TECNICAS REUNIDAS

ANNUAL ACCOUNTS

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

Técnicas Reunidas, S.A.

Independent auditors´ report on the
annual accounts 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 annual accounts

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

Report on the annual accounts

Opinion

We have audited the annual accounts of Técnicas Reunidas, S.A. (the Company) consisting of the balance sheet at 31 December 2022, the income statement, statement of changes in equity, cash flow statement and related notes to the annual accounts, for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2022, as well as its financial performance and cash flows, for the year then ended, in accordance with the financial information applicable (identified and described in Note 2), and particularly with accounting principles and standards described in the note.

Basis for opinion

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

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

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

Key Audit Matters

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

Key audit matters	How the matters were addressed in the audit
Liquidity and solvency risk As indicated by the Company's directors in Note 2 of the accompanying notes to the accounts, the Covid-19 crisis continued to affect the Company 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. As mentioned in Note 2, the losses posted in 2020 and 2021 caused shareholders' funds to contract by €294 million, although the directors consider that the Company 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 Company 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 Company's equity for legal purposes, as well as its liquidity position. In addition, as indicated in Note 18, the Company 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 annual accounts are issued, the directors consider that the Company is in a position to fulfil the covenants included in the clauses of all the financing agreements. In this context, the Company's directors have assessed the Company'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 Company'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 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 Company. To this end, we obtained the feasibility plan drawn up by management and approved by SEPI, as well as the latest projections of results and liquidity prepared by Company management and adapted to the current market circumstances. We assessed the reasonableness of the information based on our understanding of the activities, management's explanations, evidence and data on the status of projects in progress, 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 Company management with the evidence obtained in other audit areas. We analysed and considered events after the reporting period that could affect the Company's liquidity and solvency situation. Finally, we checked that the disclosures included in the accompanying Notes 2, 4.1 and 18 to the 2022 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 Company. The outcome of the procedures performed enabled us to reasonably achieve the audit objectives for which the procedures were designed.

Key audit matters	How the matters were addressed in the audit
In this regard, the directors believe that the Company'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 directors and management could require additional measures to strengthen the Company's liquidity and solvency position. We regard this as a key audit matter, since the conclusions drawn by the Company's directors are based on the Company's business performance and on expectations that require a high level of judgement and estimate, and it is a relevant area when analysing compliance with the going concern principle.	
Recognition of revenue from construction contracts	
The Company's revenue recognition approach is based on the percentage-of-completion method in accordance with Spanish legislation applicable to construction contracts. When applying the percentage-of-completion method, the Company 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 Company 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 3.15, 9 and 21 a) of the notes to the accounts. Note 9 also provides details of change orders and claims being negotiated with clients at the year-end.	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.

Key audit matters	How the matters were addressed in the audit
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.	• We evaluated the consistency of the estimates made by the Company 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 Company's calculations. • 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 Company 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 Company's management and legal advisors (Notes 19 and 23 of the 2022 notes to the accounts). Finally, we checked that the information disclosed in Notes 3.15, 9 and 21 a) to the accompanying annual accounts in relation to the recognition of contract revenue on a percentage-of-completion basis 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.
Tax inspection action	
In recent years, the Company's tax group underwent a corporate income tax inspection of financial years 2008 to 2011. When the inspection ended in 2015, the Company received a settlement proposal of €138.2 million plus interest due to discrepancies regarding transfer prices.	We gained an understanding of the processes and assessed the estimates made by Company 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 Company's estimates.

Key audit matters	How the matters were addressed in the audit
The Company contested the tax assessment and appealed the decision at an administrative court, posting the necessary bonds. In 2018, the Central Economic-Administrative Court (CEAC) issued a decision partially favouring the Company, reducing the settlement by €20.9 million plus interest and establishing the current amount of the claim at €117.3 million (plus interest). The bonds deposited by the Company in connection with these assessments are still in force. As described in Notes 20 and 28 to the accompanying 2022 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 annual accounts, the National High Court has notified nine judgements relating to these assessments. The judgements do not affect the Company's 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 Company'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.	We involved our internal tax specialists to analyse the reasonableness of the Company's estimates and we obtained and studied the content of the National High Court judgements issued to date. 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 Company's estimates and checking that the information on this matter disclosed in the notes to the 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 balance sheet at 31 December 2022 includes a deferred tax asset balance of €247 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 Company when the regarding companies are liquidated.	We gained an understanding and analysed the estimation process undertaken by the 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 the matters were addressed in the audit
At the year-end, Company 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 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 20 to the accompanying 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 20 of the notes to the 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 Company 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 Company's directors and management in relation to the recovery of deferred tax assets, as well as the Company'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 20 to the accompanying 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: directors' report

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

Our audit opinion on the annual accounts does not cover the management report. Our responsibility regarding the 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 management report and the annual accounts as a result of our knowledge of the Company 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 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 management report is consistent with that contained in the 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 Company for the annual accounts

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

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

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

Auditor's responsibilities for the audit of the annual accounts

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

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

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

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

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

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

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

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

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

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

From the matters communicated with the Company´s audit and control committee, we determine those matters that were of most significance in the audit of the 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. for the 2022 financial year that comprise an XHTML file which includes the annual accounts for the financial year 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 management report.

Our responsibility is to examine the digital file prepared by the 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 annual accounts included in the aforementioned digital files completely agrees with that of the 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 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 Company's audit and control committee

The opinion expressed in this report is consistent with the statements made in our additional report for the Company's audit and control committee dated 28 February 2023.

Contract term

The General Shareholders Meeting held on 28 June 2022 appointed PricewaterhouseCoopers Auditores, S.L. and Deloitte, S.L. as the Company'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 Company are those described in Note 29 to the accompanying 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 in Spanish signed by Original in Spanish signed by
Fernando Pindado Rubio
Registered with R.O.A.C. No. 23,102

28 February 2023

Antonio Sánchez-Covisa Martín-González
Registered with R.O.A.C. No. 21,251

28 February 2023

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TÉCNICAS REUNIDAS, S.A.

Annual financial statements at 31 December 2022

and Management Report for 2022

TÉCNICAS REUNIDAS, S.A.

Table of contents of the annual financial statements of Técnicas Reunidas, S.A.

TÉCNICAS REUNIDAS, S.A.

BALANCE SHEET AT 31 DECEMBER 2022

(Expressed in thousands of euros)

BALANCE SHEET AT 31 DECEMBER 2022

ASSETS	Notes	At 31 December 2022	At 31 December 2021
NON-CURRENT ASSETS		**730,392**	**559,485**
Intangible assets	**5**	**46,873**	**48,570**
Property, plant and equipment	**6**	**7,631**	**8,469**
Non-current investments in group companies and associates	**8**	**333,687**	**205,288**
Non-current financial investments	**7**	**94,867**	**82,104**
Shares and non-current equity interests.		197	197
Loans to third parties		147	398
Derivatives	7-10	1,237	7,202
Other financial assets		93,286	74,307
Deferred tax assets	**20**	**247,334**	**215,054**
CURRENT ASSETS		**3,301,520**	**2,900,890**
Inventories	**11**	**14,048**	**16,936**
Advances to suppliers	**12**	**32,300**	**26,167**
Trade and other receivables	**7-9**	**2,202,557**	**1,723,989**
Current investments in group companies and associates	**9**	**532,290**	**784,672**
Current financial investments		**45,822**	**11,403**
Derivatives	7-10	34,366	6,117
Other financial assets		11,456	5,286
Cash and other liquid equivalents	**13**	**474,503**	**337,723**
Total assets		**4,031,912**	**3,460,375**

The accompanying Notes 1 to 29 and Appendix I are an integral part of these annual financial statements.

TÉCNICAS REUNIDAS, S.A.

BALANCE SHEET AT 31 DECEMBER 2022

(Expressed in thousands of euros)

EQUITY AND LIABILITIES	Notes	At 31 December 2022	2021
EQUITY		**202,248**	**190,876**
Shareholders' equity		**198,587**	**195,305**
Share	**14**	**5,590**	**5,590**
Registered share capital		5,590	5,590
Share premium	**14**	**8,691**	**8,691**
Reserves	**15**	**254,152**	**598,376**
Legal and bylaw reserves		1,137	1,137
Capitalisation reserve		3,056	3,056
Other reserves		249,959	594,183
(Treasury shares)	**15**	**(72,909)**	**(73,269)**
Profit/loss for the year	**16**	**3,063**	**(344,083)**
Valuation Adjustments		**3,661**	**(4,429)**
Hedging transactions	10	(3,946)	1,410
Translation differences	17	7,607	(5,839)
NON-CURRENT LIABILITIES		**1,089,360**	**714,234**
Participative loans	**18**	**175,000**	**-**
Non-current provisions		**286,582**	**220,652**
Other provisions	19	286,582	220,652
Non-current payables	**18**	**600,482**	**475,141**
Bank borrowings		593,799	467,261
Derivatives	10	-	2
Other financial liabilities		6,683	7,878
Liabilities from differed taxes	**18**	**27,296**	**18,441**
CURRENT LIABILITIES		**2,740,304**	**2,555,265**
Short-term provisions	**19**	**78**	**23,027**
Current payables	**18**	**223,426**	**281,846**
Bank borrowings		200,914	264,527
Derivatives		21,502	16,310
Other financial liabilities		1,010	1,009
Current payables to group companies and associates	**18**	**259,013**	**435,876**
Trade and other payables	**18**	**2,257,787**	**1,814,516**
TOTAL EQUITY AND LIABILITIES		**4,031,912**	**3,460,375**

The accompanying Notes 1 to 29 and Appendix I are an integral part of these annual financial statements.

TÉCNICAS REUNIDAS, S.A.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in thousands of euros)

	Notes	Year ended 31 December 2022	2021
Net income	**21**	**2,417,488**	**1,609,833**
Sales and services rendered		2,417,488	1,609,833
Changes in inventories of finished goods and work in progress		**(2,889)**	**(516)**
Procurements		**(1,864,919)**	**(1,309,879)**
Consumption of goods		(1,864,919)	(1,309,879)
Other operating income		**8,970**	**6,326**
Non-core and other current operating income		6,189	5,455
Income-related grants transferred to profit or loss		2,781	871
Staff costs	**21.c**	**(271,970)**	**(266,187)**
Wages, salaries and similar expenses		(225,730)	(219,309)
Employee benefit costs		(44,906)	(45,538)
Other employee benefits		(1,334)	(1,340)
Other operating expenses	**21.d**	**(277,390)**	**(237,597)**
Outside services		(227,452)	(205,709)
Taxes other than income tax		(5,903)	(5,616)
Losses on, impairment of and change in allowances for trade receivables		(44,094)	(24,625)
Other current operating expenses		59	(1,647)
Depreciation and amortisation charge	**5 y 6**	**(3,701)**	**(4,858)**
Impairment and gains or losses on disposal of non-current assets		**20**	**(3,510)**
PROFIT/(LOSS) FROM OPERATIONS		**5,609**	**(206,388)**
Finance income		109,798	160,026
Finance costs		(40,537)	(21,174)
Exchange differences		24,308	(22,927)
Impairment and gains or losses on disposals of financial instruments		(115,521)	(288,085)
FINANCIAL PROFIT/(LOSS)	22	**(21,952)**	**(172,160)**
PROFIT/(LOSS) BEFORE TAX		**(16,343)**	**(378,548)**
Income tax	20	19,406	34,465
PROFIT/(LOSS) FOR THE YEAR		**3,063**	**(344,083)**

The accompanying Notes 1 to 29 and Appendix I are an integral part of these annual financial statements.

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TÉCNICAS REUNIDAS, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in thousands of euros)

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2022

		Year ended 31 December	
	Notes	**2022**	**2021**
Profit/(Loss) for the year per income statement		**3,063**	**(344,083)**
Income and expense recognised directly in equity			
Arising from cash flow hedges	10	(42,903)	(16,105)
From actuarial gains and losses and other adjustments	17	13,446	34,032
Tax effect	20	10,744	4,026
Total income and expense recognised directly in equity		**(18,713)**	**21,953**
Transfers to profit or loss			
Arising from cash flow hedges	10	35,738	10,605
Tax effect	20	(8,935)	(2,651)
Total transfers to profit or loss		**26,803**	**7,954**
TOTAL RECOGNISED INCOME AND EXPENSES		**11,153**	**(314,176)**

The accompanying Notes 1 to 29 and Appendix I are an integral part of these annual financial statements.

TÉCNICAS REUNIDAS, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

B) STATEMENT OF CHANGES IN TOTAL EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in thousands of euros)

	Capital (Note 14)	Share premium (Note 14)	Reserves (Note 15)	Treasury shares (Note 16)	Profit/(loss) for the year (Note 16)	Adjustments for changes in value (Notes 17 and 10)	TOTAL
ADJUSTED BALANCE AT BEGINNING OF 2021	5,590	8,691	521,024	(73,109)	77,744	(34,336)	505,604
Total recognised income and expense	-	-	-	-	(344,083)	29,907	(314,176)
Transactions with shareholders or owners							
- Other transactions with shareholders or owners	-	-	(392)	(160)	-	-	(552)
Other changes in equity							
- Distribution of profit	-	-	77,744	-	(77,744)	-	-
BALANCE AT END OF 2021	**5,590**	**8,691**	**598,376**	**(73,269)**	**(344,083)**	**(4,429)**	**190,876**
ADJUSTED BALANCE AT BEGINNING OF 2022	**5,590**	**8,691**	**598,376**	**(73,269)**	**(344,083)**	**(4,429)**	**190,876**
Total recognised income and expense	-	-	-	-	3,063	8,090	11,153
Transactions with shareholders or owners							
- Other transactions with shareholders or owners	-	-	(141)	360	-	-	219
Other changes in equity							
- Distribution of profit	-	-	(344,083)	-	344,083	-	-
BALANCE AT END OF 2022	**5,590**	**8,691**	**254,152**	**(72,909)**	**3,063**	**3,661**	**202,248**

The accompanying Notes 1 to 29 and Appendix I are an integral part of these annual financial statements.

