are key aspects that have a direct impact on the Company's competitiveness. Técnicas Reunidas actively manages knowledge, mainly through training resources and the identification of skills necessary for employees to develop professionally and improve their performance.

To carry out its training management tasks, TR has three main policies, each with different objectives:

a. ‘Evaluation process and information records of employees’ procedure: assures the quality of talent management processes.
b. ‘Skills, training and awareness procedure’: ensures and provides employees the skills they need to perform the tasks assigned to them
c. ‘Annual training plan and course management’ procedure: describes the Company’s training plan preparation process, along with how the specific training actions are requested under the plan.

TR is aware of the importance of attracting talent through disseminating knowledge. Accordingly, the Company offers its employees a complete range of courses and adjusted training plans to help them maximise their skills and growth potential throughout their professional careers. Thanks to this commitment, TR supports its professionals and facilitates the achievement of new goals that contribute to fulfilling the Company’s objectives.

To this end, TR analyses the trends in the assessment of skills and knowledge in each area. This procedure was updated in 2022 to identify the specific deficiencies and develop specific training programmes, establishing training itineraries for each job. In addition, after each training session or programme, the participants' supervisors receive a questionnaire to assess the effectiveness of the training and identify potential improvements and adjustments to the training for the future.

As a result of the situation arising from the pandemic, TR identified the need to restructure its training plan, establishing digital solutions as a key aspect. Since then, the company has been working on three main lines of action:

- **Virtual Classroom Project**: through a corporate tool and the instruction of internal trainers, numerous training actions planned within the Training Plan have been channelled, both of a technical and skills nature.
- **PHAROS Project**: e-learning platform with more than 350 courses, mainly of a technical nature in the construction, engineering and new technologies sector, which is open 365 days a year to all TR Group employees.
- **Homemade content factory**: production of homemade multimedia material to provide training through the corporate tool TR Aula, including collaborations with specific areas, as well as all kinds of small training pills and workshops.

In 2022, after several atypical years (due to the pandemic), the Company worked on an employee training portal with a wide range of training organised in thematic blocks. In this regard, the training offer has been adapted to the new needs of the business: energy transition, regulatory compliance, social awareness and international sustainability awareness, etc., and the Annual Training Plan has been implemented with various themes (Technical-professional, Skills, Digitalisation, Languages and Corporate), modalities (classroom, online, blended), etc. The employee training portal is complemented with training itineraries adjusted to the employee's professional category, including basic, convenient and desirable training in skills to reach positions of greater responsibility and management positions. This new approach allows employees to manage their training and enhances their sense of belonging to the Company.

Training by category (h)*	2021	2022
Senior executives	14	16
1st Management Level	408	575
2nd Management Level - Middle Managers	2,798	3,400
Graduates, other line personnel and clerical staff	148,817	190,929
Supervisors	238	200
Sales staff	128	139
TOTAL	**152,402**	**195,259**
Training by topic (h)*	**2021**	**2022**
Skills	6,389	11,264
Languages	2,944	7,349
Technical	143,069	176,646
TOTAL	**152,402**	**195,259**

**In 2022, the methodologies for calculating the hours of training given to Técnicas Reunidas employees at worksites (including the categories of Graduates, other line personnel and clerical staff and Technical training) was revised. To ensure the comparability of the 2022 data with that of 2021, the training data for the previous year has been recalculated using the new estimation methodologies.*

The training hours delivered in 2022 increased significantly over 2021 (28 % more). This increase is due to the increase in training hours at construction sites (which account for the majority of the data) due to the start of new projects and the growth of training hours in offices (where training plans that were put on hold during the pandemic have been implemented).

15.4.5. Equality

Técnicas Reunidas encourages a climate of respect for diversity and guaranteed equal opportunities, where people are judged and valued for their worth and professionalism.

TR’s main policies on equality are based on the principles expressly set out in TR's Code of Conduct (available on the website), which states that TR ‘does not accept any discrimination in the work or professional environment on the grounds of age, race, colour, sex, religion, political opinion, nationality, social origin, disability, sexual orientation or any other circumstance that could lead to discrimination’.

As reflected in the Code of Conduct, 'The TR Group is committed to promoting the moral and physical integrity of its professionals, guaranteeing conditions of respect and dignity in the workplace. In particular, the Group will take appropriate measures to prevent and, if necessary, correct the following: any manifestation of violence; physical, sexual, psychological, moral or other type of harassment; abuse of authority at work; or any other conduct that intimidates or infringes on the rights of TR Group associated people. Also, in view of the importance of balancing work and personal life, any reconciliation measures and actions in this area will be encouraged’.

In 2020, the Company created a new Equality Committee to analyse the current situation and possible conflicts in these areas and, if necessary, take appropriate measures. In 2021, TR worked on drafting and negotiating a new Equality Plan for all Group companies, and in 2022 it managed to seal agreement with the Workers' Representatives on the Equality Plan in the company Initec Plantas Industriales, extending its more beneficial application to all TR Group employees in Spain. The TRSA Equality Plan is currently being negotiated.

Within the framework of the Company's Workplace and Sexual Harassment Prevention Policy, in 2021 a Protocol of Action against Sexual Harassment was implemented, which was negotiated and agreed with the Trade Union Representatives of the different companies of the TR Group. Since then, the Company has established labour contract clauses in certain countries to prevent this type of situations.

In addition, the Company has various initiatives to prevent racist and discriminatory behaviour, such as the development of training projects aimed at team managers to improve understanding of the local culture and diversity of workers in the locations where the Company operates.

In addition, the Company offers courses in its TR Aula corporate tool on the Sexual and gender-based harassment prevention protocol, Communication and inclusive language and Gender awareness.

Thanks to these procedures, TR carries out the identification, management and mitigation of risks that may arise in this field during the Company’s activities. The implementation of all these preventive measures has prevented the appearance of any significant impacts in this regard.

15.4.6. Occupational health and safety

Guaranteeing a safe and healthy working environment for all those involved in Técnicas Reunidas' activities requires a great effort and continuous improvement on the part of its employees and the engagement and leadership of senior management.

To achieve full integration of occupational health and safety throughout the life cycle of Técnicas Reunidas projects, the Company has had an Occupational Health and Safety Management System (SGSST) in place for 15 years. The application of this system is based on the corporate Quality, Health, Safety and Environment Policy (QHSE) and is based on three pillars: accident and incident prevention, integration of health and safety in corporate strategy and continuous improvement of methods and processes.

In 2022, TR’s Occupational Health and Safety Management System was successfully certified based on ISO 45001, to which the system was migrated in 2020. In this context, the QHSE Policy was updated in March 2021 to adapt it to the new requirements of the new ISO 45001 and 14001 standards. As a result, Técnicas Reunidas has renewed its ISO 45001 certification for a period of three years.

In 2023, the Management Systems corresponding to the ISO 45001 and ISO 14001 certifications will be integrated in order to optimise processes, reduce time and costs, while ensuring the correct implementation of both Management Systems.

In HSE matters, TR's leadership is increasingly visible among the Company's management as a standard bearer of a company that cares for the well-being and health of its workers, encouraging their consultation and participation.

In 2022, the impact of Covid-19 was been minor and the associated risks decreased considerably. However, the Company has continued to manage the pandemic according to the particular circumstances of each project, adopting the necessary measures depending on the evolution of the cases and the requirements of each country. To this end, the evolution and impact have been monitored and controlled at international, national and local level (offices) to anticipate the response to the impact of Covid-19, both on people and on the Company's operations. These measures enabled the level of incidence of cases among TR employees, both in Spain and internationally, to remain at minimum levels during 2022.

At the beginning of 2022, preventive policies and procedures were maintained in TR's offices, as well as the measures implemented by the health authorities (wearing masks, vaccination, etc.). In the projects under construction, the measures have been similar to those in the offices to prevent outbreaks of the virus among workers. To this end, in the HSE Plans, the annex with specific preventive measures to combat the virus has been maintained, and specific contingency plans against the virus have been issued.

In relation to the Russia-Ukraine conflict, Técnicas Reunidas has plans for evacuation in conflict zones managed by companies specialising in the sector. In fact, the Company has evacuated its personnel in Russia, as the project it had in the region has been halted.

In addition, in 2022, regular medical check-ups and flu vaccination campaigns were carried out among employees. These campaigns were coordinated by TR's Joint Prevention Service and were very successful in terms of participation.

Técnicas Reunidas has HSE diligence procedures that cover all of the Company's activities, based on an exhaustive analysis of risks and opportunities, as well as an analysis of the needs and expectations of its stakeholders. As a result of these assessments, the following risks associated with TR's HSE activity were identified:

- Hiring of personnel with little experience in health and safety derived from the demands in the increased hiring of local labour by clients in a short period of time.
- Increase in high-risk activities due to the increase in the scope of the commissioning and start-up phases of the projects.
- Adaptation to the characteristics and safety requirements of new countries, clients and subcontractors.
- High rate of potentially serious incidents that can lead to serious accidents if immediate action is not taken.
- High volume of labour that is difficult to manage from an HSE point of view.