TÉCNICAS REUNIDAS, S.A.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

(Expressed in thousands of euros)

	Notes	**Year ended 31 December 2022**	**2021**
Cash flows from operating activities			
1. Loss for the year before tax		**(16,343)**	**(378,548)**
2. Adjustments for:			
- Depreciation and amortisation charge	5 and 6	3,701	4,858
- Changes in provisions, impairment on commercial transactions	19	44,094	24,625
- Impairment losses	8	114,342	303,193
- Gains on sales of group companies and associates	8	1,179	(15,109)
- Gains/Losses on derecognition and disposal of non-current assets		5	3,510
- Finance income	22	(109,798)	(160,026)
- Finance costs	22	40,537	21,173
- Changes in gains/(losses) on derivatives		35,738	10,604
- Other income and expenses		(1,195)	352
3. Changes in working capital:			
- Inventories and advances	11 and 12	(3,245)	25,844
- Trade and other receivables		(490,653)	(22,766)
Other accounts receivable		(205)	(2,931)
- Trade payables		386,430	(61,644)
- Other financial assets		(18,728)	9,747
- Settlements of hedging derivatives		(59,998)	10,630
4. Other cash flows from operating activities			
- Interest paid		(33,551)	(21,174)
- Dividends received		-	42,066
- Interest received		27,669	17,959
- Income tax recovered/paid		(3,160)	(28,047)
Cash flows from operating activities		**(83,181)**	**(215,684)**
Cash flows from investing activities			
6. Payments due to investments			
- Acquisition of property, plant and equipment	6	(1,142)	(1,241)
- Acquisition of intangible assets	5	(31)	(557)
- Investments in group companies and associates		(4)	-
7. Proceeds from disposals			
- Property, plant and equipment		3	943
- Intangible assets		-	538
- Sales of shares in associates		1,535	15,109
8. Cash flows from investing activities		**361**	**14,792**
Cash flows from financing activities			
9. Proceeds and payments relating to equity instruments			
- Acquisition and disposal of treasury shares, net		218	(552)
10. Receipts and payments from financial liability instruments			
a) Issuance			
- Bank borrowings		461,957	713,908
- Borrowings from group companies and associates		159,329	391,635
b) Return			
- Bank borrowings		(230,600)	(662,143)
- Borrowings from group companies and associates		(171,304)	(358,239)
13. Cash flows from financing activities		**219,600**	**84,609**
Net change in cash and cash equivalents		**136,780**	**(116,283)**
Cash and cash equivalents at beginning of year		**337,723**	**454,006**
Cash and cash equivalents at end of year		**474,503**	**337,723**

The accompanying Notes 1 to 29 and Appendix I are an integral part of these annual financial statements.

NOTES TO THE 2022 ANNUAL FINANCIAL STATEMENTS
(Expressed in thousands of euros)

1. General information

Técnicas Reunidas, S.A. ('the Company') 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 Company mainly operates in the following lines of business:

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

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*)

As indicated in Note 8, the Company is the parent of a group of companies ('the Group'). The accompanying annual financial statements were prepared on an unconsolidated basis. On 28 February 2023, the Board of Directors prepared the consolidated financial statements of Técnicas Reunidas, S.A. and its subsidiaries at 31 December 2022, which were prepared using the international financial reporting standards adopted by the European Union (EU-IFRS). In accordance with the content of these consolidated annual financial statements, the Net Equity amounts to EUR 83,014 thousand (2021: EUR 104,658 thousand), including a loss of EUR 34,484 thousand in 2022 (2021: EUR 192,133 thousand), of which EUR 37,134 thousand is attributable to the Company's shareholders (2021: EUR 190,443 thousand).

2. Basis of presentation

Regulatory financial reporting framework applicable to the Company

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

a. The Spanish Commercial Code [*Código de Comercio*] and all other Spanish corporate legislation.
b. The Spanish National Chart of Accounts approved by Royal Decree 1514/2007, which was amended by Royal Decree 1/2021, and its industry adaptations.
c. The mandatory rules approved by the Spanish Accounting and Audit Institute to implement the National Chart of Accounts and its supplementary rules.
d. All other applicable Spanish accounting legislation.

Fair presentation

The 2022 annual financial statements have been prepared from the Company's accounting records and are presented in accordance with prevailing commercial law and the standards laid down in the National Chart of Accounts enacted by Royal Decree 1514/2007 and the amendments to it, the last of which were implemented by Royal Decree 1/2021 of 12 January, in force for financial years started as of 1 January 2021, so as to show a true and fair view of the Company's assets, financial position and results, as well as the accuracy of the cash flows contained in the cash flow statement. They were authorised for issue by the Company's directors in order express fairly its equity, financial position, results from its operations, changes in equity and cash flows in accordance with the aforementioned current law.

Effects of COVID-19 and enforcement of guarantees in Algeria on the Company's activity

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 Company continued to perform the set of activities initiated in previous years, aimed at strengthening the implementation of the projects in its portfolio, the consolidation of the efficiency plan that has been underway since 2019, the achievement of new projects and its liquidity and solvency position.

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

In addition, the Company 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 Company 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 18).

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

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

Impact on operations

Despite the COVID 19 crisis, the Company 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 Company'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 Company 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 (the date of the lockdown), (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 financial statements), have been fully rescheduled and are progressively moving towards an ordinary implementation rate, which has led to a gradual recovery in revenues. Geographical diversification, constant communication with our customers 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.

Impact on liquidity

The Company 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, in particular, during 2023.

(ii) Progress of projects according to the schedules agreed with customers.

(iii) Progressive recovery of new projects awarded and their impact on cash flow.

(iv) Progress on the ongoing plans to improve efficiency and cash flows.

(v) Completion of the various arbitration and litigation cases in progress.

(vi) Cash conversion of work performed but not yet invoiced under 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 terms 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 Company extended the maturity of its borrowings and obtained new short and long-term financing (see Note 18). New working capital management measures have been put in place to mitigate the impact of the slowdown in the payment of work carried out but not yet invoiced.

The Company's directors, taking into account the forecasts for the recovery of its 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 18), and due to the launch of the Transforma 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 Company's directors have made an assessment of the Company'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 Company's directors consider that the Company'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 Company's directors have concluded favourably on the application of the going concern principle in the preparation of the 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 of EUR 294 million. However, the Company's Directors consider that the Company 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 Company 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 Company's commercial equity and cover the losses from COVID 19 (see Note 18).

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 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 Company 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 estimated medium- and long-term performance of operations, concluding that they may be recovered. In any case, in this complex environment, and also taking into account the deterioration of the situation in Algeria, the Company has set aside a provision for risks and charges of EUR 81 million to cover risks due to litigation and existing claims (Note 19).

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.

Enforcement of guarantees in Algeria

On 8 June 2022, the consortium formed by Neptune Energy and Sonatrach called for the enforcement of 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 Company 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.

Comparative information

For information comparison purposes, the Company presents, together with the balance sheet, the income statement, the statement of cash flows and the statement of changes in equity for the years ended 31 December 2022 and 2021. The Company presents comparative information in the explanatory notes to the financial statements when it is relevant for a better understanding of the current year's financial statements.

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

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

Accounting estimates and judgements

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

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

a) Revenue recognition

The Company uses the percentage of completion method to recognise revenue. The percentage of completion is determined based on a financial assessment of the tasks effectively carried out as of the balance sheet date as a percentage of the total estimated costs for each contract. This revenue recognition method is applied only when the outcome of the contract can be reliably estimated and it is likely that the contract will generate profits. If the outcome of the contract cannot be reliably estimated, revenue is recognised to the extent that costs are recovered. When it is likely that the costs of the contract will exceed contract revenue, the loss is immediately recognised as an expense. When applying the percentage of completion method, the Company analyses various factors that may give rise to changes in the estimated costs of the projects with regard to that plant and, based on this analysis, makes significant estimates relating to the total costs necessary to perform the contract. These estimates are reviewed and assessed regularly in order to verify whether or not a loss has been generated and whether it is possible to continue applying the percentage-of-completion method or whether it is necessary to re-estimate the expected margin on the project (Note 3.15).

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

b) Income tax and deferred tax assets

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

c) 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. The Company's 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.

d) Accounts receivable

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

e) Fair value of unlisted financial instruments

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

f) Warranty claims

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

g) Investment of equity investments in group companies, jointly controlled entities and associates

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

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

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

i) Impairment of concession assets

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

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

Grouping of items

In order to make it easier to understand the balance sheet, the income statement, and the statement of cash flows, these statements have been presented grouped together, with the required analysis included in the report's corresponding notes.

3. Accounting criteria

3.1. Intangible assets

a) Research and development expenditure

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

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

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

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

b) Computer software

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

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

c) Patents, licenses, brands and others

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

d) Concession arrangement, regulated asset

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

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

3.2. Property, plant and equipment

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

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

(Expressed in thousands of euros)

Costs for expanding, modernising or improving tangible fixed assets are incorporated into the asset as increased value of the goods only when they represent an increase in their capacity or productivity, or an increase in their lifespan, and provided that it is possible to calculate or estimate the book value of the items that were removed from inventory due to their being replaced.

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

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

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

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

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

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

3.3. Borrowing costs

Financing costs directly attributable to acquiring or constructing fixed assets that would need over a year to be in usable condition are incorporated into the assets' costs until they are operational.

3.4. Impairment losses to non-financial assets

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

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

3.5. Financial assets

For measurement purposes, the Company determines the classification of its investments when they are initially recognised and reviews the classification at each reporting date.

The classification depends on the purpose for which the financial assets were acquired, and are measured in accordance the following criteria:

a) Financial assets at amortised cost

This category includes financial assets, including those admitted to trading on an organised market, in which the Company holds the investment with the objective of receiving cash flows from the performance of the contract, and the contractual terms of the financial asset give rise, at specified dates, to cash flows that are solely collections of principal and interest on the principal amount outstanding.

Contractual cash flows that are solely collections of principal and interest on the principal amount outstanding are inherent in an arrangement that is in the nature of a regular or ordinary loan, regardless of whether the transaction is arranged at a zero or below-market interest rate.

This category includes trade receivables and non-trade receivables:

a) Trade receivables are the financial assets arising from the sale of goods and provision of services in relation to the Company's operating activities and that have deferred payment.

b) Non-trade receivables are financial assets that are not equity instruments or derivatives, are not of commercial origin and whose collections are of a determined or determinable amount arising from loans or credits granted by the company.

Initial recognition: The financial assets classified in this category are initially recognised at fair value, which, in the absence of evidence to the contrary, will be the transaction price and is equal to the fair value of the consideration paid plus any directly attributable transaction costs.

However, trade receivables maturing within one year that do not have an explicit contractual interest rate, and advances and loans to employees, dividends receivable and capital calls expected to be collected in the short term, are measured at nominal value to the extent that the effect of not discounting cash flows is deemed not to be material.

Subsequent appraisal: The financial liabilities included in this category will be measured at their amortised cost. The interest accrued will be recognised in the income statement using the effective interest method.

However, receivables maturing within one year which, in accordance with that stated in the previous section, are initially measured at their nominal value, continue to be measured at this amount, unless there was a decline in their value.

When the contractual cash flows of a financial asset change due to the issuer's financial difficulties, the company assesses whether an impairment loss should be recognised.

Impairment losses: The necessary valuation adjustments are made at least at the balance sheet date and whenever there is objective evidence that a financial asset, or a group of financial assets with similar risk characteristics measured collectively, is impaired as a result of one or more events that occurred after its initial recognition and that lead to a reduction or delay in the estimated future cash flows, which may be caused by the insolvency of the debtor.

In general, the impairment loss on these financial assets is the difference between their carrying amount and the present value of future cash flows, including, where applicable, those from the enforcement of collateral and personal guarantees, estimated to be generated, discounted at the effective interest rate calculated at the time of initial recognition. For the financial assets subject to a variable interest rate, the effective interest rate at the closing date of the financial statements is used in accordance with the contractual conditions.

The value adjustments for impairment, and their reversal when the amount of this loss diminishes as a result of a subsequent event, are recognised as income or expense, respectively, in the income statement. The reversal of impairment will be limited to the carrying amount of the asset recognised at the reversal date had the impairment of the amount not been recognised.

b) Financial assets at cost

In any case, these measurement categories include:

a) Equity investments in group companies, jointly controlled entities and associates.

b) Other investments in equity instruments whose fair value cannot be determined by reference to a quoted price in an active market for an identical instrument, or cannot be reliably estimated, and the derivatives underlying these investments.

c) hybrid financial assets whose fair value cannot be reliably estimated, unless they qualify for recognition at amortised cost.

d) Contributions made as a result of a joint venture and similar agreements.

e) participating loans whose interest is contingent either because a fixed or variable interest rate is agreed to be payable on the achievement of a milestone in the borrower's business (e.g. the achievement of profits) or because it is calculated solely by reference to the performance of the borrower's business.

f) any other financial asset that is initially classified in the fair value through profit or loss portfolio when it is not possible to obtain a reliable estimate of its fair value.

Investments included in this category are initially measured at cost, which is the fair value of the consideration given plus directly attributable transaction costs, and the latter is not included in the cost of investments in group companies.

However, in cases where an investment exists prior to its classification as a group company, jointly controlled entity or associate, the cost of this investment is considered to be the carrying amount that it should have had immediately before the company was classified as such.

The amount of any pre-emption and similar rights that, if applicable, have been acquired will form part of the initial measurement.

Subsequent appraisal: After they have been initially recognised, the equity instruments included in this category are valued at their cost less, where appropriate, the accumulated amount of the valuation adjustments for impairment.

When a value must be assigned to these assets due to de-recognition from the balance sheet or for another reason, the average weighted cost by homogeneous group is applied, deemed to be the securities which have equal rights.

In the case of the sale of pre-emption and similar rights, or the segregation of these rights in order to exercise them, the cost of the rights will reduce the carrying amount of the respective assets.

The contributions made as a result of a joint accounts agreement and similar agreements will be measured at cost, increased or reduced by the profit or loss respectively, corresponding to the Company as non-managing participant, and less, as applicable, the cumulative amount of the impairment losses.