To mitigate the risks to which the Company is exposed, as well as to guarantee the correct implementation of the management system and its adaptation to the established objectives, HSE assessments are carried out for the pre-qualification of subcontractors, as well as follow-up audits defined in the internal corporate health and safety plans and audits. The results of these audits are discussed with the client or subcontractor at the site, facilitating the effectiveness of actions taken to correct any shortcomings.

External audits are also performed on projects at the construction phase, in order to maintain international Health and Safety management system certifications. In this context, the internal audits of the projects in 2022 were conducted using the methodology implemented in 2021, and as a result, there are no scores but colour codes, maintaining the standard AENOR structure of recommendations and development of corrective actions based on the 'non-conformities' detected. During 2022, 23 internal corporate audits were carried out for Técnicas Reunidas (compared to the 9 that could be carried out in 2021 under the restrictions derived from the pandemic) in the construction phase of the projects.

TR ensures that high standards of occupational safety are observed by its entire supply chain, establishing stringent requirements and promoting good practices. Onsite health and safety managers oversee the application of specific health and safety plans by subcontractors, and implementing any preventive actions they consider necessary. To this end, the Company carries out information campaigns, prevention programmes and regular medical check-ups. In this regard, the following milestones should be highlighted in 2022:

- Development of a new platform for recording health and safety observations in projects, improving the accessibility and effectiveness of its use.

- Creation of a Health and Safety Inspection Committee, which is responsible for assessing the health and safety inspections carried out in supplier workshops visited by Company employees belonging to the Procurement area. This Committee is multidisciplinary and is made up of personnel from different disciplines: Procurement, Quality and HSE.
- Implementation of a new KPI, 'Plan the Work/Work the Plan', in all projects in the construction phase to measure the efficiency of the Work Permit system and correct any deficiencies detected.

In addition, since 2020, the Company has had the e-risk tool for the identification and management of risks and opportunities of the Occupational Health and Safety Management System at all levels of the company, in addition to the updating of the occupational risk assessment in 2022 taking into account the Covid-19 context and telecommuting.

The Company also works to ensure the standardisation of health and safety procedures throughout the entire organisation, in order to guarantee maximum efficiency in the dissemination and assimilation of corporate policies. This objective is based on an intensive drive toward training. In 2022, there were 1.37 hours of on-site training provided in this area for every 100 hours worked (19 % more than in 2021[22]), taking into account the personnel of both the Company and its subcontractors. Among the training actions provided in 2022, it is worth highlighting the development of training on legal liabilities associated with health and safety during the construction phase of projects, aimed at project managers.

With regard to the effectiveness of its safety policies, Técnicas Reunidas assesses their performance through a system of indicators. The information reported relates to the projects and offices, although it is in the construction phase that an increased security risk is identified. Given the different degree of risk associated with each type of activity and the different scope of the indicators (the construction site accident rates refer to employees and subcontracted workers, while the office accident rates refer only to employees), the Company reports the construction site and office accident rates separately, which are shown in the tables below:

	On-site accident rates					
	Value of the indicator in 2021			Value of the indicator in 2022		
	Women	Men	Total	Women	Men	Total
Lost time incident rate* (LTIR)	0.000	0.005	**0.005**	0.000	0.018	**0.018**
Total recordable incident rate** (TRIR)	0.000	0.026	**0.026**	0.000	0.046	**0.046**
Severity rate*** (SR)	0.000	0.001	**0.001**	0.000	0.001	**0.001**
Occupational illness rate	0	0	**0**	0	0	**0**
No. of deaths ***	0	0	**0**	0	1	**1**

	Office accident rates					
	Value of the indicator in 2021			Value of the indicator in 2022		
	Women	Men	Total	Women	Men	Total
Lost time incident rate* (LTIR)	0.077	0.130	**0.111**	0.000	0.044	**0.028**
Total recordable incident rate** (TRIR)	0.309	0.391	**0.362**	0.474	0.133	**0.256**
Severity rate*** (SR)	0.003	0.005	**0.004**	0.0012	0.000	**0.0004**

[22] The figure for 2021 was recalculated in line with section 15.4.4 and is equivalent to 1.14 hours of training per 100 hours worked.

No. of occupational illnesses	0	0	**0**	0	0	**0**
No. of deaths*****	0	0	**0**	0	1	**1**

** LTIR (Lost Time Incident Rate): (No. of incidents involving lost time/No. of hours worked) * 200,000. This index refers to the frequency of accidents. Does not include en route accidents and relapses.*

*** TRIR (Total Recordable Incident Rate): (No. of recordable incidents [according to OHSAS] involving lost time/No. of hours worked) * 200,000. This index refers to the frequency of accidents. Does not include en route accidents and relapses.*

**** Severity Rate (SR): (No. of days lost through incidents/Total no. of hours worked) * 1,000. This index refers to the severity of accidents. Does not include en route accidents, but does include days lost due to relapses.*

***** Unfortunately, in 2022 an accident occurred in one of the projects, which resulted in the death of a worker belonging to a subcontractor company during pipe positioning work when he was hit during the manoeuvre due to overloading.*

****** The investigation of the incident established that there is no link between the worker's death and the work. However, it is classified as an accident at work as it occurred during the working day.*

The accident rates on site improved on the targets set for 2022, i.e. 0.05 (LTIR), 0.19 (TRIR) and 0.018 (SR).

The construction work in 2022 involved 112,065,699 working hours (versus 120,993,882 in 2021), including hours worked by subcontractors, meaning that the Company had to manage a volume of more than 41,512 workers at peak time (including Company and subcontractor workers), 2% less than in the previous year.

With regard to the accident rate statistics on construction sites, in 2022, both the number of lost-time accidents (LTIR) and recordable accidents (TRIR) were once again well below the targets set by the Company. The increase in accident rates is related to an increase in recordable accidents and a decrease in hours worked, although there was a decrease in accidents with medical treatment. It should be noted that the accident rates in 2022 remained below the targets set by Técnicas Reunidas. The Company monitors recorded accidents and adopts measures to maximise worker safety in all phases of project development, based on a solid Management System that is extended to suppliers and subcontractors.

With regard to office accident rates, there has been a significant decrease in all indicators, due to the general reduction of incidents and days lost compared to the previous year due to the prevention measures implemented and a lower impact from Covid-19.

In addition to the data mentioned above, the Group monitors absenteeism rates throughout the Company. The absenteeism hours for 2022 are shown below, which show a decrease compared to the previous year attributed to the lower impact of Covid-19 in 2022.

	Value of the indicator in 2021	Value of the indicator in 2022
Total number of absenteeism hours	507,730	478,512

Finally, in the promotion of healthy lifestyle habits among employees, Madrid staff took part in the Companies' Race held in December 2022. This is the resumption of an event held in previous years before the Covid-19 pandemic.

15.4.7. Social relations

In relation to trade union organisations of TR employees, there are currently three committees: the equality committee, training committee and the overseas assignments committee, with which TR meets regularly in order to promote dialogue and consensus with its workers. In this regard, the following progress and agreements have been made with trade union organisations in 2022:

- Framework of seconding policies at TR Group level: A homogeneous framework of rules regulating the seconding terms that will apply to those who move to new projects that will be developed outside Spain in the future has been agreed with the Workers Representatives of the different companies of the TR Group.
- Equality Plans: an agreement has been reached with the Workers' Representatives on the Equality Plan in the company Initec Plantas Industriales, which has been extended in its most beneficial

application to all TR Group employees in Spain. In addition, the TRSA Equality Plan is currently being negotiated.

- Creation of Working Groups and Joint Commissions with the Workers' Representatives as a means of improving working conditions and the well-being of the workforce. In this sense, committees have been set up for teleworking, intensive working hours, professional development, communication, among others, in addition to those of a legal nature.

Técnicas Reunidas is well aware of the role of unions as the legal representatives of workers' interests. Therefore, the Company at all times guarantees equal and non-discriminatory treatment of its workers, respecting their freedom of association in line with the collective bargaining agreements and legislative framework of the country concerned.

With regard to the mechanisms and procedures the company has in place to promote employee involvement in the management of the Company, in terms of information, consultation and participation, the Company carries out work climate surveys every two years to find out how satisfied its employees are with their jobs, their relationship with the company and their superiors, and their workload, through which action plans are developed. Because of the implications caused by the impacts of the pandemic, TR suspended these surveys, focusing these questions largely on the management of Covid-19. However, in 2022 the Company resumed them and in response to the results, the Company has substantially improved working conditions by improving voluntary teleworking options, extending flexible working hours and establishing new channels of communication with the workforce through the social partners, videos from General Management and HR and changes to the intranet.

15.4.8. Employees covered by a Collective agreement

For all countries where there is a collective bargaining agreement, 100% of the employees are covered by the collective bargaining agreement associated with the activity licence granted to the Company (engineering, construction, etc.), as in 2021. In addition, health and safety clauses are included in all collective agreement, which are adapted to the corresponding local legislation.

15.5. Information on respect for Human Rights

Técnicas Reunidas considers integrity and respect for human rights to be a priority in the performance of its activities, and these principles form part of TR's corporate culture. This commitment is particularly significant in a Group with a large international presence that sometimes carries out its activity in locations with a high risk of Human Rights violations. To this end, the Company has a sustainability management framework based on a specific corporate policy describing the Group's main commitments in corporate, environmental and social governance, including respect for Human Rights among its social commitments.

Accordingly, the Company has developed various internal policies and procedures to ensure its commitment everywhere it conducts business, including the Company's Code of Conduct. In the specific area of Human Rights, the Code of Conduct establishes a commitment to act on all occasions in accordance with the legislation in force, obtaining declarations of compliance with Human Rights with respect to internationally accepted ethical practices. It also includes TR's total rejection of child labour and forced or compulsory labour, as well as the corporate commitment to respect freedom of association and collective bargaining and to recognise the rights of ethnic minorities in the countries where it operates, rejecting any form of discrimination, exploitation and, in particular, child labour, thus ensuring compliance with the conventions of the International Labour Organisation (ILO).

Furthermore, the Company recognises the need for all its activities to be conducted in a manner consistent with the values and principles contained in the United Nations Global Compact, of which TR has been a signatory since 2011. Técnicas Reunidas also belongs to a Group whose activities are bound by the principles of the Universal Declaration of Human Rights and the OECD Guidelines for Multinational Enterprises.

In addition to the above, the Company is expected to formally approve and implement a Human Rights Policy in 2023. This Policy will impose additional actions and requirements for the Group and, likewise, for third parties particularly relevant in a company with a large international presence, such as its suppliers and subcontractors.

Both the Code of Conduct and the Sustainability Policy and, when approved, the Human Rights Policy extend to the Company's entire value chain. In particular, the Company has a Supply Chain Code of Ethics, available on the corporate website, which includes specific sustainability, environmental, labour and Human Rights protection requirements for its business partners (e.g. suppliers or subcontractors). To identify and repair possible abuses, the Company carries out Human Rights compliance assessments.

These suppliers and subcontractors, in addition to passing a strict initial approval procedure, must guarantee compliance with minimum standards in the areas indicated to ensure that the Company's supply chain always operates in accordance with the legal frameworks in force and complies with the specific Human Rights requirements in accordance with their activity and level of risk.

Besides this, the Company has incorporated human rights due diligence procedures as part of its global risk management system. Through this system, TR evaluates, prevents and mitigates any significant risks and impacts that could affect the Company globally. The methods applied can be classified into those deployed at the project tender phase and those used during project execution.

The Company also has a Whistleblower Channel. This is a secure and confidential channel for employees, third parties or any other stakeholder to report potential breaches or irregularities committed within the Company or in its sphere of action, or acts that may involve or with respect to which there are reasonable grounds for suspicion of violations of the law and other internal regulations, for example, the Code of Conduct, or applicable external regulations. The reports received, which may be submitted anonymously, are treated under strict standards of confidentiality and in compliance with the European Directive on the protection of whistleblowers. Receiving and managing the reports received through this Whistleblower Channel is the responsibility of the Company's Regulatory Compliance area.

In 2022, a total of 5 reports were received through the Whistleblower Channel, all of which were managed and resolved during the year. The nature of these complaints was generally related to labour relations and rights. Regarding the 2 complaints received in 2021 that were pending resolution at year-end, the Company confirms that they were resolved during the first half of 2022.
None of these reports are related to respect for freedom of association and the right to collective bargaining, discrimination in employment and occupation, forced or compulsory labour or child labour, and in no case have they had any impact on the Company as they have all been duly handled...

However, if despite all the measures implemented by the Company, it detects any Human Rights breaches or other actions with a negative impact on those rights, Técnicas Reunidas will act by immediately and implement the appropriate measures in each case, always adopting a zero-tolerance approach to these actions.

Lastly, it should be mentioned that Covid-19, the Russia-Ukraine conflict and the situation in Algeria had no effect on the management of the Company's human rights, nor was there any impact in this regard.

15.6. Information related to the fight against corruption and bribery

15.6.1. Management approach

The Code of Conduct shows the Company's commitment to the highest standards of ethical conduct, establishing the principles and values that the TR Group and all its professionals must observe at all times, in the performance of their activities, in order to act with integrity, professionalism and respect for the law, Human Rights and internationally accepted practices. The Code of Conduct, together with the Integrity Policies, including the Anti-Corruption Policy, are the fundamental tools used by Técnicas Reunidas to prevent corruption, bribery and money laundering activities.

The Group also has a Regulatory Compliance Area, tasked with the dissemination of the Code of Conduct, the Criminal Commercial Code and their related policies, management of the whistle-blowing channel, and the review and adaptation of prevention and reporting systems, as well as dissemination and training in this area.

Técnicas Reunidas also has a Criminal Compliance Management System (SGCP). This is a set of measures aimed at preventing the commission of irregularities, especially of a criminal nature, that may be committed in the organisation as a result of its daily professional activity. It also includes measures aimed at detecting the possible commission of irregularities and mitigating the consequences that could arise from the materialisation of these irregularities.

To strengthen the Criminal Compliance Management System, TR has various integrity policies including: Criminal Compliance Policy and Catalogue of Criminal Risks and Expected Conduct, Gifts and Entertainment Policy, Policy on Relations with Public Officials, Anti-corruption Policy, Conflicts of Interest Policy and the Antitrust Policy.

Throughout 2022, Técnicas Reunidas continued to implement its Criminal Compliance Management System in new geographical areas, and updated its policies, training and effectiveness to adapt them to international standards and best practices. This system enables the Company to minimise risks and enhance its capacity in the prevention, detection and response to critical issues in regulatory compliance and integrity.

In turn, in 2022, the Company adapted its Criminal Compliance Management System to obtain the UNE19601 certification on Criminal Compliance Management Systems, accredited by AENOR in January 2023. This standard establishes demanding requirements for the criminal compliance management system with the aim of going beyond compliance with legislation, and helping companies and organisations to prevent the commission of crimes, promote a culture of ethics and compliance and reduce criminal risk, providing a greater guarantee of security and confidence to governing bodies and stakeholders. The preparation for this certification has required a gap analysis with respect to the standard and the implementation of the improvements identified, for example, the adaptation of various policies of the Criminal Compliance Management System to the standard, the review of controls and risk matrices, etc. In addition, a risk management tool has been implemented.

It should be noted that TR's risks in relation to corruption and bribery, both active and passive, are located in the establishment of commercial relations with third parties, especially in new markets and during the critical phases of these relations, such as the initial contact phase, the sales phase, the negotiation phase, and the project execution phase, until their completion and delivery to clients.

In this context, to reinforce the integrity of its supply chain, the Company has a Supply Chain Code of Ethics, which was updated in 2021, detailing the minimum requirements in ethical, social and environmental matters, as well as the commitment to the fight against corruption.

Likewise, the Company has included, in the documents establishing commercial relations with third parties, the commitments and obligations regarding the prevention of corruption and bribery and respect for Human Rights, through related clauses, failure to comply with which may result in termination of the commercial relationship.

Throughout 2022, TR reinforced its due diligence procedures in its supply and subcontracting chain with the aim of obtaining a third-party integrity assessment report prior to the establishment of a business relationship, which allows for the prevention and/or early detection of potential integrity risks, as well as their subsequent and continuous monitoring.

In turn, in the last quarter of 2022, a new Internal Due Diligence Procedure was implemented in its personnel selection and hiring processes, especially for those positions and duties that, due to their nature, are considered especially exposed from the point of view of integrity risks.

On a regular basis (normally annually), the Regulatory Compliance Area collects Conflict of Interest Statements, particularly on the group of Especially Exposed Persons, and those who, due to their performance, have contact with third parties during the award processes (i.e. Procurement, Subcontracts and General Services).

The establishment and dissemination of these policies, through face-to-face and online training sessions, and their internal publication on the TR Group's intranet, lead to the conclusion that the objective of these policies has been met, in that the Company and all its members have been made aware of the standards of conduct expected of the organisation with regard to corruption and bribery risks, based on the principle of ‘Zero tolerance for corruption and bribery’.

In this context, the Compliance team continued its anti-corruption and anti-bribery training, mainly aimed at TR's management team and Especially Exposed Persons, given their key role in the Group's decision-making chain.

In terms of claims, no claims of corruption and bribery were reported in 2022.

Finally, it is worth mentioning that Covid-19, the Russia-Ukraine conflict and the situation in Algeria have had no effect on the Company's management of the fight against corruption and bribery, nor have there been any impacts in this area.

15.6.2. Contributions to foundations and non-profit entities

In 2022, Técnicas Reunidas' contribution to foundations and non-profit organisations amounted to EUR 187,380.51 compared to EUR 282,980.51 in 2021, a decrease of 34 %. For more information see section 15.7.2.

In relation to the evolution, TR has adjusted the global amount to adapt it to the circumstances of the year 2022, both of the Company itself and of the third parties to whom these actions are destined. Nevertheless, the Company has made social contributions within the framework of projects amounting to EUR 10,834, as well as a social investment in training of EUR 1.68 million in 2022, as detailed in section 15.7.1 below.

15.7. General information on the company

15.7.1. The Company's commitment to the sustainable development of local communities

Técnicas Reunidas is one of the leading companies in its sector on an international scale, with an international presence in 25 countries and a track record that totals more than 1,000 industrial plants throughout its over 60 years of experience carrying out major projects.