The same criterion is applied for participating loans whose interest is contingent either because a fixed or variable interest rate is agreed to be payable on the achievement of a milestone in the borrower's business (e.g. the achievement of profits) or because it is calculated solely by reference to the performance of the borrower's business. If, in addition to contingent interest, irrevocable fixed interest is agreed, the latter is recognised as financial income on an accrual basis. Transaction costs are allocated to the income statement on a straight-line basis over the life of the participating loan.

Impairment losses: The necessary valuation adjustments are made at least at the reporting date, provided there is objective evidence that the carrying amount of an investment will not recoverable. The impairment losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment calculated, in the case of equity instruments, either by estimating the cash flows expected to be received as a result of the dividends distributed by the investee and of the disposal or derecognition of the investment or by estimating the share of the cash flows expected to be generated by the investee arising both in the course of its ordinary activities and as a result of the disposal or derecognition of the investment.

Unless there is better evidence of the recoverable amount of investments in equity instruments, the estimate of the impairment loss on this type of asset is calculated on the basis of the equity of the investee and the unrealised gains existing at the valuation date, net of the tax effect. Provided the investee in turn holds investments in another company, the calculation of this value takes into account the equity included in the financial statements prepared in accordance with the criteria established in the Commercial Code and in the implementing regulations.

Recognition of valuation adjustments for impairment and, where appropriate, their reversal, is recognised as income or expense, respectively, in the income statement. The reversal of impairment will be limited to the carrying amount of the investment recognised at the reversal date had the impairment of the amount not been recognised.

However, if an investment in the company was made prior to its classification as a group company, jointly controlled entity or associate and, prior to that classification, valuation adjustments were made and recognised directly in equity in respect of that investment, those adjustments are retained after classification until the investment is disposed of or derecognised, at which time they are recognised in the income statement, or until the following circumstances occur:

a) In the case of previous valuation adjustments for increases in value, impairment allowances will be recorded against the equity item reflecting the previously made valuation adjustments up to the amount of the adjustments, and any excess is recorded on the income statement. The impairment loss recognised directly in equity is not reversed.

b) In the case of previous impairment adjustments, when the recoverable amount subsequently exceeds the carrying amount of the investments, the latter is increased, up to the limit of the impairment, against the item that recorded the previous impairment adjustments, and after that the new amount arising is treated as the cost of the investment. However, when there is objective evidence of impairment in the value of the investment, the accumulated losses are recognised directly in equity on the income statement.

Assets designated as hedged items are subject to the measurement requirements for hedge accounting (Note 3.11).

c) Financial assets at fair value through profit or loss

This category includes equity instruments that are not held for trading or that must be measured at cost, and on which the irrevocable choice was made at the time of their initial recognition to present subsequent changes in fair value directly in equity.

They also include those financial assets designated, at the time of initial recognition, irrevocably measured at fair value through profit and loss, and otherwise included in another category, to eliminate or significantly reduce an inconsistency in measurement or accounting misrepresentation that would arise in another case from the measurement of assets or liabilities on different bases.

Initial recognition: Financial liabilities are initially measured at fair value which, unless proven otherwise, is the transaction price, which is equivalent to the fair value of the consideration received. Directly attributable transaction costs are recognised in the consolidated income statement.

Subsequent appraisal: After initial recognition, the Company will measure the financial assets included in this category at fair value through profit and loss.

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.

3.6. Inventories

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

The costs associated with the bids are recognised as inventories when it is likely or certain that the contract will be secured or when it is known that these costs will be recovered or included in the contract revenue. They correspond to incremental pre-engineering costs for projects that are only capitalised if the contract is finally awarded. These costs are taken to the income statement depending on the stage of completion of the related project.

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

3.7. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits in banks and other short-term highly liquid investments originally maturing within three months or less that are not subject to significant changes in value. Bank overdrafts are classified as borrowings under current liabilities on the balance sheet. At 31 December 2022 and 2021, the Company had no bank overdrafts.

3.8. Equity

Share capital is represented by ordinary shares.

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

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

3.9. Financial liabilities

Financial liabilities will be classified for measurement purposes into one of the following categories:

Financial liabilities at amortised cost

In general, this category includes trade payables and non-trade payables:

a) Trade payables are financial liabilities arising from the purchase of goods and services in the ordinary course of the company's business with deferred payment; and

b) Non-trade payables are financial liabilities that are not derivative instruments, did not arise from trade transactions, and arose from loans or credits received by the company.

Participating loans that have the characteristics of an ordinary or common loan are also included in this category without prejudice to the agreed interest rate (zero or below market).

Financial liabilities included in this category are initially measured at fair value, which is the transaction price, which is the fair value of the consideration received adjusted for directly attributable transaction costs.

However, trade payables maturing within one year where there is no contractual interest rate, and capital calls receivable from third parties on holdings that are expected to be paid in the short term, are measured at their nominal value when the effect of not discounting cash flows is not material.

The financial liabilities included in this category are subsequently measured at their amortised cost. The interest accrued is recognised in the income statement using the effective interest method.

Nevertheless, debits maturing within one year that are initially measured at their nominal value continue to be measured at this amount.

3.10. Grants received

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

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

3.11. Financial derivatives and accounting hedges

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

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

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

However, if it is no longer probable that this transaction will take place, any cumulative gains or losses recognised under equity are immediately transferred to the income statement.

For derivative financial instruments not designated as hedging instruments or that do not qualify to be designated as such, any changes in fair value at each measurement date are recognised as finance income or costs in the income statement.

3.12. Current and deferred taxes

Expenditures (income) for income tax is the amount accrued for this item. It is accrued in the fiscal year and includes both the amount outlaid (received) for current taxes and the amount for deferred taxes.

Expenditures (income) for both current and deferred taxes are recorded in the income statement. However, the tax effect related to items that are recognised directly in equity is likewise recognised in equity.

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

Deferred taxes are calculated using the liability method, based on the temporary differences arising between the tax bases for assets and liabilities and their book values.

Deferred tax assets are recorded insofar as there will likely be future fiscal income from them that could be used to offset the temporary differences.

Yet if the taxes are deferred due to an initial recognition of an asset or liability in a transaction that is not a business combination that at the time of the transaction does not affect the accounting results or tax base of the tax, they are not recorded.

Deferred tax is determined by applying regulations and tax rates that have been approved or are about to be approved at the time of the statement date, and which are expected to be applicable when the corresponding deferred tax asset is registered or when the deferred tax liability is paid.

Técnicas Reunidas, S.A. files consolidated tax returns with certain companies of the Company (see Note 20).

3.13. Employee benefits

Termination benefits

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

Bonus plans

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

3.14. Provisions and contingent liabilities

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

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

On the other hand, contingent liabilities are considered to be any obligations arising from past events, the occurrence of which is conditional upon whether one or more future events occur that are beyond the Company's control. These contingent liabilities are not recognised for accounting purposes, but rather are disclosed in Note 23.

3.15. Revenue recognition

Revenue includes the fair value of the considerations received or to be received for the sale of goods and services in the ordinary course of the Company's business activities. Revenue is presented net of value added tax, returns, rebates and discounts, and after having excluded sales within the Company. The Company recognises revenue when the amount thereof can be reliably measured, when it is probable that the future economic benefits will flow to the Company and when the specific conditions for each of the activities are met, as detailed below. In 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 Company bases its estimates on past results, taking into account the type of customer, type of transaction and specific terms of each agreement.

Service agreements

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

Turnkey engineering contracts

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

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

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

The Company recognises an account receivable for the gross amount owed by customers for work performed under all contracts in progress for which the costs incurred plus the recognised profits (less recognised losses) exceed the amount of progress billings. Progress billings outstanding and withholdings are included in trade and other receivables.

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

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

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

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

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

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

Concession arrangements

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

Dividend income

Dividend income is recognised as income in the income statement when the right to receive payment for it is established. If, however, the dividends that are distributed come from profits earned prior to the acquisition date, they are not recorded as income, thus reducing the carrying amount of the investment.

Interest income

Interest income is recognised using the effective interest method. When an account receivable suffers an impairment loss, the Company reduces its carrying amount to its recoverable value, reducing the estimated future cash flows at the instrument's original effective interest rate, and the reduction is carried over as reduced interest revenue. Interest income from loans that have become impaired is recognised using the effective interest method.

3.16. Foreign currency transactions

Functional and presentational currency

The Company's financial statements are presented in thousands of euros. The Company's functional currency and that in which it expresses its financial statements is the euro.

Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Profits and losses in foreign currencies that are the result of settling these transactions and converting their currency at the closing rate of the monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where they differ in net assets, such as qualified cash hedges or qualified net investment hedges.

3.17. Leases

Financial leases

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

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

Operating leases

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

3.18. Group companies and associates

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

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

3.19. Joint ventures – Unincorporated joint ventures (UTEs) and consortiums

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

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

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

None of the UTEs use accounting policies that differ from those applied by the Company.

Ownership interest in jointly controlled entities is recognised in accordance with the provisions for equity investments in group companies, jointly controlled entities and associates (Note 3.5).

3.20. Business combinations

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

3.21. Connected party transactions

In general, transactions between group companies are recognised initially at fair value. In the event that the price agreed upon in a transaction differs from its fair value, the difference is recognised in accordance with the economic substance of the transaction. These transactions are subsequently measured in accordance with the corresponding regulations.

3.22. Statement of cash flows

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

- Cash flows: inflows and outflows of cash and cash equivalents (Note 13).

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

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

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

4. Financial risk management

4.1. Financial risk factors

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

Risk management is carried out by the Company's Finance Department, Business Units and Corporate Treasury Department in accordance with policies approved by the Company's Board of Directors and supervised by the Audit and Control Committee. This Department identifies, assesses and covers financial risks.

a) Market risk

a.1) Exchange rate risk

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

(Expressed in thousands of euros)

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

The nature of the Company's business operations means that it is very common to contract transactions with customers in US dollars, while the corresponding costs are usually denominated in multiple currencies, albeit mainly USD. If, at 31 December 2022, the euro had been estimated/depreciated by 10% against the USD, with the remaining constant variables remaining, the profit or loss before tax for the year would have been higher/lower by EUR 22,063 thousand (2021: EUR 1,703 thousand higher/lower) mainly as a result of the gains/losses generated by the appreciation/depreciation of the USD positions.

If the euro had appreciated / depreciated against the US dollar by a hypothetical 10%, equity would have been EUR 27,841 thousand higher / lower in the year ended 31 December 2021 (2021: EUR 7,919 thousand higher / lower); these amounts were calculated based on the changes in profits outlined in the paragraph above and the estimated changes in value of the hedging derivatives recognised in the equity reserve (all before considering the related tax effect).

This effect would arise as long as the change in USD compared to EUR took place within less than 115 days (2021: 174 days) since this is the average maturity at which hedge transactions are contracted.

Accordingly, the Company has various investments in foreign operations, the net assets of which are exposed to foreign currency risk. In general, the Company'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:

	2022	2021
Saudi Riyal	120,841	70,333
Turkish Lira	10,829	25,436
Peruvian Sol	89,201	105,089

a.2) Price risk

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

(Expressed in thousands of euros)

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

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

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

The Company generally endeavours to self-finance its projects, establishing invoicing and collection milestones with customers that cover the payment deadlines undertaken with suppliers. However, the Company maintains debt instruments to meet its operating needs. The majority of these credit lines are negotiated at variable interest rates tied to EURIBOR. In the current situation where the EURIBOR is negative, the variable interest rates established in the credit lines are considered the best policy to minimise the impact of interest rate risk. In addition, and, as part of the policy of prudence and control of interest rate risk and the impact that the change in interest rate risk may have on the 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 the reporting date is as follows:

						Thousands of euros
	2022			2021		
	Tied to Euribor	Other reference rates	Total	Tied to Euribor	Other reference rates	Total
Participating loan (Note 18)	(175,000)	-	(175,000)	-	-	-
Borrowed funds at variable rates (Note 18)	(339,907)		(339,907)	(383,033)		(383,033)
Interest-earning cash and cash equivalents (Note 14)	167,439	307,064	474,503	284,451	53,272	337,723
	(347,468)	**307,064**	**(40,404)**	**(98,582)**	**53,272**	**(45,310)**

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, the impact on profit of a 25 basis point fluctuation in interest rates would imply, at most, an increase/decrease of EUR 1,980 thousand (2021: EUR 133 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 result of a decrease/increase of EUR 514 thousand. (2021: EUR 0 thousand).

b) Credit risk

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

- Assets arising from derivative financial instruments (Note 10) and sundry balances, including cash and cash equivalents (Note 13).

(Expressed in thousands of euros)

- Balances related to financial assets at amortised cost (Note 9).

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

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

The main trade receivables represent 85% of the total 'Trade receivables' account (included under Trade and other receivables) at 31 December 2022 (2021: 87%), and they relate to transactions with the type of entities mentioned above, with which the Company considers that the credit risk is very limited.

c) 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 and the capacity to settle market positions.

The trend in customer contracts, which include tighter cash flows, has led the Company to optimise its financing lines.

Management monitors the Company's projected liquidity reserve on the basis of expected cash flows. In addition, the Company 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 Company'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**
Non-current bank borrowings (Note 18)*	(794,713)	(731,788)
Cash and cash equivalents (Note 13)	474,503	337,723
Net cash	**(320,210)**	**(394,065)**
Undrawn credit lines and other loans (Note 18)**	15,577	117,955
Total liquidity reserves	**(304,633)**	**(276,110)**

* This amount does not include the participating loan.

** This amount does not include the unused amount of the limits in the MARF amounting to EUR 190 million and EUR 141 million at the close of 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 Company's covenants and waivers, see note 18).

(Expressed in thousands of euros)

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

				Thousands of euros
	Within one year	**From 1 to 2 years**	**From 2 to 5 years**	**More than 5 years**
At 31 December 2022				
Participating loans (Note 18)			175,000	
Borrowings (Note 18)	200,914	414,945	118,675	60,179
Derivative financial instruments (Note 10)	21,502			
Trade and other payables (Note 18)	2,257,787			
Total	**2,480,203**	**414,945**	**293,675**	**60,179**
At 31 December 2021				
Borrowings (Note 18)	264,527	127,262	255,539	84,460
Derivative financial instruments	16,310			
Trade and other payables	1,814,516			
Total	**2,095,353**	**127,262**	**255,539**	**84,460**

4.2. Capital risk management

The Company'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 Company monitors capital on the basis of the leverage ratios set out below. The leverage ratio is calculated dividing financial debt by equity. The debt is calculated as the total financial debt (as calculated for the purpose of compliance with covenants). Equity is the amount shown in the financial statements. The ratio of net cash (calculated in accordance with the covenant compliance requirements, which do not include the participating loan) to net equity is also determined.

(Expressed in thousands of euros)

	Thousands of euros	
	2022	**2021**
Borrowings (Note 18)*	(794,713)	(731,788)
Net cash	(320,210)	(394,065)
Equity	**202,248**	**190,876**
% Borrowings / Equity	**393%**	**383%**
% Net cash/Equity	**(158%)**	**(206%)**

* This amount does not include the participating loan

The effect of considering the participating loan as part of equity for commercial effects and net cash for the purposes of covenants in 2022 is as follows:

	Thousands of euros	
	2022	**2021**
Borrowings (Note 18)	(794,713)	(731,788)
Net cash	(320,210)	(394,065)
Commercial equity	**377,248**	**190,876**
% Borrowings / Commercial Equity	**210%**	**383%**
% Net cash/Commercial Equity	**(84%)**	**(206%)**

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 Company 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.

4.3. Estimate of 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 Company’s assets and liabilities measured at fair value at 31 December 2022 and 2021.

(Expressed in thousands of euros)

At 31 December 2022	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets at fair value through profit or loss (Note 9)	197	-	-	197
Hedging derivatives (Note 10)	-	35,603	-	35,603
Total assets	**197**	**35,603**	**-**	**35,800**
Liabilities				
Hedging derivatives (Note 10)	-	21,502	-	21,502
Total liabilities	**-**	**21,502**	**-**	**21,502**

At 31 December 2021	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets at fair value through profit or loss (Note 9)	197	-	-	197
Hedging derivatives (Note 10)	-	13,319	-	13,319
Total assets	**197**	**13,319**	**-**	**13,516**
Liabilities				
Hedging derivatives (Note 10)	-	16,310	-	16,310
Total liabilities	**-**	**16,310**	**-**	**16,310**

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 Company 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 Company's own credit risk, where applicable.

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

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

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

4.4. Environmental risk management

For the Company, environmental management is a priority integrated into its strategy that focuses on the environmental requirements of all its facilities and projects.

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

In addition, the Company is also exposed to physical risks, particularly the geographic location of some customers, 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 Company 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. Accordingly, the Company has submitted its internally approved decarbonisation targets to SBTi for validation, which is estimated for 2023. In addition, Técnicas Reunidas has approved its internal emission reduction plan, with specific actions to achieve these objectives.

The Company 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.

(Expressed in thousands of euros)

5. Intangible assets

The details and movements of the items included under intangible fixed assets are as follows:

	Thousands of euros			
	Concession arrangement, regulated asset	Patents, licences and trademarks	Computer software	Total
Balance at 1/1/21				
Cost	74,361	370	11,024	85,755
Accumulated amortisation and impairment	(25,330)	-	(9,791)	(35,121)
Book value	**49,031**	**370**	**1,233**	**50,634**
Additions	-	-	557	557
Disposals	-	(13)	(9,547)	(9,560)
Amortisation charge	(1,483)	-	(344)	(1,827)
Derecognition of depreciation	-	-	9,023	9,023
Impairment	(257)	-	-	(257)
Other changes in cost	-	-	8	8
Other changes in depreciation	-	-	(8)	(8)
Balance at 31/12/21				
Cost	74,361	357	2,042	76,760
Accumulated amortisation and impairment	(27,070)	-	(1,120)	(28,190)
Book value	**47,291**	**357**	**922**	**48,570**
Additions	-	-	31	31
Disposals	-	-	(27)	(27)
Amortisation charge	(1,483)	-	(245)	(1,729)
Derecognition of depreciation	-	-	27	27
Other changes in cost	-	-	6	6
Other changes in depreciation	-	-	(5)	(5)
Balance at 31/12/22				
Cost	74,361	357	2,052	76,770
Accumulated amortisation and impairment	(28,553)	-	(1,344)	(29,897)
Book value	**45,807**	**357**	**708**	**46,873**

(Expressed in thousands of euros)

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
Alcobendas sports complex	2062	User charges	At end of concession term
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
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 operating these concessions amounted to EUR 5,961 thousand in 2022 (2021: EUR 5,308 thousand).

In 2022 and 2021, no finance costs were capitalised and no impairment losses in addition to those already existing were recognised.

Computer software

'Computer software' includes the title to and the right to use computer programs acquired from third parties. The main losses in the year relate to management software licenses that are no longer in use.

At 31 December 2022, the cost of the Company's fully depreciated items of intangible assets included on the balance sheet amounted to EUR 443 thousand (2021: EUR 482 thousand) and it corresponds mainly to computer applications.

(Expressed in thousands of euros)

6. Property, plant and equipment

The details and movements of the items included under property, plant and equipment are as follows:

			Thousands of euros
	Land and buildings	Technical facilities and other tangible fixed assets	Total
Balance at 1/1/21			
Cost	1,528	79,386	80,914
Accumulated depreciation and amortisation	(398)	(66,170)	(66,568)
Book value	**1,130**	**13,216**	**14,346**
Additions	-	1,241	1,241
Disposals	(99)	(55,304)	(55,403)
Amortisation charge	(32)	(2,999)	(3,031)
Derecognition of depreciation	99	51,107	51,207
Other changes in cost	-	256	256
Other changes in depreciation	-	(146)	(146)
Balance at 31/12/21			
Cost	1,429	25,579	27,008
Accumulated depreciation and amortisation	(331)	(18,208)	(18,539)
Book value	**1,098**	**7,371**	**8,469**
Additions	-	1,142	1,142
Disposals	-	(369)	(369)
Amortisation charge	(32)	(1,941)	(1,972)
Derecognition of depreciation	-	367	367
Other changes in cost	-	140	140
Other changes in depreciation	-	(146)	(146)
Balance at 31/12/22			
Cost	1,429	26,492	27,921
Accumulated depreciation and amortisation	(363)	(19,927)	(20,290)
Book value	**1,066**	**6,564**	**7,631**

a) Impairment losses

In 2022 and 2021 no impairment losses were recognised or reversed for individual property, plant and equipment.

b) Property, plant and equipment abroad

At 31 December 2022, the carrying amount of the assets located abroad, which relate to plant and other items of property, plant and equipment, amounted to EUR 1,202 thousand (2021: EUR 1,112 thousand), including total amortisation of EUR 4,233 thousand (2021: EUR 3,991 thousand).

(Expressed in thousands of euros)

c) Fully depreciated assets

At 31 December 2022, the cost of the fully depreciated items of property, plant and equipment still in use on the balance sheet amounted to EUR 9,104 thousand (2021: EUR 7,808 thousand).

d) Assets under operational leases

'Outside services' in the income statement includes operating lease expenses corresponding to the lease of offices amounting to EUR 10,515 thousand (2021: EUR 11,741 thousand).

e) Insurance

The Company has taken out several insurance policies to cover the risks to which property, plant and equipment assets are exposed. The cover provided by these policies is considered sufficient.

7. Analysis of financial instruments

7.1 Analysis by category

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

a) **Financial assets**:

	Thousands of euros					
	Non-current financial assets					
	Equity instruments		Derivatives Loans Other		Total	
	2022	2021	2022	2021	2022	2021
Financial assets at amortised cost (Note 9)	-	-	93,433	74,705	93,433	74,705
Financial assets at fair value through profit or loss (Note 9)	197	197	-	-	197	197
Hedging derivatives (Note 10)	-	-	1,237	7,202	1,237	7,202
Total	**197**	**197**	**94,670**	**81,907**	**94,867**	**82,104**

(Expressed in thousands of euros)

	Thousands of euros					
	Current financial assets					
	Equity instruments		Derivatives Loans Other		Total	
	2022	2021	2022	2021	2022	2021
Financial assets at amortised cost (Note 9)	-	-	2,698,782	2,477,761	2,698,782	2,477,761
Hedging derivatives (Note 10)	-	-	34,366	6,117	34,366	6,117
Total	**-**	**-**	**2,733,148**	**2,483,878**	**2,733,148**	**2,483,878**

b) Financial liabilities:

	Thousands of euros					
	Non-current financial liabilities					
	Bank borrowings		Derivatives Loans Other		Total	
	2022	2021	2022	2021	2022	2021
Financial liabilities at amortised cost or at cost (Note 18)	593,799	467,261	6,683	7,878	600,482	475,139
Hedging derivatives (Note 10)		-	-	2	-	6,117
Total	**593,799**	**467,261**	**6,683**	**7,880**	**600,482**	**481,256**

	Thousands of euros					
	Current financial liabilities					
	Bank borrowings		Derivatives Loans Other		Total	
	2022	2021	2022	2021	2022	2021
Financial liabilities at amortised cost or at cost (Note 18)	200,914	264,527	2,486,183	2,223,317	2,687,097	2,487,844
Hedging derivatives (Note 10)	-	-	21,502	16,310	21,502	16,310
Total	**200,914**	**264,527**	**2,507,685**	**2,239,627**	**2,708,599**	**2,504,154**

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

(Expressed in thousands of euros)

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

8. Holdings in group companies, jointly controlled entities and associates

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

	Thousands of euros	
	2022	**2021**
Holdings in group companies, jointly controlled entities and associates	333,687	205,288
	333,687	**205,288**

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

In 2022, the stake in Ibérica del Espacio, S.A. was derecognised, whereby EUR 1,179 thousand was recognised as impairment and loss on disposal of financial instruments on the income statement (Note 22).

In 2021 the stake in Técnicas Reunidas Australia Pty. was derecognised and the profit obtained amounted to EUR 15,109 thousand, which is recognised as impairment and gains or losses on disposals of financial instruments on the income statement (Note 22).

The changes in investments in group companies, jointly controlled entities and associates at 31 December 2022 and 2021 are as follows:

	Thousands of euros			
	1 January 2022	**Additions**	**Disposals**	**31 December 2022**
Holdings in group companies, jointly controlled entities and associates	497,780	236,772	(49,573)	684,979
Unpaid capital	(1,150)	-	-	(1,150)
Impairment of investments	(291,342)	(90,326)	31,526	(350,142)
Total	**205,288**	**146,446**	**(18,047)**	**333,687**

	1 January 2021	**Additions**	**Disposals**	**31 December 2021**
Holdings in group companies, jointly controlled entities and associates	496,259	1,579	(60)	497,780
Unpaid capital	(1,150)	-	-	(1,150)

(Expressed in thousands of euros)

Impairment of investments	(117,352)	(180,617)	6,630	(291,342)
Total	**377,757**	**(179,038)**	**6,570**	**205,288**

The additions to holdings in group, multi-group and associated companies mainly correspond to the contribution of shareholders to TR Canada INC for EUR 78,928 thousand, to Tecreun República Dominicana, S.R.L. for EUR 8,218 thousand and to the capital increase in TR Saudia for Services & Contracting Co. Limited in the amount of EUR 144,120 thousand. The additions of the above stakes were offset by loans that the subsidiaries had with the Company.

The derecognition corresponds to the reduction of capital in TSGI Muhendislik Insaat LTD. Sirketi for EUR 44,735 thousand, and to the sale of Ibérica del Espacio for EUR 4,791 thousand.

With regard to the impairment, a provision of EUR 78,928 thousand was made for the ownership interest in TR Canada Inc., a provision of EUR 6,200 thousand for the ownership interest in Tecreun Dominican Republic, S.R.L. and EUR 3,729 thousand for the participation in Técnicas Reunidas Ecología, S.A.

The Company also derecognised the provision in TSGI Muhendislik Insaat LTD. Sirketi for EUR 24,481 thousand and in Minatrico, S. de R.L. de C.V., for EUR 4,107 thousand.

In 2022, the Company did not impair its shareholding in TR Saudia for Services & Contracting Co. Limited, due to a reassessment and update of its business plan based on three fundamental pillars:

- Favourable expectations for the generation of new business with tenders planned for EUR 24.5Bn of investment in 2023 and 2024, where the Company expects to be successful.
- The impact of the Transform2 Plan on improving operating results in Arabia.
- Updates to the Strategic Plan focused on being more selective, seeking greater efficiency and profitability, which is manifested in mitigating the construction risk by incorporating partners that share or assume it.

In 2021, the Company had impaired its shareholding in TR Saudia for Services & Contracting Co. Limited in the amount of EUR 173,729 thousand.

This update and reassessment of the plan includes a more balanced mix in the geographical diversification of the project portfolio, a reallocation of tasks between the Company and its subsidiaries and the search for profitability in less mature markets. The main assumptions used in relation to portfolio volume, revenue and margins are in line with the reassessment of Técnicas Reunidas' strategic plan.

In 2022 the dividends received for shares in group companies, jointly controlled entities and associates totalled EUR 82,129 thousand (2021: EUR 142,066 thousand) and are reflected as financial income in the income statement (Note 22), which were offset by debts that the Company owed to the subsidiaries.