Técnicas Reunidas' activity is focused on the development of engineering projects, design and construction of industrial plants for the production of clean fuels, natural gas and chemical products, and solutions linked to the energy transition, circular economy and decarbonisation (renewable hydrogen, biofuels, waste recovery, CO_2 capture and storage, etc.).

The Company contributes through its activity to the protection of the environment and the fight against climate change by developing technical solutions that enable it to design and build sustainable and efficient plants for its customers, helping them to achieve their sustainability and decarbonisation objectives. In the exercise of responsible business conduct, Técnicas Reunidas offers quality jobs for its professionals, promotes equality, fosters research and innovation, as well as carrying out actions so that its projects contribute significantly to the sustainable development of the local communities in the countries where it operates.

A determining strategic element for the success of Técnicas Reunidas' social action is the integration of the principles of the United Nations Sustainable Development Goals ('SDGs') in its Sustainability Policy in the organisation and its activity. The purpose of this approach is to place the Company at the forefront of best practices in sustainability, to achieve the goals proposed by the United Nations and consolidate it as a benchmark company. Aware of its role in promoting and achieving the SDGs, the Company carries out activities aimed at creating shared value in the environment in which it operates, increasing its social contribution to local communities, offering solutions linked to the energy transition and collaborating through sponsorship or other forms of participation in projects that help the development of vulnerable groups or aim to raise awareness on matters that contribute to sustainable development.

Técnicas Reunidas engages all its stakeholders in its sustainability strategy. It is a transversal strategy that covers all its activities, both corporate and operational. It contemplates objectives and lines of action in the environmental, social and corporate governance dimensions, requiring the coordinated action of the organisation's departments. The Company's strategy aims to provide added value, increasing the positive impact and avoiding, mitigating or correcting real or potential negative effects, adapting to each of the projects and locations where Técnicas Reunidas carries them out.

To promote the strategy and in the development of its Sustainability Policy, the Company approved its Sustainability Master Plan in 2021. The purpose of this Plan is to define specific and ambitious actions in material issues for Técnicas Reunidas, establishing specific short-, medium- and long-term objectives and a robust and clear governance model in the organisation. The Company uses key performance indicators to periodically monitor the performance of the initiatives and to continuously monitor the Plan. This aspect is key to understanding the real impact generated by its activity and the effectiveness and results of the actions implemented, thus measuring the Group's social contribution in the communities in which it operates.

The Company publicly discloses the progress of the Plan in its Integrated Report and reports to the Company's Board, which supervises the Group's entire sustainability strategy, with the support of the Audit and Control Committee within the scope of its competencies.

Técnicas Reunidas has identified the SDGs[23] with respect to which its actions are most significant, prioritising initiatives in these goals. The Company's technical and technological capacity affects and contributes to the fulfilment of SDGs 7, 9 and 13: the supply of affordable, safe and non-polluting energy, the construction of resilient infrastructures and the promotion of sustainable industrialisation and innovation and the fight against climate change, respectively.

In particular, the technical solutions developed by the Company and its actions aimed at creating value in the environment and the communities where it operates enable it to:

- Design and build quality, safe and sustainable industrial plants, promoting energy efficiency and universal access to energy services.
- Contribute to the decarbonisation of the economy and preserve the environment through the projects it promotes and in which the Company collaborates.
- Promote the contracting of local suppliers and subcontractors with the aim of generating a positive socioeconomic impact on the environments in which it operates.
- Supporting local talent and investing in their training.
- Preserve cultural and natural heritage, promoting the efficient management of resources and their reuse where possible.
- Collaborate with institutions in the fields of culture, science, research and education.
- Responsibly manage the risks and opportunities derived from the evolution of the environment, avoiding short-term approaches or those that do not adequately consider the interests of all stakeholders.
- Use the most appropriate channels of communication, participation and dialogue with local communities.

To this end, Técnicas Reunidas applies the following principles in relation to the different territories and communities in which it operates:

- Developing strong links with the communities to establish relationships of trust and forge a sense of belonging to a leading company.
- Adapting the Group's activities in the different countries in which it operates, taking into account each of their different social and cultural realities.
- Strengthening relations with the different local communities, by supporting public administrations or social organisations of reference, as well as by meeting the expectations of the stakeholders of these local communities.
- Respecting the human rights of ethnic minorities in all the territories in which the Group operates.
- Conducting campaigns that promote the participation of the Group's professionals in solidarity actions that aim to improve people's quality of life, care for the environment and sustainable development.
- Encouraging the conservation and promotion of the cultural and artistic heritage of the territories in which the Group is present.
- Supporting initiatives that contribute to a more inclusive, more egalitarian and fairer society, such as support for the empowerment of women and promoting a work/life balance.

In all its projects and during the execution phase, Técnicas Reunidas prioritises the identification and management of possible risks associated with local communities, in particular, potential damage to the local environment that may arise from the project. To prevent this or any other risk from materialising, the Company has a Social Management Framework developed in policies and action protocols. The Framework allows us to plan the actions required, in which fluid and constant coordination and collaboration with local communities and other local stakeholders (public administrations, partners, suppliers or subcontractors) is critical.

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[23] For more information on the contribution of TR's activity to the sustainability objectives, please refer to the 'Responsible Management' chapter of the TR Integrated Report, published annually on the Company's website.

The material issues for local communities identified by Técnicas Reunidas generally include the recruitment and training of local workers, the development of infrastructure in the local area, potential environmental effects and cultural needs. The Company also applies due diligence procedures to all third parties with which it has dealings and for which it applies its Supply Chain Code of Ethics.

SOCIAL MANAGEMENT FRAMEWORK	
Evaluation and management of social impact	Specific analysis at the bidding phase of the social impact of each project. Obtaining the 'social license' is the client's responsibility.
Projects supporting the local community	Técnicas Reunidas finds out about the needs and expectations of the local community so that it can analyse the ways in which it can support them according to the characteristics of each project.
Continuous monitoring of the local environment	Técnicas Reunidas continuously monitors the local environment, as well as the performance of third parties involved in the implementation of projects, including suppliers and contractors.
Social impact grievance and reparation mechanisms	The Company analyses local regulations to detect possible negative social impacts and make appropriate complaint and restoration mechanisms available to the community.
Dialogue with local communities	The project manager maintains an ongoing dialogue with representatives of the local community throughout the life of the project.

Given the key role played by Técnicas Reunidas personnel in projects, the Company exhaustively analyses the suitability of its professionals. Specifically, the Company pays special attention to this matter from the employee selection phase until they travel to the project execution site. In this regard, the hiring process and the Social Management Framework allow local hiring requirements to be met and balanced with the need for expatriate labour, within the deadlines established for the successful and timely implementation of the Company's projects.

Below are some of the social and environmental actions implemented in the different projects during 2022 that generate various positive impacts:

- Employability of personnel and strengthening of the local business fabric. In 2022, the number of Técnicas Reunidas professionals increased with respect to 2021, reaching 7,053. 42% work outside of Spain.
- Hiring of local suppliers and subcontractors, reinforcing the positive economic contribution that the Company makes to the environment. In 2022, Técnicas Reunidas invested EUR 3,351.7 million in this area, representing 72% of total procurement and subcontracting expenditure (compared to EUR 1,869.58 million in 2021, 88%).
- Technical and STEM training on projects for companies, local staff and subcontractors who request it, provided in courses and workshops organised by the Company. Social investment in training in 2022 amounted to EUR 1.68 million.
- Facilitating access to energy and the creation of new infrastructures in the projects currently being carried out by the Company.
- Development of corporate volunteering initiatives with local communities, with a special focus on vulnerable groups. In 2022, social contributions of EUR 10,834 were made within the framework of its projects. Some of these volunteering programmes and solidarity campaigns were:

    - Handing out food or drinking water in areas where these resources are limited;
    - Renovation work on buildings and surfaces;
    - Delivery of school materials, sports equipment and toys for children; and
    - Cleaning of public spaces.

In turn, in 2022, Reunited Techniques increased social action and staff awareness in aspects of participation, humanitarian aid, human rights, etc. For example, reports were sent on a regular basis supporting social actions such as food and clothing collection, blood donations with the Red Cross, promotion of participation in recreational or sports activities, awareness of the need to report abusive practices or harassment at work or sexual harassment, etc. In this regard, several initiatives and social contributions that the Company has promoted from its corporate headquarters in Madrid are highlighted below:

- Técnicas Reunidas allocated EUR 187,380.51 to foundations and non-profit organisations in 2022.
- The Company has collaborated in the food collection organised by Cáritas by carrying out an internal dissemination campaign and making the organisation's facilities available so that professionals can participate.
- In 2022 the Company received recognition from Afanias for its commitment to the inclusion of people with intellectual disabilities.
- The Company has carried out a major external communication campaign, participating in numerous employment forums, working on the search for present and future talent, paying special attention to and highlighting the important role played by women in the sector.
- In 2022, within IndesIA, Técnicas Reunidas led the design and development of a Mentoring Programme with the School of Industrial Engineers of the Polytechnic University of Madrid.
- As part of its commitment to innovation and young talent, in 2022 Técnicas Reunidas participated as an Innovation Partner in Hunger4innovation, an innovation competition in which university students in Spain work on a challenge in the company's business to offer disruptive solutions and be agents of change.

Lastly, in terms of impacts, no centres have been identified with significant actual or potential negative impacts, including those derived from the Russia-Ukraine conflict and the situation in Algeria, on local communities due to the development of Técnicas Reunidas projects or operations during 2022.

15.7.2. Partnership or sponsorship actions

Técnicas Reunidas develops its social action through four lines of work: education, social and business initiatives, culture and science and research. The initiatives carried out by the Company in each of these areas are proof of its commitment in this area and are deployed through numerous activities and projects.

To carry out this social work, the Company locates and evaluates other organisations that share its objectives and with which there is an opportunity to collaborate, both financially and through other instruments, such as participating in working groups or forums, but ruling out any type of associations, partnerships and economic contributions to political parties. Among others, the following actions stand out:

Main organisations Técnicas Reunidas collaborates with

- **Promotion of business and entrepreneurial activity**

- **Commitment to social action by Técnicas Reunidas**

- **Culture**

- **Science and research and education**

TR collaborates with various leading organisations in the field of sustainability, such as the Global Compact, Carbon Disclosure Project, and the Club de Excelencia en Sostenibilidad (Sustainability Excellence Club).

At the sectoral level, TR participates in various associations related to its business activities, collaborating on initiatives including those related to the promotion of business and entrepreneurial activity, and other organisations that promote transparency and CSR.

In the area of association and sponsorship, the main risks are those derived from the possibility that improper actions by a third party could generate reputational problems for the Company. To avoid any type of contingency in this regard, TR carries out due diligence procedures in this type of activities, assessing in each specific case whether the organisations with which TR works could be detrimental to the Company.

15.7.3. Subcontracting and suppliers

The role of subcontractors and suppliers in TR's value chain is their participation mainly in the procurement and construction phases of industrial plants which, due to their large scale, require a large number of workers from suppliers and subcontractors for their implementation. Due to their nature, these procurement and construction activities are necessarily carried out at the project execution site established by the client and take place after the engineering phase, which is the initial phase of any TR project.

Técnicas Reunidas' main aim in managing its supply chain is thus to achieve competitive procurement of materials, equipment and assembly services in line with the standards demanded by the sector. It is also crucial for the Company's supply chain to be aligned with its values and requirements in terms of health and safety, environment, workers' rights, respect for human rights, equality, ethics and integrity.

To reinforce the integrity of its supply chain, the Company has a specific Code of Ethics for suppliers and subcontractors, which was updated over the course of 2021, detailing the minimum ethical, social and environmental requirements, and that the Company requires the companies to adhere to by registering in the e-Supplier portal. Alongside this, TR has a series of specific requirements on environmental and labour matters and the protection of human rights, including specific requirements in line with standard ISO 14001, compliance with environmental legislation and sustainability reporting. On the other hand, the Company has a Business Partner Liaison Policy for, among other aspects, carrying out due diligence procedures on suppliers and subcontractors.

In terms of risks, TR carries out an analysis of those non-financial risks that, due to their characteristics, are of greater relevance to the Group, such as collaboration with suppliers and subcontractors that are not committed to Human Rights (according to the framework of action of the United Nations and the International Labour Organisation), included on international corruption lists, that do not have an anti-money laundering and countering of financing of terrorism policy, or that do not have confidentiality policies.

In this context, throughout 2021, the Compliance Unit reinforced and implemented the Due Diligence Policy on third parties, the content of which was updated in 2020. This involves the development of analyses prior to the establishment of business relations with subcontractors from the point of view of integrity, especially in the protection of human rights and prevention of corruption. Thanks to this policy, preliminary risk levels are established that give rise to integrity analyses (standard, reinforced or very reinforced), through which it is determined whether third parties maintain a similar culture in this area.

In addition, to increase security and reduce risk in the supply chain, Técnicas Reunidas expressly regulates the subcontracting of work and services to critical suppliers and subcontractors through clauses included in the corresponding contracts.

The risks in the supply chain include production risks (which are minimised through exhaustive monitoring of the progress of work), financial risks (managed through an assessment of subcontractors prior to awarding contracts) and those associated with lack of quality (which are controlled by monitoring their performance).

It is also important to mention that in recent years, due to Covid-19, the Company has seen a particular increase in risks related to delays or cancellations of projects and delivery of materials, as well as the impact on execution costs and commercial conditions of construction work. In 2022, although Covid-19 continues to affect the mobility of people globally, especially from South East Asia due to China's zero Covid policy, its impact on most projects has been minor. Nevertheless, the Company's supply chain management has been exposed, especially in terms of inspection activities, workshop visits and logistics. In particular, the main impacts have been an increase in the land price from China to port, mobility restrictions, reduced availability of personnel, quarantines and delays.

On the other hand, among the supply chain risks, the Russia-Ukraine conflict also stands out, which has generated a significant increase in the production costs of industrial materials with the consequent variability of supply and construction costs and, therefore, increased the risks derived from performing turnkey contracts. Along these lines, the high volatility of raw material and energy prices has had a major impact on the economic and operational viability of projects, as well as on new investments; for example, it has meant that construction solutions such as heating and hoarding and the like are no longer viable. In addition, it has also had a localised effect on some projects in areas close to the conflict due to labour shortages.

However, this complex situation has highlighted the creativity, responsiveness and commitment of the different teams involved in the management of the Company's purchases and subcontracting, as well as that of clients, subcontractors and suppliers. As a result, TR has been able to strengthen its operations and improve the efficiency of its processes thanks to the way in which the response to this exceptional situation has been handled. The main actions that have been taken to adapt the supply chain and project implementation to the effects of Covid-19 and the management of the impacts from the Russia-Ukraine conflict are detailed below:

- Issuance of work instructions to all project teams to facilitate archiving, transfer of documentation, support and evidence, between the departments that detect the impact and the departments that manage them.
- Improvement of the tool to detect risks and impacts at an early stage.
- Hedging through the purchase of futures and financial entities to insure nickel, copper, silver and palladium.
- Implementation of price review formulas for the purchase of metallic structures.
- Early identification of all costs incurred due to Covid-19.
- Technical/commercial agreements with suppliers
- Formulation of alternative strategies depending on the impact of the Russia-Ukraine conflict, for example, extending the list of suppliers to those not located in the conflict zone or maximising work in prefabrication workshops and then transferring it to the projects due to the lack of labour shortages in areas close to the conflict.
- Reinforcement of internal communication and coordination.
- Continuous communication with subcontractors in order to adapt contractual terms (with the prior authorisation of clients), as well as to quickly and efficiently solve problems caused by the pandemic in all areas of work on site.

- Negotiation of new terms and agreements with subcontractors.
- Acceleration of the Company's digital transformation process (in relation to the supply chain, the continuous improvement and development of advanced digital platforms for project management, the digitisation of processes and the promotion of remote inspections, among others).
- Finding logistics containers within the same country of origin, to ensure supply to the site.
- Slowing down the awarding of logistics services contracts in projects close to the start of the execution phase, to avoid contractual commitments that would force the project to operate with transport costs affected by the volatility of the markets.
- Coordination of the real need for materials on site between procurement and construction to assess potential delays and avoid extra transport costs.

In addition to the tools mentioned above, TR has a worldwide database of 28,145 material suppliers and construction subcontractors (in 2021 it had 27,062 total suppliers), of which 1,983 suppliers and 1,151 subcontractors have already been approved by the Company (compared to the 2,099 suppliers and 1,150 subcontractors approved in 2021). This global supplier market with updated information allows the Company to mitigate the risk in the selection of suppliers and subcontractors from the financial, performance and quality points of view, among other aspects.

Due to the nature of its business, each year the Company handles high volumes of purchases and subcontracts. In 2022, the total spending on purchases from suppliers of materials and engineering subcontracts stood at EUR 3,351.7 million. In relation to the employees of construction subcontractors, these exceeded 33,830 workers on average assigned to TR projects (with more than 38,199 at peak times).

To manage this complex supply chain, TR has a management framework governing the two main areas responsible for the supply chain: the Procurement Unit (responsible for purchases from suppliers of materials and equipment) and the Construction Area (responsible for construction and assembly subcontracting).

These two areas manage the TR supply chain in accordance with five axes:

- Constant innovation in the management of the supply chain.
- Presence of rules and regulations in all processes (bidding, award and management).
- Development of annual internal strategic plans in line with TR's overall objectives and responding to the business context.
- Existence of an Integrated Management System that enables both individual and global evaluation and monitoring of suppliers' and subcontractors' performance.
- Centralised contract award system that ensures transparency throughout the award procedure for suppliers and subcontractors.