The detail of the investments in group companies, jointly controlled entities and associates at 31 December 2022 and 2021 is as follows:

(Expressed in thousands of euros)

Investments in group companies, jointly controlled entities and associates in 2022

						Equity			
Company	**Registered Address**	**Business activity**	**Direct Stake**	**Indirect Stake**	**Net book value**	**Share capital**	**Reserves**	**Profit/loss**	**Dividends (Note 22)**
Técnicas Reunidas Internacional, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	120	120	1,029	(44)	-
Termotécnica, S.A.	SPAIN	WHOLESALE MACHINERY	40.00%	60.00%	300	781	1,066	272	-
TR Construcción y Montaje S.A.	SPAIN	REAL ESTATE DEVELOPMENT	100.00%	-	150	332	1,355	65	-
Técnicas Reunidas Ecología, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	982	120	884	(669)	-
Técnicas Reunidas Metalúrgicas, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	60	120	1,595	102	-
Española de Investigación y Desarrollo S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	468	90	814	(437)	-
TR Proyectos Internacionales, S.A.	SPAIN	DEVELOPMENT AND CONTRACTING	100.00%	-	421	1,503	1,624	(537)	-
Técnicas Reunidas Venezuela S.A	VENEZUELA	COMMERCIAL DEVELOPMENT	100.00%	-	9	-	-	-	-
Layar, S.A.	SPAIN	COMPANY MANAGEMENT	100.00%	-	2,202	1,085	1,141	(24)	-
Initec Plantas Industriales, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	124,613	6,600	(48,105)	50,588	50,000
Initec Infraestructuras, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	5,766	1,800	4,298	(332)	-
Técnicas Reunidas Ecuador S.A.	ECUADOR	ENGINEERING SERVICES	100.00%	-	3	-	-	-	-
Técnicas Reunidas Gulf L.T.D.	SAUDI ARABIA	ENGINEERING SERVICES	100.00%	-	30,376	550	29,986	(41)	-
Recicl Aguilar, S.A.	SPAIN	ENGINEERING SERVICES	80.00%	-	-	60	(162)	-	-
TR SNG Alliance Ltd.	CYPRUS	ENGINEERING SERVICES	30.00%	-	38	-	-	-	-
Servicios Unidos S.A.	VENEZUELA	ENGINEERING SERVICES	100.00%	-	74	-	-	-	-
TR Hungary Dufi CCGT Kft	HUNGARY	ENGINEERING SERVICES	85.00%	15.00%	8	10	45	(16)	-
TR Brasil Participaçoes Ltd.	BRAZIL	ENGINEERING SERVICES	50.00%	-	7	-	-	-	-
TR Tec Ltda	BOLIVIA	ENGINEERING SERVICES	12.40%	87.60%	-	2	(3,299)	(133)	-
TR Canada INC	CANADA	ENGINEERING SERVICES	3.96%	96.04%	-	133,937	(135,755)	1,225	-
TR Engineers India Private LTD	INDIA	ENGINEERING SERVICES	100.00%	-	10	7	2,435	1,202	-
TR Saudi Arabia LLC	SAUDI ARABIA	ENGINEERING SERVICES	50.00%	50.00%	-	479	(562)	-	-
Al Hassan Técnicas Reunidas Project LLC	OMAN	ENGINEERING SERVICES	100.00%	-	19	-	-	-	-
TR Saudia for Services and Contracting Co. Limited**	SAUDI ARABIA	ENGINEERING SERVICES	97.00%	3.00%	144,120	293,344	(376,969)	(22,368)	-
Heymo Ingeniería, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	757	903	4,338	864	-
TR Servicios S.R.L. de C.V.	MEXICO	ENGINEERING SERVICES	75.00%	25.00%	4	6	368	(65)	-
Técnicas Reunidas USA L.L.C.**	USA	ENGINEERING SERVICES	100.00%	-	-	27	3,716	(214)	-
TR Sagemis Italia S.R.L.	ITALY	ENGINEERING SERVICES	100.00%	-	205	10	190	5	-
TR Canadá E&C INC	CANADA	ENGINEERING SERVICES	15.00%	85.00%	5	36	2,630	(678)	-
TR Perú Ingeniería y Construcción	PERU	ENGINEERING SERVICES	100.00%	-	9	9	245	(71)	596
Deportes Valdavia 2017 SL	SPAIN	ENGINEERING SERVICES	100.00%	-	5	3	4	(2)	-
TR México Ingeniería y Construcción	MEXICO	ENGINEERING SERVICES	75.00%	25.00%	4	6	10,548	1,829	-
TR Italy	ITALY	ENGINEERING SERVICES	100.00%	-	10	10	63	518	-
TR Duqum Proyect LLC	OMAN	ENGINEERING SERVICES	65.00%	-	-	554	63,812	(83,224)	-
TR Colombia	COLOMBIA	ENGINEERING SERVICES	100.00%		6	6	1,833	(801)	-
TR Alberta	CANADA	ENGINEERING SERVICES	50.00%	50.00%	17	34	4,977	7,346	-
TR LLC Duqum	OMAN	ENGINEERING SERVICES	100.00%		288	575	1,223	28,911	-
TR Projeler	TURKEY	ENGINEERING SERVICES	100.00%		16	16	(23)	(2)	-
Powertecno Energía Mexicana	MEXICO	ENGINEERING SERVICES	50.00%	-	-	4	255	16,348	
TR Global for Engineeing	SAUDI ARABIA	ENGINEERING SERVICES	100.00%		1,418	1,418	(55)	(223)	-
Single-project companies with positive equity *		ENGINEERING SERVICES			17,077	14,545	112,202	(5,215)	31,510
Single project companies with an equity default *		ENGINEERING SERVICES			-	3,552	(95,117)	(21,748)	-
Other					11				23
Total stake in group companies					**329,579**				

(Expressed in thousands of euros)

Investments in group companies, jointly controlled entities and associates in 2022

Company	Registered Address	Business activity	Indirect Stake	Indirect Stake	Net book value	Share capital	Reserves	Profit/loss	Dividends (Note 22)
ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES									
Master S.A. de Ingeniería y Arquitectura	SPAIN	ENGINEERING SERVICES	40.00%	-	-	152	(5,370)	(275)	-
Proyectos Ebramex, S. de R.L. de C.V.	MEXICO	ENGINEERING SERVICES	33.33%	-	-	21,953	(33,976)	-	-
Minatrico, S. de R.L. de C.V.	MEXICO	ENGINEERING SERVICES	33.33%	-	4,108	41,214	(30,050)	-	-
Total investments in associates and jointly controlled entities					**4,108**				
Total					**333,687**				

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

** Includes sub-consolidated figures

(Expressed in thousands of euros)

Investments in group companies, jointly controlled entities and associates in 2021

Company	Registered Address	Business activity	Indirect Stake	Indirect Stake	Net book value	Equity: Share capital	Equity: Reserves	Equity: Profit/loss	Dividends (Note 22)
Técnicas Reunidas Internacional, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	120	120	890	139	-
Termotécnica, S.A.	SPAIN	WHOLESALE MACHINERY	40.00%	60.00%	300	781	909	12	-
TR Construcción y Montaje S.A.	SPAIN	REAL ESTATE DEVELOPMENT	100.00%	-	150	332	1,379	(24)	-
Técnicas Reunidas Ecología, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	120	120	1,511	(5,217)	-
Técnicas Reunidas Metalúrgicas, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	60	120	1,736	(142)	-
Técnicas Reunidas Trade Panamá, S.A.	PANAMA	COMMERCIAL DEVELOPMENT	100.00%	-	46	46	42	(5)	-
Española de Investigación y Desarrollo S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	438	90	375	(213)	-
TR Proyectos Internacionales, S.A.	SPAIN	DEVELOPMENT AND CONTRACTING	100.00%	-	421	1,503	(15,891)	17,515	17,716
Técnicas Reunidas Venezuela S.A	VENEZUELA	COMMERCIAL DEVELOPMENT	100.00%	-	9	-	-	-	-
Layar, S.A.	SPAIN	COMPANY MANAGEMENT	100.00%	-	2,227	1,085	1,865	(724)	-
Initec Plantas Industriales, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	124,613	6,600	(107,779)	109,785	100,000
Initec Infraestructuras, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	6,098	1,800	4,633	(335)	-
Técnicas Reunidas Ecuador S.A.	ECUADOR	ENGINEERING SERVICES	100.00%	-	3	-	-	-	-
Técnicas Reunidas Gulf L.T.D.	SAUDI ARABIA	ENGINEERING SERVICES	100.00%	-	28,771	550	28,302	(81)	-
Recicl Aguilar, S.A.	SPAIN	ENGINEERING SERVICES	80.00%	-	-	60	(488)	326	-
TR SNG Alliance Ltd.	CYPRUS	ENGINEERING SERVICES	30.00%	-	38	-	-	-	-
Servicios Unidos S.A.	VENEZUELA	ENGINEERING SERVICES	100.00%	-	74	-	-	-	-
TR Hungary Dufi CCGT Kft	HUNGARY	ENGINEERING SERVICES	85.00%	15.00%	8	10	62	(14)	-
TR Brasil Participaçoes Ltd.	BRAZIL	ENGINEERING SERVICES	50.00%	-	7	-	-	-	-
TR Tec Ltda	BOLIVIA	ENGINEERING SERVICES	12.40%	87.60%	-	2	1,606	(4,733)	-
TR Canada INC	CANADA	ENGINEERING SERVICES	3.96%	96.04%	-	133,937	(231,671)	(2,573)	-
TR Engineers India Private LTD	INDIA	ENGINEERING SERVICES	100.00%	-	10	7	2,740	(113)	-
TR Saudi Arabia LLC	SAUDI ARABIA	ENGINEERING SERVICES	50.00%	50.00%	-	479	(557)	-	-
Al Hassan Técnicas Reunidas Project LLC	OMAN	ENGINEERING SERVICES	100.00%	-	19	-	-	-	-
TR Saudia for Services and Contracting Co. Limited	SAUDI ARABIA	ENGINEERING SERVICES	97.00%	3.00%	-	149,220	(276,635)	(122,241)	-
Heymo Ingeniería, S.A.	SPAIN	ENGINEERING SERVICES	100.00%	-	757	903	5,155	(817)	-
TR Servicios S.R.L. de C.V.	MEXICO	ENGINEERING SERVICES	75.00%	25.00%	4	6	429	(97)	160
Técnicas Reunidas USA L.L.C.	USA	ENGINEERING SERVICES	100.00%	-	-	27	3,487	14	-
TR Sagemis Italia S.R.L.	ITALY	ENGINEERING SERVICES	100.00%	-	80	10	(40)	(18)	-
TR Canadá E&C INC	CANADA	ENGINEERING SERVICES	15.00%	85.00%	5	36	2,602	2	-
TR Perú Ingeniería y Construcción	PERU	ENGINEERING SERVICES	100.00%	-	9	9	706	20	-
Deportes Valdavia 2017 SL	SPAIN	ENGINEERING SERVICES	100.00%	-	3	3	(8)	-	-
TR México Ingeniería y Construcción	MEXICO	ENGINEERING SERVICES	75.00%	25.00%	4	6	5,733	3,745	-
TR Italy	ITALY	ENGINEERING SERVICES	100.00%	-	10	10	218	(155)	-

(Expressed in thousands of euros)

TR Duqum Proyect LLC	OMAN	ENGINEERING SERVICES	65.00%	-	360	554	43,032	15,776	-
Ibérica del Espacio	SPAIN	ENGINEERING SERVICES	89.99%	10.01%	4,677	4,459	482	(264)	-
TR Colombia	COLOMBIA	ENGINEERING SERVICES	100.00%		6	6	318	1,615	-
TR Alberta	CANADA	ENGINEERING SERVICES	50.00%	50.00%	17	34	954	4,420	391
TR LLC Duqum	OMAN	ENGINEERING SERVICES	100.00%		288	575	(35,010)	36,556	17,716
TR Projeler	TURKEY	ENGINEERING SERVICES	100.00%		16	16	(14)	(7)	-
TR Global for Engeneeing	SAUDI ARABIA	ENGINEERING SERVICES	100.00%		1,418	1,418	28	(166)	-
Single-project companies with positive equity *		ENGINEERING SERVICES			34,095	148,761	7,885	27,511	1,672
Single project companies with an equity default *		ENGINEERING SERVICES			-	3,554	(62,741)	(42,365)	-
Other					7				4,411
Total stake in group companies					**205,288**				

(Expressed in thousands of euros)

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

9. Financial assets at amortised cost

This heading includes the following items and amounts:

	Thousands of euros	
Current:	**2022**	**2021**
Trade receivables for sales and services (a)	1,727,918	1,258,359
Receivable from group companies and associates (b)	355,860	363,625
Loans to group companies and associates (c)	532,290	784,672
Sundry accounts receivable	7,537	4,748
Receivable from group companies	97,921	86,217
Staff	71	250
Current tax assets (Note 20)	9,470	991
Other accounts receivable from public authorities	38,051	35,196
Provisions for impairment	(34,272)	(25,397)
	2,734,846	**2,508,661**

a) Trade receivables for sales and services

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

At 31 December 2021, the Receivables account includes EUR 1,418,619 thousand for Work performed but not certified (2021: EUR 1,072,072 thousand), which is calculated using the criteria established in Note 3.14.

The ‘work completed but yet to be billed’ heading includes the non-contentious claims expected to be collected from customers that are being negotiated and recognised in accordance with that indicated in Note 3.14. Depending on the types of projects in the portfolio, negotiations with customers regarding claims may go on during the entire life of the project, and are usually concluded in the final stage of the project

In addition and also under work completed but yet to be billed, ongoing change orders with customers for changes in the scope or modifications not included in the original contract were recognised in accordance with that indicated in Note 3.14.

As indicated in Note 2, the Company 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 Company's liquidity, prior to the closing and disbursement of the FASEE.

(Expressed in thousands of euros)

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 Company.

At 31 December 2022, the amount of recognised income amounted to EUR 557,644 thousand (2021: EUR 416,871 thousand). In 2022 additions were recognised for EUR 233,436 thousand, with EUR 92,662 thousand in derecognitions due to certification and closure of projects.

With regard to the EUR 416,871 thousand recognised as income on account for claims and change orders at the end 2021, EUR 324,208 thousand were still in the process of being negotiated as of the date these financial statements were prepared.

In the first two months of 2023, agreements were reached with customers in relation to claims and change orders recognised at 31 December 2022, amounting to EUR 233,575 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 326,237 thousand.

At 31 December 2022, the total amount requested for change orders amounted to EUR 383,424 thousand. The amount requested for claims amounted to EUR 1,562,176 thousand.

The amount of receivables due at 31 December 2022 was EUR 124,984 thousand (2021: EUR 110,257 thousand). These receivables relate to a number of independent customers for whom there is no recent history of default.