With the aim of seeking a more efficient way of working, Técnicas Reunidas continued to improve the e-Supplier tool in 2022 through the following actions:

- Development of a new version of the e-Supplier portal with more advanced technology in which performance, speed and interface improvements stand out, making it clearer and simpler for use by suppliers. This reinforces and streamlines the interaction with the supply chain.
- Continued progress in the digitisation of the Third Party Integrity Assessment procedure, updating a large part of the subcontractor documentation and creating a single advanced repository that allows centralising and managing Compliance documentation between the various areas of the Company in a single point. These advances optimise the visualisation of the workload assigned to each party, the status of documentation and document searches. The development of a CoM for control, monitoring and reporting has also been initiated.
- Development of a new application integrated in the e-Supplier Portal to carry out Reverse Auctions as a complementary award method for equipment and materials, ensuring integrity, fairness and transparency in the process.

In line with the above, TR also continues with the digitalisation of the area's processes to optimise the work carried out. In addition, under the TR-anforma Plan, the Company has implemented various actions aimed at saving costs in 2022 and improving efficiency, such as the management of logistics insurance and the management of surplus material.

On the other hand, in terms of cybersecurity, in 2022 a training campaign was launched for all personnel in the area on cybersecurity with updated content, thus enabling the reinforcement of security in this area. TR has also carried out a support campaign for training and awareness-raising on cybersecurity in the supply chain. It also plans to initiate the process of assessing third parties on cybersecurity and privacy through the e-Supplier tool by 2023.

As described in at the start of this section, TR considers social and environmental responsibility as part of its relationships with its suppliers and subcontractors. These aspects are not only considered in the approval process, but are kept in mind throughout the relationship with suppliers, monitoring their compliance. After the delivery of the supply or completion of the assembly services, the performance of the supplier and the subcontractor are assessed in accordance with various aspects. The results of evaluations are disclosed and serve as a reference in identifying improvement actions. Safety and environmental performance are two of the aspects included in Técnicas Reunidas' evaluations. Since 2014, the Company has required a specific audit report on these areas based on information gathered during inspection visits to the workshops.

As part of the implementation of the Sustainability Policy, the Procurement Area carried out the following actions in 2022:

- Reinforcement of pre-qualification questionnaires (e-Supplier) on ESG (Environment, Social and Governance).
- Inclusion of ESG scopes in Quality audits.
- Updating of the Requirements to vendors covering ESG scopes and including them in the Terms of Purchase.

The actions described above reinforce the consideration of ESG criteria within the processes related to the supply chain and reaffirm TR's commitment to improve its social and environmental performance.

Similarly, subcontractors undergo monitoring during the execution of the work to ensure compliance with all contractual requirements.

These audits involve the inspection of all work performed by the subcontractor, which is only accepted once Company inspectors have verified that it has been carried out in accordance with the project designs and specifications. The verification of corrective actions is a regular practice during these inspections, which is documented in detail in the quality dossiers submitted to the client.

In the event that TR detects an environmental, social or ethical deviation, this is then studied in detail. Depending on the type of deviation and its severity, the supplier or subcontractors is required to take corrective and preventive action, and if the deviation is serious, blacklisting may be considered for new tenders or contract awards.

In line with the above, it is worth highlighting the progress made in 2022 in relation to the implementation of remote inspections. In this regard, TR carried out pilot tests in 2022 of virtual shop tours for the activation of the workshop.

In 2022, a total of 1,520 HSE audits were carried out (920 were carried out in 2021), of which 1,430 (94%) were completed successfully (compared to 861 in 2021) and 90 (6%) were not completed successfully (73 were not passed in 2021). All audits featuring incidents will be appropriately addressed by TR with the implementation of improvement plans. The increase in HSE audit indicators in 2022, 65% compared to the previous year, is due to the easing of pandemic-related restrictions in previous years, which had a significant impact on the number of audits, mainly of a face-to-face nature, as well as the recovery in activity observed after the pandemic period.

In addition, the Company carried out, as it does every year, an assessment of the supply chain according to social and environmental criteria. In 2022, a total of 1,529 suppliers were assessed based on both social and environmental criteria (427 in 2021). The increase between periods (245%) stems from the implementation of two new subcontractor integrity due diligence processes, which include both social and environmental criteria, prior to the procurement process. The new assessment processes implemented were the Integrity Due Diligence Report (IDDR) and World-Check One. In no case were significant impacts identified in the supply chain in relation to these issues.

15.7.4. <u>Consumers</u>

Técnicas Reunidas does not have consumers, according to the concept that this term is associated with Spanish legislation.

The Company evaluates 100% of its projects from the point of view of health and safety. Up to the time of delivery, TR ensures that its projects meet both its own health and safety standards, as well as those required by the client and applicable law.

To guarantee the health and safety of its clients, TR carries out its projects, where appropriate, at sites owned by the clients, who normally start operating the plant once it has been delivered by the Company, with the client assuming responsibility for the health and safety of its own workers.

With respect to the systems for claims, complaints received and their resolution, clients (who are not consumers) have a permanent dialogue with the manager of each specific project and, additionally, they have the possibility of communicating with members of the Operations management. The manager of each project is responsible for receiving any complaints that clients may wish to report to the Company. TR assesses (in each case with the collaboration of the necessary internal and/or external personnel) the merits of the claim and complaint and approves the measures required for its resolution.

In addition, all contracts signed by the Company with its clients establish mechanisms and procedures for conflict resolution that are fully adapted to the circumstances of each client and project. Likewise, clients have at their disposal, as any other business partner, the Técnicas Reunidas Code of Conduct Whistle-Blower Channel.

TR's risks relating to the management of its clients are integrated into the Company's general risk procedure, and in general consist of the fact that adequate communication with the client is critical for correct execution of the projects. This communication must take place from the bidding phase, clearly defining their needs and the terms of the Company's proposal, through to the full completion of the project. Improper management of a client by the Company can lead to delays in execution, the application of penalties and, ultimately, the rescheduling or cancellation of the project. Similarly, a strong COVID-19 impact on clients, the impact of the Russia-Ukraine conflict and the situation with Algeria in 2022 may hinder the implementation of projects by the Company, leading to delays or even cancellation of the project.

The main policy in this area is the Sustainability Policy. With regard to clients, the Policy establishes that the Group must work to understand the needs and expectations of its clients and thus offer them the best solutions, making a continuous effort to care for and increase their satisfaction, strengthening their link to the Group, and to this end it assumes the following principles of action:

- Providing advanced technical solutions that enable clients to have sustainable and efficient industrial plants in order to develop the best sustainability policies.
- Pursuing continuous improvement of the services it provides to its clients in the different countries in which it operates.
- Monitoring the quality of the service provided to its clients.

The Company applies the same due diligence procedures with its clients as it does with the other third parties with which it operates, which it classifies as high, medium or low risk third parties. The clients, in turn, are classified as high-risk third parties.

15.7.5. Tax information

The body/office responsible for tax strategy is the Audit and Control Committee, which has approved an Internal Group Tax Risk Manual that establishes the Company's tax strategy and internal tax risk management procedures. The Manual also includes training actions and internal research plans in this area. The Manual, and thus the tax strategy, is reviewed annually.[24] In addition, in 2022 the Company adhered to the Code of Good Tax Practices developed and approved by the Large Companies Forum to promote a reciprocally cooperative relationship between the Tax Agency and the companies that subscribe to it.

In addition, the Group prepares tax strategies at the bidding stage of projects to minimise the risks that may arise. These strategies are defined with the help of local advisors in all markets, including those that are customary for the Group. In any case, these tax strategies are prepared in accordance with the applicable legal frameworks and taking into account the Group's business strategy.

The Group operates in countries where it carries out a single project or a set of projects for the same client, and therefore information broken down by country may prejudice the commercial and implementation interests of the projects. The data are presented aggregated by geographical area using the same criteria used for different financial indicators presented in the consolidated financial statements.

[24] For more information on the approach to tax risks, please refer to sections E.1 and E.2 of the Group's Annual Corporate Governance Report, accessible via the following link https://www.tecnicasreunidas.es/es/sostenibilidad/certificados-y-documentos/

On the other hand, as it is aware of its tax liability and the complexity of its operations, the Company has launched a tax model based on BEPS value chain criteria that seeks to correctly allocate taxation in those jurisdictions where value is created.

- **Contribution by geographic area to the consolidated income statement before taxes**

	Profit/(loss) before tax in thousands of euros	
Geographical area	**2021**	**2022**
America	(6,528)	103,054
Asia	18,958	16,166
Spain	(100,598)	(120,832)
Europe	(54,875)	5,049
Mediterranean	20,184	1,034
Middle East	(55,870)	(22,895)
Total	**(178,729)**	**(18,424)**

**The results by region represent their contribution to the consolidated earnings before tax prepared in accordance with EU-IFRS and include, among other consolidation adjustments, the elimination of all intercompany transactions. These results are therefore not representative of the taxable amounts in each region. The grouping of the data for 2021 has been recalculated for it to be consistent with this criterion. The results of the Spanish companies that make up the group but are consolidated by the equity method are not included. The amounts not taken into account amount to EUR 110 thousand (EUR 1,072 thousand in 2021) in losses.*
***The improvement in profit before tax in 2022 compared to the previous year shows the normalisation of the company's activity following the impacts of Covid-19 in previous years.*

Countries with earnings in the year by geographical area:

America: Argentina, Canada, Chile, Colombia, Mexico and Peru.
Asia: Australia, Bangladesh, India, Indonesia, Kazakhstan, Malaysia, Singapore and Thailand.
Europe: Great Britain, Netherlands, Hungary, Italy and Poland.