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

	Thousands of euros	
	2022	**2021**
Less than 3 months	59,450	19,856
Between 3 and 6 months	26,474	4,483
More than 6 months	39,061	85,918
Total	**124,985**	**110,257**

As of the date of formulation, EUR 120 million of the debt outstanding as of 31 December 2022 had been collected, of which EUR 61 million corresponds to overdue debt.

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

The Company increased the impairment loss on the value of its trade receivables by EUR 8,875 thousand in the year ended 31 December 2022 (2021: EUR 18,557 thousand).

The movements of provisions for impairment losses of financial assets at amortised cost are as follows:

	Thousands of euros	
	2022	**2021**

Opening balance	**25,397**	**6,840**
Period provisions	8,875	18,557
Amounts used	-	-
Ending balance	**34,272**	**25,397**

b) The detail of 'Trade receivables from group companies and associates' is as follows:

	Thousands of euros	
	2022	**2021**
Initec Plantas Industriales, S.A.U.	224,853	255,953
Técnicas Reunidas UK	27,780	27,321
TR DUQUM Proyect L.L.C.	6,359	22,670
TR De Construcao Unip. LDA	20,272	20,184
Técnicas Reunidas Ecología, S.A	464	5,047
TR Saudia for Services and Contracting Co. Limited	5,404	4,353
Heymo Ingeniería S.A.	4,639	2,913
TR Bapco	7,701	326
Initec Infraestructuras, S.A.U.	780	695
Powertecno Energía Mexicana	22,235	-
TR LLC Duqum	15,858	-
Other group companies, associates and joint ventures	19,515	24,163
Total trade and other receivables from group companies and associates	**355,860**	**363,625**

c) The detail of 'Loans to group companies and associates' is as follows:

	Thousands of euros					
	Other loans		**Tax receivables**		**Total**	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Initec Plantas Industriales, S.A.U.	133,931	164,993	50,024	55,320	**183,955**	**220,313**
TR Saudia for Services and Contracting Co. Limited	190,687	352,075	-	-	**190,687**	**352,075**
TR De Construcao Unip. LDA	40,895	40,019	-	-	**40,895**	**40,019**
TR Canada INC	-	74,795	-	-	**-**	**74,795**
Técnicas Reunidas UK	77,859	68,387	-	-	**77,859**	**68,387**
Other group companies, associates and joint ventures	30,754	26,576	8,140	2,507	**38,894**	**29,082**
Total	**474,126**	**726,845**	**58,164**	**57,827**	**532,290**	**784,672**

At 31 December 2022, the balance of loans to group companies includes EUR 58,164 thousand (2021: 57,827 thousand) related to the balances of income tax payable for each of the subsidiaries that form part of the consolidated tax group (see Note 20).

(Expressed in thousands of euros)

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

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

The average interest rate on loans to venturers in UTEs and joint ventures is the market rate of Euribor +2% and other benchmarks +2% (2021: Euribor +2%, other benchmarks +2%).

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

The accounting values of the financial assets at amortised cost are denominated in the following currencies:

	Thousands of euros	
	2022	**2021**
Euro	1,107,023	985,787
USD	1,157,782	1,078,712
KWD	289,251	262,970
Other currencies	180,790	181,192
Total	**2,734,846**	**2,508,661**

The Company's maximum exposure to credit risk at the date of the financial statement is the fair value from each of the receivable categories indicated above.

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.

10. Derivative financial instruments

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

(Expressed in thousands of euros)

	Thousands of euros			
	2022		2021	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign currency forward contracts - cash flow hedges	35,603	21,481	12,360	16,224
Commodity forward contracts		21	959	88
Total	**35,603**	**21,502**	**13,319**	**16,312**
Less: non-current portion:				
Foreign currency forward contracts - cash flow hedges	1,237	-	7,202	2
Non-current portion	**1,237**	**-**	**7,202**	**2**
Current portion	**34,366**	**21,502**	**6,117**	**16,310**

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

The Company assesses the effectiveness of the hedges by conducting prospective and retrospective efficacy tests in which the changes in hedged cash flows are compared with the changes in the cash flows of the assigned derivative.

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

	Fair value (thousands of euros)	**Currency**	**Maturity (Thousands of euros)**			
Type of instrument	**2022**		**2023**	**2024**	**2025**	**Total**
USD/EUR	33,712	USD	495,705	14,400	-	510,105
USD/SGD	417	USD	14,280	-	-	14,280
CAD/EUR	261	CAD	5,000	-	-	5,000
EUR/JPY	280	EUR	6,816	-	-	6,816
EUR/PLN	933	EUR	15,798	-	-	15,798
Assets	**35,603**					
Foreign currency forward contracts						
USD/EUR	20,414	USD	354,950	-	-	354,950
CAD/EUR	261	CAD	5,000	-	-	5,000
EUR/JPY	196	EUR	2,331	-	-	2,331
EUR/PLN	610	EUR	8,963	-	-	8,963
Commodity forward contracts	21					
Liabilities	**21,502**					
Net balances	**14,102**					

(Expressed in thousands of euros)

	Fair value (thousands of euros)	Currency	Maturity (Thousands of euros)			
Type of instrument	**2021**		**2022**	**2023**	**2024**	**Total**
USD/EUR	12,255	USD	184,122	261,000	14,400	459,522
USD/SGD	78	USD	7,823	-	-	7,823
CAD/EUR	28	CAD	7,850	-	-	7,850
Commodity forward contracts	959					
Assets	**13,319**					
Foreign currency forward contracts						
USD/EUR	15,375	USD	510,785	10,000	-	520,785
USD/COP	37	USD	6,000	-	-	6,000
USD/JPY	790	USD	4,332	-	-	4,332
USD/SGD	22	USD	7,935	-	-	7,935
Commodity forward contracts	88					
Liabilities	**16,312**					
Net balances	**(2,992)**					

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:

	2022	**2023**	**2024**	**2025**	**Total fair value**
Total assets 2022	-	34,366	1,236	-	35,603
Total liabilities 2022		21,502	-	-	21,502
Total assets 2021	6117	6,923	279	-	13,319
Total liabilities 2021	16,310	2	-	-	16,312

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

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

The statement of recognised income and expense discloses the impact of cash flow hedges on equity and the transfers to the income statement. In 2022 and 2021, no ineffectiveness worthy of mention arose as a result of foreign currency hedges, which is recognised in the income statement.

(Expressed in thousands of euros)

11. Inventories

This heading includes the following items and amounts:

	Thousands of euros	
	2022	**2021**
Construction projects in progress and finished projects	7,049	7,136
Costs of submitting bids	6,999	9,800
	14,048	**16,936**

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

The 'Costs of submitting bids' include incremental and recoverable costs related to contracts awarded.

12. Advances to suppliers

This heading includes a breakdown of advances to suppliers.

	Thousands of euros	
	2022	**2021**
Group	9,959	10,198
Non-Group	22,341	15,969
	32,300	**26,167**

13. Cash and cash equivalents

The detail of the balance of this heading at 31 December 2022 and 2021 is as follows:

	Thousands of euros	
	2022	**2021**
Cash	308,838	245,618
Cash equivalents	165,665	92,105
	474,503	**337,723**

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

In 2022, the effective interest rate on short-term deposits with credit institutions was 0% for deposits in euros (2021: 0%) and 1.35% for USD deposits (2021: 0.1%) and the average maturity of these deposits is 5 days (2021: 14 days). In addition, the Company maintained significant balances during the year in Qatari riyals (QAR) at 4.5%, Kuwaiti dinars (KWD) at 2.37%, Omani rials (OMR) at 3.4% and Peruvian soles (PEN) at 5.00%.

(Expressed in thousands of euros)

Of the total included under Cash and cash equivalents at 31 December 2022, EUR 340,628 thousand (2021: EUR 265,245 thousand) came from the integration of the joint ventures in which the Company participates.

There were no cash or cash equivalents with restricted availability at 31 December 2022 or at 31 December 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.

14. Capital and share premium

The detail of the share capital and share premium at 31 December 2022 and 2021 is as follows:

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

a) Share capital

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 of the shares issued are fully paid and carry the same voting and dividend rights. There are no restrictions on the free transferability of the shares.

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

(Expressed in thousands of euros)

Shareholder	2022 % Ownership interest	2021 % 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%**

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.

b) Share premium

This reserve is unrestricted.

c) Treasury 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)	(34,564)	(4,119,182)	(40,229)
At end of year	**2,213,972**	**72,910**	**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).

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.

(Expressed in thousands of euros)

The shareholders at the Company'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 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.

15. Reserves

The detail of reserves and profit/loss from previous years at 31 December 2022 and 2021 is as follows:

a) Reserves

	Thousands of euros	
	2022	**2021**
- Legal reserve	1,137	1,137
- Capitalisation reserve	3,056	3,056
- Other reserves	249,959	594,183
	254,152	**598,376**

Legal reserve

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

Capitalisation reserve

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.

Other reserves

This reserve is unrestricted.

(Expressed in thousands of euros)

16. Allocation of profit/loss

Proposal for distributing profit/loss

The proposed distribution of the 2022 profit/loss 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)	3,063	(334,083)
	3,063	**(334,083)**
Allocation		
Other reserves	3,063	(334,083)
	3,063	**(334,083)**

The Company's Board of Directors did not approve the distribution of dividends on account in 2022 or 2021.

17. Translation differences

	Thousands of euros	
	2022	**2021**
Cumulative translation differences	7,607	(5,839)

The breakdown, by permanent establishment, of the cumulative translation differences at the end of 2022 and 2021 is as follows:

	Thousands of euros	
	2022	**2021**
Abu Dhabi branch	(1,554)	(2,638)
Algeria branch	(4,827)	(5,879)
Australia branch	(2,434)	(2,423)
Ankara branch	832	662
Moscow branch	(1,812)	(1,916)
Poland branch	2,740	1,879
Kuwait branch	11,230	3,054
Other	3,432	1,422
	7,607	**(5,839)**

(Expressed in thousands of euros)

18. Financial liabilities

Financial liabilities at amortised cost

The liabilities at amortised cost include:

	Thousands of euros	
	2022	**2021**
Non current:		
Participative loans	**175,000**	**-**
Bank borrowings (a)	593,799	467,261
Other financial liabilities	6,665	7,878
Total	**600,464**	**475,139**
Current:		
Bank borrowings (a)	200,914	264,527
Other financial liabilities	1,010	1,010
Accounts payable to connected parties (b)	259,013	435,876
Trade and other payables (c)	2,257,787	1,814,517
Total	**2,718,724**	**2,515,930**

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

a) Bank borrowings

The detail of the items in this heading 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
Total non-current financial debt	**768,799**	**467,262**

	Thousands of euros

Current	**2022**	**2021**
Loans/credit facilities	150,096	178,017
Mortgage loan	1,806	1,806
Promissory notes	41,517	83,776
Interest on debt	7,495	927
Total current financial debt	**200,914**	**264,526**
Total borrowings	**969,713**	**731,788**

The carrying amount approximates their fair value. Part of the borrowings are tied mainly to the Euribor and are reviewed up to every six months. Loans amounting to EUR 11,656 thousand (2021: EUR 13,476 thousand) were taken out as collateral for concession assets (Note 5), which are recognised under 'Intangible assets'.

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

	2022	**2021**
Beginning balance	**731,788**	**680,023**
Drawdowns	461,957	713,907
Returns	(230,600)	(662,143)
Accrued interest	33,933	17,316
Interest paid	(27,365)	(17,316)
Ending balance	**969,713**	**731,788**

At 31 December 2022, of the total financial debt, EUR 462,224 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 carrying amounts of the bank borrowings are denominated in euros, with an average effective variable interest rate at the balance sheet date of 2.19% (2021: 1.97%).

At the end of June 2020, the Company 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 Company 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 Company's directors consider that, at the date of preparation of these accounts, the Company is in a position to comply with the financial ratios included in the clauses of all its finance agreements.

On 24 February 2022, the Company 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.

(Expressed in thousands of euros)

In 2022, the participating loan accrued an annual interest rate linked to IBOR+250bp, in 2023 the annual interest rate will be IBOR+350bp. This financing also includes a variable component linked to the Company'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 Company's assets before 30 June 2023, consistent with the viability plan and the policy set by the Company's Directors. The grounds for early maturity include a change in control in the Company in 2023. During the term of these loans, the Company has the obligation not to distribute dividends. The Company's Directors consider that, at the date of preparation of these financial statements, no issues have been breached that could give rise to early maturity.

Under the terms of the loan, the Company 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.

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

	2022	2023	2024	2025 and subsequent years	Total
2022	-	200,914	270,306	497,793	**969,013**
2021	264,527	127,262	339,999	-	**731,788**

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

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

	Thousands of euros	
	2022	**2021**
– maturing within one year	2,588	46,776
– maturing in more than one year	12,988	71,213
	15,576	117,989

b) **Accounts payable to connected parties**

	Thousands of euros	
	2022	**2021**
Group companies	258,947	425,367

(Expressed in thousands of euros)

Associates	66	10,509
	259,013	**435,876**

The detail of the items in this heading is as follows:

	Thousands of euros					
	Other Loans		Tax effect		Total	
	2022	2021	2022	2021	2022	2021
Initec Plantas Industriales, S.A.U.	72,861	237,563	-	-	**72,861**	**237,563**
Initec Infraestructuras, S.A.U.	-	-	5,119	5,008	**5,119**	**5,008**
Técnicas reunidas Gulf Co	30,262	28,499	-	-	**30,262**	**28,499**
TR Alberta INC	14,175	3,997	-	-	**14,175**	**3,997**
TR Talara S.A.C.	84,792	89,331	-	-	**84,792**	**89,331**
TR LLC Duqum.	18,753	23,816	-	-	**18,753**	**23,816**
Other group companies, associates and joint ventures	29,574	46,529	3,477	1,133	**33,051**	**47,662**
Total	**250,417**	**429,735**	**8,596**	**6,141**	**259,013**	**435,876**

In 2022, the loans with group companies carried an average interest rate of Euribor 2% and other benchmarks 2% (2020: Euribor +2%, other benchmarks +2%).

c) Trade and other payables

	Thousands of euros	
	2022	2021
Payable to suppliers - invoices receivable	1,104,345	721,410
Payables to suppliers	422,377	574,755
Payable to suppliers - group companies and associates	307,086	243,954
Supplier retainings	114,576	100,747
Staff costs (remuneration payable)	6,279	5,974
Other accounts payable to public authorities	31,628	28,086
Customer advances	271,497	139,591
	2,257,787	**1,814,517**

The amounts included under the heading 'Suppliers invoices pending certification' 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.

(Expressed in thousands of euros)

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

The detail of 'Payable to suppliers - group companies and associates' is as follows:

	Thousands of euros	
	2022	**2021**
Initec Plantas Industriales, S.A.U.	165,528	132,137
Initec Infraestructuras, S.A.U.	3,669	2,052
Técnicas Reunidas Internacional, S.A.U.	533	492
Técnicas Reunidas UK	72	72
TR Ecología S.A.	3,836	4,034
TR Saudia for Services and Contracting Co. Limited	111,160	86,438
TR México Ingeniería y Construcción	6,703	5,075
Other	15,585	13,654
	307,086	**243,954**

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

	Thousands of euros	
	2022	**2021**
Euro	597,497	437,655
US Dollar	832,960	731,043
Other currencies	96,265	127,467
	1,526,722	**1,296,165**

Average period of payment to suppliers

The information required by additional provision three of the Spanish Business Creation and Growth Act 18/2022 of 28 September [*Ley de creación y crecimiento de empresas*] and Spanish Law 15/2010, of 5 July (amended by final provision two of Spanish Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in the notes to financial statements in relation to the average period of payment to suppliers in commercial transactions, is detailed below:

	2022	**2021**
	Days	**Days**
Average period of payment to suppliers	102	108
Ratio of transactions paid	96	93
Ratio of transactions payable	119	133

(Expressed in thousands of euros)

	Amount (thousands of euros)	Amount (thousands of euros)
Total payments made	1,297,802	1,044,485
Total payments pending	406,830	445,758

These figures relate to projects in multiple regions. With respect to Spanish suppliers, the Company 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 Company'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	21,053
Percentage of the total number of supplier invoices	56%

Volume (thousands of euros)	2022
Invoices paid prior to compliance with the maximum legal period for payment to suppliers	440,696
Percentage of the total number of supplier invoices	34%

19. Provisions

	Thousands of euros	
	2022	2021
Provisions for contingencies and charges	286,582	220,652

(Expressed in thousands of euros)

Non-current	**286,582**	**220,652**
Other provisions	78	23,027
Current	**78**	**23,027**

The changes in 2022 and 2021 were as follows:

	Thousands of euros	
	2022	**2021**
Beginning balance	243,679	128,544
Period provisions	112,672	121,844
Amounts used/reversed	(69,691)	(6,709)
Ending balance	**286,660**	**243,679**

Provisions for contingencies and charges - Non-current

This heading includes mainly provisions made to cover the negative equity of subsidiaries amounting to EUR 206,959 thousand (2021: EUR 186,329 thousand) (Note 8) as well as other provisions for litigation risks and other payments to be made in the long term.

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, 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. The other main lawsuits for which provisions have been set aside are those with customer KPP Finland, customer MGT Teesside in the UK, and customer GTG Algeria. 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 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.

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

Provisions for contingencies and charges - Current

This line item relates to provisions arranged to cover other contingencies and current expenses.

(Expressed in thousands of euros)

The changes in the year are due to the application of the provision relating to the litigation by Sines, which was realised in the second quarter of 2022.

20. Income taxes and tax situation

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.

The reconciliation of net income and expenses for the year to the tax loss for income tax purposes for 2022 is as follows:

			Thousands of euros 2022 Income statement
Profit/(loss) before tax			(16,343)
	Increases	**Reductions**	
Permanent differences	1,675	(116,262)	(114,587)
Temporary differences	169,533	(24,563)	144,970
Taxable profit/Tax loss			**14,040**

The income tax expense is composed of the following:

	Thousands of euros	
	2022	**2021**
Current tax	3,510	-
Deferred tax on temporary differences	(28,854)	(19,791)
Deferred tax credits	-	(10,715)
Other	5,938	(3,959)
	(19,406)	**(34,465)**

(Expressed in thousands of euros)

Increases due to permanent differences relate to the following:

	Thousands of euros	
	2022	**2021**
Profit/(loss) from abroad	-	59,631
Profit/loss on sale of investees	1,179	-
Non-deductible expenses	496	247,304
	1,675	**306,935**

Decreases due to permanent differences relate to the following:

	Thousands of euros	
	2022	**2021**
Profit/(loss) from abroad	32,188	-
Exemption for foreign dividends	78,023	134,963
Provisions	6,051	
Capital gains on sales of investees and Other	-	14,353
	116,262	**149,316**

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

Deferred tax assets	Thousands of euros	
	2022	**2021**
Deferred tax assets		
- recoverable in over 12 months	223,068	198,501
- recoverable in under 12 months	24,266	16,553
	247,334	**215,054**
Deferred tax liabilities		
- payable in over 12 months	-	15,440
- payable in under 12 months	27,296	3,001
	27,296	**18,441**

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.

(Expressed in thousands of euros)

Deferred taxes arose from the following:

Deferred tax assets	**Thousands of euros**	
	2022	**2021**
Tax losses recognised in permanent establishments	40,778	37,581
Recognition of portfolio allowances	94,375	66,962
Provisions for contingencies and charges and other	27,522	30,941
Depreciation	221	331
Concessions	3,722	3,722
Taxes arising from permanent establishments	10,886	9,833
Tax loss carryforwards *	68,493	65,684
Hedging reserve	1,338	-
	247,334	**215,054**

*This account includes the Spanish Tax Consolidated Group tax credit.

Deferred tax liabilities

	Thousands of euros	
	2022	**2021**
Hedging reserve	-	470
Taxes arising from permanent establishments	27,296	17,971
	27,296	**18,441**

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

	2022		**2021**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
At 1 January	215,054	18,441	208,530	8,286
Reversals/amounts used	(2,715)	-	(2,528)	-
Period provisions	42,383	8,855	22,319	-
Other	(7,388)	-	(13,267)	10,155
At 31 December	**247,334**	**27,296**	**215,054**	**18,441**

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 Company 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

(Expressed in thousands of euros)

Spanish Tax Authorities) and the entry into force of the second part of the TR-ansforma plan, which identifies opportunities for the Company to become more efficient (Note 2).

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 retained tax loss carryforwards 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	183,836	45,959	183,836	45,959

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 Tax Appeals Board (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 Company 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 Company'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 Company'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 Company 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 the Company's 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 of EUR 1.539 billion, and a sanction proposal of EUR 0.372 million.

(Expressed in thousands of euros)

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 billion 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 Company’s directors consider that these liabilities, should they arise, would not have a material effect on the annual financial statements.

21. Revenue and expenses

a) Turnover

The information by activity included in the Annual Financial Statements is structured, first, by business segment and, second, according to geographical distribution.

Traditionally, and in the 2021 and 2020 Financial Statements, the Company has classified its operating activities into: (i) Oil and Gas, (ii) Energy, and (iii) Other industries. However, in 2022 the new segmentation implemented by the Company's management was included that was redesigned with the objective of (i) reflecting the know-how of the Company's business activities in a more appropriate and comparable manner with similar companies in the sector; and (ii) adapting the reporting format to the Company's increased positioning in energy transition technologies.

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

Although the Company'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 classification, the different segments can be summarised as follows:

Refining: This line provides management, engineering, procurement, construction and commissioning services for facilities along the entire value chain for the production of fuels that meet the highest standards (Euro V/Euro VI). These facilities convert waste flows into high quality fuels, optimising the use of natural resources.

The Company also has extensive experience in the design and construction of the most advanced technologies for clean refining production processes. The Company also 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 Company 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. The refining 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 technologies: This segment comprises the following lines of activity:

(i) Hydrogen

Through this business line, the Company is actively involved in offering solutions for different types of hydrogen, helping its customers to integrate this element into their production processes with storage solutions or by blending 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 facilities are complex, with space and operational constraints that make it difficult to install new processes. Faced with these challenges, the Company accelerates its customers' energy transition to a zero-emission future by implementing carbon capture technologies in their industrial processes. Once captured, the carbon dioxide is permanently stored or subsequently converted into synthetic fuels.

(iii) Circular Economy and Bioproducts

(Expressed in thousands of euros)

Within this line of activity, the Company provides services to produce biomethane and convert biomass and waste into fuels (biodiesel and biokerosene), chemicals and power and steam generation.

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 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 Company'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 Company overheads. In addition, the Company 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.

The revenue from the Company's normal activities was distributed geographically in the following way:

Market	**Thousands of euros**	
	2022	**2021**
Spain	43,065	53,667
Middle East	1,035,110	1,147,211
America	198,173	75,958
Asia	298,483	212,171
Europe	481,046	(96,756)
Mediterranean	361,611	217,582
	2,417,488	**1,609,833**

Likewise, turnover by activity category is as follows:

Business activity	**Thousands of euros**	
	2022	**2021**

Refining	613,058	614,355
Natural gas	696,691	431,659
Petrochemical	775,579	269,704
Low-carbon technologies	4,675	456
Other	327,485	293,659
Total	**2,417,488**	**1,609,833**

In 2022 and 2021, the Company did not recognise any significant penalty or bonus for delays, advances or for any other reason.

b) Foreign currency transactions

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

	Thousands of euros	
	2022	**2021**
Sales	1,479,301	1,449,486
Purchases	1,118,759	1,064,540
Services received	93,551	72,277

c) Staff costs

	Thousands of euros	
	2022	**2021**
Wages and salaries	224,782	215,475
Termination benefits	948	3,834
Employee benefit costs	44,906	45,538
Provisions/reversals for employee benefits	1,334	1,340
	271,970	**266,187**

Subsequent to year-end, the Company's Board approved a new remuneration plan for share rights of the Company (the 'Plan') granted to the Company's management, with the aim of retaining and incentivising them and consisting of giving them options on shares of the Company (Note 28).

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

	2022	**2021**
Executive directors and senior executives	10	10
Graduates, line personnel and clerical staff	2,752	2,756

(Expressed in thousands of euros)

Non-graduates/Unqualified staff	21	21
Sales staff	13	19
	2,795	**2,806**

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

			2022			**2021**
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Executive directors and senior executives	9	1	10	9	1	10
Graduates, line personnel and clerical staff	2,119	1,158	3,277	1,834	1,014	2,848
Non-graduates/Unqualified staff	21	1	22	18	1	19
Sales staff	6	6	12	13	6	19
	2,155	**1,166**	**3,321**	**1,874**	**1,022**	**2,896**

The above figures include 461 subcontracted workers (2021: 115 workers).

In 2022 there were 16 employees, included in the category of 'Graduates, line personnel and clerical staff', with a degree of disability of 33% or more (2021: 17 employees).

d) Other operating expenses

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

	Thousands of euros	
	2022	**2021**
Services	74,988	55,702
Rent and royalties	44,264	40,864
Independent professional services	30,693	41,968
Transport	13,033	6,832
Repairs and upkeep	4,907	6,244
Insurance premiums	9,858	6,701
Banking and similar services	42,948	45,476
Other	6,761	1,922
Outside services	**227,452**	**205,709**
Taxes other than income tax	5,903	5,616
Losses on, impairment of and change in trade allowances	44,094	24,625
Other current operating expenses	(59)	1,647
	277,390	**237,597**

(Expressed in thousands of euros)

22. Financial profit/loss

	Thousands of euros	
	2022	**2021**
Finance income:		
From investments in equity instruments:		
Group companies and associates (Note 8)	82,129	142,066
From marketable securities and other financial instruments:		
From group companies and associates	17,815	16,969
Third parties	9,854	991
	109,798	**160,026**
Finance costs:		
On debts to group companies and associates	(6,186)	(3,858)
On debts to third parties	(22,139)	(13,869)
Other finance costs	(12,212)	(3,447)
	(40,537)	**(21,174)**
Net exchange differences	**24,307**	**(22,927)**

		Thousands of euros
	2022	**2021**
Impairment and gains or losses on disposals of financial instruments	(114,342)	(303,194)
Gains or losses on disposals (Note 8)	(1,179)	15,109
	(115,521)	**(288,085)**
Financial profit/loss	**(21,952)**	**(172,160)**

23. Contingencies

a) Contingent liabilities

The Company 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 19. In the normal course of the activities, and as is usual among companies dedicated to engineering and construction activities, the Company 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/balance sheet total in excess of 9% for 2023.

The Company's standard terms of business require it to issue technical guarantees in relation to the execution of the work (bank guarantees), which must be held for a certain period of time.

As mentioned in Note 5, 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 20, 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 Company is party to certain judicial and arbitration disputes, framed in the closure process of the projects, with customers 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 Teesside-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.

As discussed in note 19, 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 Company's legal advisers in their internal assessments and third-party reports, formulated based on the available information, the Company believes that, except for the disputes for which the corresponding provision has been recognised (see Note 19), their outcome will not significantly influence the Company's financial position.

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

(Expressed in thousands of euros)

b) Commitments

Fixed asset purchase commitments

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

Operating lease commitments

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

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

	2022	2021
Less than 1 year	10,578	8,817
From 1 to 5 years	27,184	25,572

Suppliers and subcontractor purchase commitments

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

24. Unincorporated temporary joint ventures (UTEs) and consortiums

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

Assets:	**2022**	**2021**
Non-current assets	57,332	52,369
Current assets	1,087,680	816,995
	1,145,012	**869,364**

(Expressed in thousands of euros)

Liabilities:		
Non-current liabilities	54,727	49,498
Current liabilities	1,029,589	841,538
	1,084,316	891,036
Net assets	**60,696**	**(21,672)**
Revenue	1,608,178	1,171,735
Expenses	(1,553,021)	(1,183,865)
Profit/loss after tax	**55,157**	**(12,130)**

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

25. Remuneration of directors and senior executives

a) Remuneration of Board members

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:

- Allowances for attendance at Board of Directors meetings, received by all the Board members: EUR 1,943 thousand (2021: EUR 2,000 thousand).
- Wages and salaries: EUR 800 thousand (2021: EUR 800 thousand).
- Life insurance premiums and pension plans: EUR 4 thousand (2021: EUR 4 thousand).
- Services rendered to the Group: EUR 331 thousand (2120: EUR 305 thousand).