Spain: Spain.

Mediterranean: Algeria and Turkey.

Middle East: Abu Dhabi, Azerbaijan, Bahrain, Jordan, Kuwait, Oman, Qatar, Saudi Arabia.

- **Corporate income tax paid**

	Income tax paid in thousands of euros*	
Geographical area	**2021**	**2022**
America	13,187	3,391
Asia	4,726	4,421
Spain	28,047**	-
Europe	22	824
Mediterranean	989	1,671
Middle East	10,631	5,780
Total	**57,604**	**16,088**

** Information calculated on the basis of tax criteria.*
*** The amount of income tax paid in Spain in 2021 includes the payment of the 2013 and 2014 tax assessments equivalent to EUR 28,047 thousand.*

Public subsidies received: EUR 2,811 thousand (compared to EUR 1,779 thousand in 2021).

15.8. About the non-financial information statement

By means of this Non-Financial Information Statement, Técnicas Reunidas responds to the requirements of Spanish Law 11/2018, of 28 December and Delegated Regulation (EU) 2021/2178. This report has been prepared with reference to a selection of indicators of the GRI Standards identified in the table in compliance with Law 11/2018, of 28 December and taking as a reference the recommendations of the IIRC framework for integrated reporting.

With regard to the scope of this report, it includes all the companies in TR's financial consolidation scope, included in appendices I and II of the annual financial statements. Where there are significant changes in this regard, a clarification note will be included.

To design the contents of this report and select the most relevant aspects, TR has conducted a materiality analysis that has allowed it to identify the most relevant aspects to be reported to its stakeholders (see the stakeholders on pages 145-146 of the 2021 Técnicas Reunidas Integrated Report), and to respond to the requirements for reporting non-financial information based on current regulations.

In addition, in all aspects that are not material for TR, this report addresses the management approach but does not give detailed information on KPIS or other quantitative indicators, given that these are not considered as representative of the Group's activities. The non-material aspects for the Company demanded by law are as follows: light and noise pollution, water consumption, food waste and biodiversity. For further information on the methodology used to conduct the materiality analysis, please see the chapter 'Reporting Practice for the Integrated Report', of TR's Integrated Report, published each year on the corporate website. In relation to this aspect, it should be noted that the Company has not considered it necessary to update its materiality analysis in 2022 as it has not identified any new demands from its stakeholders and its activity has remained stable despite the specific circumstances that occurred this year.

Additionally, TR has prepared a traceability analysis that links aspects of the law with the associated GRI contents, published by the Company. In conclusion, Técnicas Reunidas presents the information cited in the following Table of Compliance Law 11/2018, of 28 December - GRI for the period from 1 January 2022 to 31 December 2022 using a selection of indicators from the GRI Standards as a reference.[25]

See the table of contents in the table attached below:

Table of compliance with Law 11/2018, of 28 December - GRI

Content	Section	GRI	
		GRI standard	Content
Business mode			
- Business environment, organisation and structure, and business model	15.1.1-15.1.4	GRI 2: General content	2-1 Details of the organization 2-6 a., b. i, b ii., c Activities, value chain and other commercial relationships
- Markets in which the Company operates	15.1.4	GRI 2: General content	2-1 Details of the organization 2-6 a., b. i, b ii., c Activities, value chain and other commercial relationships
- Objectives and strategies	15.1.6	GRI 3: Material topics	3-3 Management of material topics
- Factors and trends affecting the evolution	15.1.5	GRI 3: Material topics	3-3 Management of material topics
- Policies	15.2 / Section associated with each aspect of the Law	GRI 3: Material topics	3-3 Management of material topics

[25] Statement of use made in accordance with GRI 1: Basis 2021.

Content	Section	GRI	
		GRI standard	Content
Risks	15.2 / Section associated with each aspect of the Law	GRI 3: Material topics	3-3 Management of material topics
Key performance indicators	Section associated with each aspect of the Law	GRI 3: Material topics	3-3 Management of material topics
I. Environmental issues			
- Effects of the Company's activities on the environment and, if applicable, health and safety	15.3.1	GRI 3: Material topics	3-3 Management of material topics
- Environmental evaluation or certification procedures	15.3.1	GRI 3: Material topics	3-3 Management of material topics
Resources assigned to prevention of environmental risks	15.3.9	GRI 3: Material topics	3-3 Management of material topics
- Application of the Precautionary Principle	15.3.1 15.3.8	GRI 3: Material topics	In view of the business activities of the Group's companies, the Group has no assets or provisions for environmental contingencies that could be material with respect to its equity, financial position and earnings.
- Amount of provisions and guarantees for environmental risks	15.3.8	GRI 3: Material topics	
- Pollution			
• Measures associated with carbon emissions	15.3.1/ 15.3.2	GRI 305: Emissions	305-5 a. Reduction of GHG emissions
• Measurements associated with atmospheric, light, noise and other types of pollution	15.3.2/ 15.3.6		Non-material/Air emissions, light pollution and noise are not considered relevant, and they do not generate significant impacts given TR's activity.
- **Circular economy and waste prevention and management**			
• Initiatives for promoting the circular economy	15.3.3	GRI 3: Material topics	3-3 Management of material topics
• Measures associated with waste management	15.3.3	GRI 306: Waste	306-3 Waste generated
• Actions to combat food waste	15.3.4		Non-material
-Sustainable use of resources			
• Water: consumption and supply	15.3.5		Non-material

Content	Section	GRI	
		GRI standard	Content
• Raw materials: consumption and measures	15.3.5	GRI 301: Materials	301-1 a. Materials used by weight or volume
• Energy: consumption, measures and use of renewable sources	15.3.5	GRI 302: Power	302-1 a., c.i, e. f. Energy consumption within the organisation
-Climate Change			
• Greenhouse gas emissions	15.3.2	GRI 305: Emissions	305-1 a, e, g. Direct GHG issues (scope 1) 305-2 a, e, g. Indirect GHG emissions associated with energy (scope 2) 305-3 a, d, f, g Other indirect GHG emissions (scope 3)
• Climate change adaptation measures	15.3.2	GRI 3: Material topics	3-3 Management of material topics
• Emissions reduction targets	15.3.2	GRI 3: Material topics	3-3 Management of material topics
• Taxonomy	15.3.2.1		Regulation (EU) 2020/852 and related Delegated Regulations
- Biodiversity			
• Preservation measures	15.3.7		Non-material
• Impacts caused in protected areas	15.3.7		Non-material
II. Social and personnel issues			
-Employment			
• Total number of staff and distribution by gender, age, country and professional classification	15.4.1	GRI 405: Diversity and equal opportunities	405-1 b.i and ii. Diversity in governing bodies and employees
• Total number and distribution of employment contract types	15.4.1	GRI 405: Diversity and equal opportunities	405-1 b. Diversity in governing bodies and employees
• Annual average of permanent, temporary and part-time contracts by gender, age and professional classification	15.4.1	GRI 405: Diversity and equal opportunities	405-1 b. Diversity in governing bodies and employees
• Number of dismissals by sex, age and professional category	15.4.1	GRI 3: Material topics	3-3 Management of material topics
• Average remuneration and its evolution broken down by gender, age and professional category or similar value	15.4.1	GRI 405: Diversity and equal opportunities	405-2 a. Ratio between base salary and the remuneration of women and men
• Wage gap	15.4.1	GRI 405: Diversity and equal opportunities	405-2 a. Ratio between base salary and the remuneration of women and men
• Remuneration for equivalent jobs or on average for the Company	15.4.1	GRI 405: Diversity and equal opportunities	405-2.a Ratio between base salary and the remuneration of women and men

Content	Section	GRI	
		GRI standard	Content
• Average remuneration of directors and executives	15.4.1	GRI 3: Material topics	3-3 Management of material topics
• Disconnection from work policies	15.4.2	GRI 3: Material topics	3-3 Management of material topics
• Disabled employees	15.4.3	GRI 405: Diversity and equal opportunities	405-1 b.iii Diversity in governing bodies and employees
- Organisation of work hours			
• Work organisation	15.4.2	GRI 3: Material topics	3-3 Management of material topics
• Number of hours of absenteeism	15.4.6	GRI 3: Material topics	3-3 Management of material topics
• Work-life balance measures	15.4.2	GRI 3: Material topics	3-3 Management of material topics
-Health and safety			
• Occupational health and safety conditions	15.4.6	GRI 403: Occupational Health and Safety	403-1 a.ii Occupational health and safety management system
• Work-related accidents, in particular their rate and severity, broken down by gender	15.4.6	GRI 403: Occupational Health and Safety	403-9 a.i, a. iii, a. v Occupational accident injuries
• Work-related illness, broken down by gender	15.4.6	GRI 403: Occupational Health and Safety	403-9 a.i, a. iii, a. v Occupational accident injuries
-Social relations			
• Organisation of social dialogue	15.4.7	GRI 2: General content	2-29 Approach to the participation of stakeholders
• Percentage of workers covered by collective agreements by country	15.4.8	GRI 2: General content	2-30 Collective bargaining agreements
• Balance of collective agreements on occupational health and safety	15.4.8	GRI 3: Material topics	3-3 Management of material topics
• Mechanisms and procedures that the Company has in place to promote the involvement of employees in the Company's management, in terms of information, consultation and participation	15.4.7	GRI 3: Material topics	3-3 Management of material topics
-Training			
• Policies implemented in the field of training	15.4.4	GRI 3: Material topics	3-3 Management of material topics
• Total number of training hours by professional category	15.4.4	GRI 404: Training and education	404-1 a.ii Average training hours per year per employee
-Universal accessibility and integration for disabled people	15.4.3	GRI 405: Diversity and equal opportunities	405-1 a.iii Diversity in governing bodies and employees
-Equality			
• Measures taken to promote equality, equality plans, employment promotion, anti-harassment protocols and non-discrimination and diversity management policy	15.4.5	GRI 3: Material topics	3-3 Management of material topics
III. Respect for Human Rights			

Content	Section	GRI	
		GRI standard	Content
- Application of human rights due diligence procedures	15.5	GRI 2: General content GRI 3: Material topics	2-26 Mechanisms for seeking advice and raising concerns 3-3 Management of material topics
- Prevention of risks of human rights violations and, where necessary, measures to mitigate, manage and remedy possible abuses committed	15.5	GRI 3: Material topics	3-3 Management of material topics
- Complaints about cases of human rights violations	15.5	GRI 406: Non-discrimination	406-1 Cases of discrimination and corrective actions taken
- Promotion and enforcement of ILO conventions on freedom of association and collective bargaining	15.5	GRI 407: Freedom of association and collective bargaining	407-1b Transactions and suppliers in which the right to freedom of association and collective bargaining may be at risk
Elimination of discrimination at work, forced or compulsory labour and child labour	15.5	GRI 3: Material topics GRI 409: Forced or compulsory labour GRI 408: Child labour	3-3 Management of material topics 409-1b Transactions and suppliers with significant risk of forced or compulsory labour 408-1c Transactions and suppliers with significant risk of child labour cases
IV. Fight against corruption and bribery			
- Measures taken to prevent corruption and bribery	15.6.1	GRI 3: Material topics	3-3 Management of material topics
- Anti-money laundering measures	15.6.1	GRI 3: Material topics	3-3 Management of material topics
- Contributions to foundations and non-profit entities	15.6.2	GRI 3: Material topics	3-3 Management of material topics
V. Society			
-The Company's commitments to sustainable development			
• Impact of the Company's activity: employment, local development, local populations and in the area	15.7.1	GRI 3: Material topics	3-3 Management of material topics
• Partnership or sponsorship actions	15.7.2	GRI 2: General content	2-28 Membership in associations
• Engagement with local community representatives, and communication channels in place	15.7.1	GRI 2: General content	2-29 Approach to stakeholder participation
-Subcontracting and suppliers			
• Inclusion in the procurement policy of social, gender equality and environmental issues	15.7.3	GRI 3: Material topics	3-3 Management of material topics
• Consideration of social and environmental responsibility in relations with suppliers and subcontractors	15.7.3	GRI 3: Material topics	3-3 Management of material topics
• Supervision systems and audits and their results	15.7.3	GRI 3: Material topics	3-3 Management of material topics
-Consumers			

Content	Section	GRI	
		GRI standard	Content
• Measures for the health and safety of consumers	15.7.4	GRI 3: Material topics	3-3 Management of material topics
• Claims systems, complaints received and complaint resolution	15.7.4	GRI 3: Material topics	3-3 Management of material topics
-Tax information			
• Operating earnings by geographic area	15.7.5	GRI 207: Taxation	207-4 b.vi Country-by-country reporting
• Corporate income tax paid	15.7.5	GRI 207: Taxation	207-4 b.viii Country-by-country reporting
• Public subsidies received	15.7.5	GRI 201: Economic performance	201-4 a.iii Government financial assistance

16. Annual Corporate Governance Report and Directors Remuneration Report

The Annual Corporate Governance Report of Técnicas Reunidas, S.A. and the Directors' Remuneration Report for 2022 form part of the consolidated directos' report and, from the date of publication of the consolidated financial statements, are available on the website of the National Securities Market Commission and on the Técnicas Reunidas, S.A. website.

Técnicas Reunidas, S.A. and subsidiaries

Independent Verification Report of the Consolidated Statement on Non-Financial Information 31 December 2022

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

Independent verification report

To the shareholders of Técnicas Reunidas, S.A.:

Pursuant to article 49 of the Code of Commerce, we have verified, with the scope of a limited assurance engagement, the Consolidated Statement of Non-Financial Information ("SNFI") for the year ended 31 December 2022 of Técnicas Reunidas, S.A. (Parent company) and subsidiaries (hereinafter "Técnicas Reunidas" or the Group) which forms part of the accompanying Técnicas Reunidas's consolidated directors' report.

The content of the consolidated directors' report includes information additional to that required by current mercantile legislation in relation to non-financial information, which has not been covered by our verification work. In this respect, our work was limited solely to verifying the information identified in the table "15.8. About the non-financial information statement - Table of compliance with Law 11/2018, of 28 December - GRI" included in the accompanying consolidated directors' report.

Responsibility of the directors of the Parent company

The preparation of the SNFI included in Técnicas Reunidas's consolidated directors' report and the content thereof, are the responsibility of the directors of Técnicas Reunidas, S.A. The SNFI has been drawn up in accordance with the provisions of current mercantile legislation and following the criteria of the *Sustainability Reporting Standards* of the *Global Reporting Initiative* ("GRI Standards") selected as per the details provided for each matter in the table "15.8. About the non-financial information statement - Table of compliance with Law 11/2018, of 28 December - GRI" of the consolidated directors' report.

This responsibility also includes the design, implementation and maintenance of the internal control considered necessary to allow the SNFI to be free of material misstatement due to fraud or error.

The directors of Técnicas Reunidas, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the SNFI is obtained.

Our independence and quality management

We have complied with the independence requirements and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code") which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies current international quality standards and maintains, consequently, a quality system that includes policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team consisted of professionals specialising in Non-financial Information reviews, specifically in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in a limited assurance independent report based on the work we have performed. We carried out our work in accordance with the requirements laid down in the current International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and in the Guidelines for verification engagements of the Statement of Non-Financial Information issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas de España").

In a limited assurance engagement, the procedures performed vary in nature and timing of execution, and are less extensive, than those carried out in a reasonable assurance engagement and accordingly, the assurance provided is also lower.

Our work consisted of posing questions to management as well as to the various units of Técnicas Reunidas that were involved in the preparation of the SNFI, of the review of the processes for compiling and validating the information presented in the SNFI, and in the application of certain analytical procedures and review procedures on a sample basis, as described below:

- Meetings with the Técnicas Reunidas, S.A. personnel to understand the business model, policies and management approaches applied, principal risks relating to these matters and to obtain the information required for the external review.

- Analysis of the scope, relevance and integrity of the content of the SNFI for the year 2022, based on the materiality analysis carried out by Técnicas Reunidas, taking into account the content required by current mercantile legislation.

- Analysis of the procedures used to compile and validate the information presented in the SNFI for the year 2022.

- Review of information relating to risks, policies and management approaches applied in relation to material matters presented in the SNFI for the year 2022.

- Verification, by means of sample testing, of the information relating to the content of the SNFI for the year 2022 and that it was adequately compiled using data provided by the sources of the information.

- Obtaining a management representation letter from the directors and management of the Parent company.

Conclusion

Based on the procedures performed in our verification and the evidence we have obtained, nothing has come to our attention that causes us to believe that the SNFI of Técnicas Reunidas, S.A. and its subsidiaries, for the year ended 31 December 2022 has not been prepared, in all material respects, in accordance with the provisions of current mercantile legislation and following the criteria of GRI selected as per the details provided for each matter in the table "15.8. About the non-financial information statement - Table of compliance with Law 11/2018, of 28 December - GRI" of the consolidated directors' report.

Emphasis of matter

The Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 relating to the establishment of a framework to facilitate sustainable investments establishes the obligation to disclose information on the manner and extent to which the company's activities are associated with economic activities aligned in relation to the objectives of climate change mitigation and adaptation to climate change for the first time for the year 2022, in addition to the information referring to eligible activities required in the year 2021. Consequently, comparative alignment information has not been included in the accompanying SNFI. On the other hand, to the extent that the information referring to eligible activities in the year 2021 was not required with the same level of detail as in the year 2022, detailed information regarding eligibility is not strictly comparable either in the accompanying SNFI. Additionally, it should be noted that Técnicas Reunidas's directors have incorporated information on the criteria that, in their opinion, best allow compliance with the aforementioned obligations and that are defined in “15.3.2.1. Information on the EU Taxonomy for climate change mitigation and adaptation targets” of the accompanying SNFI. Our conclusion has not been modified in relation to this matter.

Use and distribution

This report has been drawn up in response to the requirement established in current Spanish mercantile legislation and therefore may not be suitable for other purposes and jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

(Originally signed in Spanish)

Pablo Bascones Ilundáin

28 February 2023