Furthermore, the Company paid EUR 340 thousand in 2022 and EUR 308 thousand in 2021 for third-party liability insurance for Directors and Executives.

b) Remuneration of senior executives

The total remuneration paid in 2022 to senior executives amounted to EUR 4,503 thousand (2021: EUR 3,484 thousand). Severance payments were made for EUR 0 thousand (2021: EUR 1,107 thousand).

In 2022, advances were granted to senior executives amounting to EUR 5 thousand (2021: EUR 0 thousand). Also in 2022, no loans were granted (2021: EUR 0 thousand).

c) Situations of conflict of interest involving the directors

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

(Expressed in thousands of euros)

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

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

26. Other transactions with connected parties

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

a) Transactions with directors and executives of the Company and entities related to them

No transactions were performed with the Company's directors in 2022 or 2021, except as detailed below:

Transactions performed with Banco Sabadell in 2022 and 2021:

The Company director for whom the information is included was not a director until the Annual General Meeting held on 27 June 2018; this information relates to 2022 and 2021.

Transactions performed in the year:

	2022	2021
Finance costs	388	453
Finance income	-	-
Credit lines	9,222	9,950
Drawn balances	6,633	4,950
Guarantee lines	15,124	47,000
Used guarantees	15,124	21,329
Cash and cash equivalents	70	8,087

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

b) Transactions with group companies, jointly controlled entities and associates

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

(Expressed in thousands of euros)

	Group companies	Jointly controlled entities and associates
2022		
Services received	67,107	-
Finance costs	5,685	501
Total expenses	**72,792**	**501**
Services rendered	65,765	503,218
Finance income	17,626	189
Dividends received (Note 25)	82,129	-
Total income	**165,520**	**503,407**

	Group companies	Jointly controlled entities and associates
2021		
Services received	233,248	80
Finance costs	3,846	12
Total expenses	**237,094**	**92**
Services rendered	104,368	197,527
Finance income	16,969	-
Dividends received (Note 25)	142,066	-
Total income	**263,403**	**197,527**

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

In addition, the Company did not carry out any sale and purchase transactions for non-current assets with group companies in 2022 or 2021.

27. Environmental information

In view of the business activities carried out by the Company, it 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 4.3)

28. Events after the reporting 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 20).

Also after year-end, the Company's Board approved a new remuneration plan for share rights of the Company (the 'Plan') granted to the Company'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:

(Expressed in thousands of euros)

• 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 maintain ownership of these shares for no less than 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.

29. Fees paid to auditors

The fees accrued for services engaged by the Company in 2022 from its auditors and other companies related to them are detailed as follows:

Fees:

	PWC*		Other companies of the PWC network		Total	
	2022	2021	2022	2021	2022	2021

Audit services	**354**	**425**	**-**	**-**	**354**	**425**
Other non-audit services	**242**	**217**	**165**	**73**	**268**	**290**
Other attest services	242	217	-	-	103	217
Tax services	-	-	165	73	165	73
	596	**642**	**165**	**73**	**622**	**715**

*PWC: PricewaterhouseCoopers Auditores, S.L.

	Deloitte		**Other companies of the network**		**Total**	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Audit services	**413**	**373**	**-**	**-**	**413**	**373**
Other non-audit services	**26**	**25**	**-**	**20**	**26**	**45**
Other attest services	26	25	-	20	26	45
Tax services	-	-	-	-	-	-
	439	**398**	**0**	**20**	**439**	**418**

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

2022

Name	Business activity	% ownership	Name	Business activity	% ownership
TR Abu Dhabi BRANCH	CONSTRUCTION SUPERVISION AND START-UP	100%	UTE Damietta LNG	ENGINEERING AND PROCUREMENT SERVICES	85%
TR TURQUÍA BOTAS	CONSTRUCTION SUPERVISION AND START-UP	100%	UTE RAMBLA	ENGINEERING AND PROCUREMENT SERVICES	40%
TR AUSTRALIA	CONSTRUCTION SUPERVISION AND START-UP	100%	UTE Villamartin	ENGINEERING AND PROCUREMENT SERVICES	50%
TRSA India 37023	ENGINEERING AND PROCUREMENT SERVICES	100%	UTE Puerto de Barcelona	ENGINEERING AND PROCUREMENT SERVICES	50%
TReunidas Branch Argelia	ENGINEERING AND PROCUREMENT SERVICES	100%	UTE Edif.Servs. Múltiples	ENGINEERING AND PROCUREMENT SERVICES	50%
TR Indonesia	ENGINEERING AND PROCUREMENT SERVICES	100%	UTE JV Hawiyah GPE	ENGINEERING AND PROCUREMENT SERVICES	15%
TR Kazajistán	ENGINEERING AND PROCUREMENT SERVICES	100%	UTE Centro de día	ENGINEERING AND PROCUREMENT SERVICES	50%
TR SA ODDZIAL W POLSCE	ENGINEERING AND PROCUREMENT SERVICES	100%	UTE TR/INIT. P.I. Rabigh	ENGINEERING AND PROCUREMENT SERVICES	85%
TR EP UTE OPTARA BELGIUM	Engineering Services and Project Execution	100%	UTE TR/TREC OPER.DESALAD	ENGINEERING AND PROCUREMENT SERVICES	50%
EP BANGLADESH	Engineering Services and Project Execution	50%	UTE TR/INITEC INFRA CONST	ENGINEERING AND PROCUREMENT SERVICES	85%
EP JORDANIA	Engineering Services and Project Execution	50%	UTE INITEC/TR SAIH RAWL	ENGINEERING AND PROCUREMENT SERVICES	15%
TR KUWAIT BRANCH	ENGINEERING AND PROCUREMENT SERVICES	100%	UTE TR Altamarca C. Viña	ENGINEERING AND PROCUREMENT SERVICES	100%
TR FINLAND	ENGINEERING AND PROCUREMENT SERVICES	100%	UTE TR/Duro F. CTCC Besós	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE Ju'aymah GPE	ENGINEERING AND PROCUREMENT SERVICES	15%	UTE PEIRAO XXI	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE INITEC/TR RKF ARGELIA	ENGINEERING AND PROCUREMENT SERVICES	15%	UTE TR/GEA 21 COL.PLUVIA	ENGINEERING AND PROCUREMENT SERVICES	80%
UTE TFT ARGELIA	ENGINEERING AND PROCUREMENT SERVICES	15%	UTE PERELLÓ	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE INITEC/TR PISCINA HO	ENGINEERING AND PROCUREMENT SERVICES	85%	UTE TSK TR ASHUGANJ NORTH	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE TR/IN CONS.COMPL.VIÑA	ENGINEERING AND PROCUREMENT SERVICES	85%	UTE TR JJC	ENGINEERING AND PROCUREMENT SERVICES	51%
UTE INITEC P.I./TR Mejill	ENGINEERING AND PROCUREMENT SERVICES	15%	UTE TR/ SGS PISTA 18R	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE TR/IPI Refi. de Sines	ENGINEERING AND PROCUREMENT SERVICES	85%	UTE TR PHB JORDAN	ENGINEERING AND PROCUREMENT SERVICES	50%
Jv TR-WISON	ENGINEERING AND PROCUREMENT SERVICES	70%	UTE ELORRIO-ELORRIO	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE ALQUILACION CHILE	ENGINEERING AND PROCUREMENT SERVICES	15%	SAMSUNG-TR JOINT VENTURE	ENGINEERING AND PROCUREMENT SERVICES	29%
TR ABU DHABI	ENGINEERING AND PROCUREMENT SERVICES	15%	TR OMAN BRANCH	ENGINEERING AND PROCUREMENT SERVICES	100%
TRSA INDIA 37007	ENGINEERING AND PROCUREMENT SERVICES	100%	UTE HPP Gepesa	ENGINEERING AND PROCUREMENT SERVICES	60%
UTE TR TSK SAN LUIS	ENGINEERING AND PROCUREMENT SERVICES	50%	UTE TR TSK CC.GÓNZORTEGA	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE TR TSK C.C. MÉRIDA	ENGINEERING AND PROCUREMENT SERVICES	50%	UTE TR TSK CC. VALLADOLID	ENGINEERING AND PROCUREMENT SERVICES	50%

2021

TÉCNICAS REUNIDAS, S.A.

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

Name	Business activity	% ownership	Name	Business activity	% ownership
UTE TR JUBAIL	ENGINEERING AND PROCUREMENT SERVICES	85%	UTE TSGI	ENGINEERING AND PROCUREMENT SERVICES	33%
UTE TR RUP	ENGINEERING AND PROCUREMENT SERVICES	80%	TR MOSCU BRANCH	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE EP SINES	ENGINEERING AND PROCUREMENT SERVICES	80%	TECNICAS REUNIDAS FR BR.	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE TR YANBU REFINERY	ENGINEERING AND PROCUREMENT SERVICES	80%	JV DARSAIT	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE TR-IPI ABU DHABI SHAH	ENGINEERING AND PROCUREMENT SERVICES	15%	JV SOHAR	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE TR-IPI TANQUE MEJILLO	ENGINEERING AND PROCUREMENT SERVICES	15%	TR QATAR	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE TR DUFI HUNGRIA	ENGINEERING AND PROCUREMENT SERVICES	85%	JV RAILWAY	Engineering Services and Project Execution	34%
UTE PERLA	ENGINEERING AND PROCUREMENT SERVICES	15%	JV KUWAIT	ENGINEERING AND PROCUREMENT SERVICES	50%
UTE VOLGOGRAD	ENGINEERING AND PROCUREMENT SERVICES	15%	TRSA INDIA 33059	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE INTEGRATED PROJECT	ENGINEERING AND PROCUREMENT SERVICES	65%	TRSA INDIA 33065	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE TR JRTP JAZAN	ENGINEERING AND PROCUREMENT SERVICES	85%	TRSA INDIA 33117	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE TR TALARA	ENGINEERING AND PROCUREMENT SERVICES	85%	TR BRANCH AZERBAIJAN	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE TR OPTARA	ENGINEERING AND PROCUREMENT SERVICES	85%	UTE TR HARADH GAS COMPES	ENGINEERING AND PROCUREMENT SERVICES	30%
UTE STURGEON	ENGINEERING AND PROCUREMENT SERVICES	15%	UTE BU HASA	ENGINEERING AND PROCUREMENT SERVICES	15%
UTE TR INTEGRATED GAS	ENGINEERING AND PROCUREMENT SERVICES	85%	UTE TR ADGAS	ENGINEERING AND PROCUREMENT SERVICES	15%
UTE FORT HILLS	ENGINEERING AND PROCUREMENT SERVICES	50%	TRD DUQUM PROJECT	ENGINEERING AND PROCUREMENT SERVICES	65%
UTE TR MINATITLAN	ENGINEERING AND PROCUREMENT SERVICES	75%	TR SHARJAH	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE IGD	ENGINEERING AND PROCUREMENT SERVICES	15%	UTE TR BALONGAN	ENGINEERING AND PROCUREMENT SERVICES	85%
UTE TR ETO	ENGINEERING AND PROCUREMENT SERVICES	85%	UTE MARJAN	ENGINEERING AND PROCUREMENT SERVICES	45%
UTE FAHDILI	ENGINEERING AND PROCUREMENT SERVICES	50%	UTE TR NEC	ENGINEERING AND PROCUREMENT SERVICES	85%
UTE TR NAPHTHA RT	ENGINEERING AND PROCUREMENT SERVICES	70%	UTE TR JURONG	ENGINEERING AND PROCUREMENT SERVICES	85%
TR SINGAPORE	ENGINEERING AND PROCUREMENT SERVICES	100%	EP UTE HASSI Mesaoud	ENGINEERING AND PROCUREMENT SERVICES	100%
UTE TR MERCURY	ENGINEERING AND PROCUREMENT SERVICES	85%	UTE HASSI Mesaoud	ENGINEERING AND PROCUREMENT SERVICES	55%

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. Over the course of 2022, invoicing bounced back to EUR 2.42 billion

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 in the Group. 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 50%, from EUR 1,609 million in 2021 to EUR 2,417 million. The operating earnings were EUR 5.6 million and the net result amounted to EUR 3 million in profits.

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 negative net cash position of (EUR 320 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

 HALOMETTM 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 CO2 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 considered to be the top executive at the Company by virtue of Article 28 of the bylaws.

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

- The execution of the treasury share policy within the framework of the 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	102	108
Ratio of transactions paid	96	93
Ratio of transactions not yet settled	119	133

	Thousands of euros	
	2022	2021
Total payments made	1,297,802	1,044,485
Total payments pending	406,830	445,758

These figures relate to projects in multiple regions. With respect to Spanish suppliers, the Company 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 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	21,053
Percentage of the total number of supplier invoices	56%

Volume (thousands of euros)	2022
Invoices paid prior to compliance with the maximum legal period for payment to suppliers	440,696
Percentage of the total number of supplier invoices	34%

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 20)

Also after year-end, the Company's Board approved a new remuneration plan for share rights of the Company (the 'Plan') granted to the Company'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 maintain ownership of these shares for no less than 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 Company’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 7 to the financial statements.

Non-financial information of the Técnicas Reunidas Group, to which the Company belongs:

In accordance with Spanish Law 11/2018, of 28 December, and by virtue of the new wording of section 262(5) of the Commercial Code, the Company is not required to present the Non-Financial Reporting Statement, as this information is included in the Consolidated Management Report of the Técnicas Reunidas Group, the head of which is Técnicas Reunidas, S.A., and that will be filed, together with the Consolidated Financial Statements, with the Commercial Register of Madrid.

Corporate Governance Report and Directors Remuneration Report

The 2021 Annual Corporate Governance Report and Directors Remuneration Report of Técnicas Reunidas forms part of the Management Report and, from the date of publication of the annual financial statements, are available on the website of the National Securities Market Commission and on the website of Técnicas Reunidas S.A.